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DOCUMENT DESCRIPTION: Consolidated Balance Sheet - Charter Consolidated Ltd. and its Subsidiary Companies [Legal - Tibbs Case Exhibit 59]

Consolidated Balance Sheet

31 March 1975

CHARTER CONSOLIDATED LIMITED AND ITS SUBSIDIARY COMPANIES

	1975 £000s	1974 £000s
Fixed assets (<i>note 9</i>)		
Exploration and development expenditure	36,668	30,075
Investments (<i>note 10</i>)	4,442	4,069
	199,393	184,410
Current assets		
Stocks and work in progress	24,727	16,804
Debtors	32,185	26,061
Short term loans and deposits	27,563	29,673
Bank and cash balances	1,489	1,083
	85,964	73,621
Current liabilities		
Associated companies' and other deposit accounts	9,514	6,541
Bank loans and overdrafts	16,690	8,293
Creditors	42,821	25,099
Taxation	3,521	5,266
Proposed final dividend	4,149	3,891
	76,695	49,090
Net current assets	9,269	24,531
Total net assets	249,772	243,085
Financed by:		
Issued capital (<i>note 11</i>)	26,201	26,201
Share premium account (<i>note 12</i>)	30,624	30,620
Reserves (<i>note 13</i>)	140,725	138,075
Total capital and reserves	197,550	194,896
Investment and other grants	947	1,098
Minority interest	7,843	7,608
Long term indebtedness (<i>note 14</i>)	42,172	39,797
Deferred taxation (<i>note 15</i>)	1,260	(314)
	249,772	243,085

S. SPIRO
Chairman
M. B. HOFMEYR
Managing Director

Directors

For the accounting policies see pages 18 and 19. For notes on the accounts see pages 23 to 30.

Consolidated Profit and Loss Account

Year ended 31 March 1975

CHARTER CONSOLIDATED LIMITED AND ITS SUBSIDIARY COMPANIES

	1975		1974	
	£000s	£000s	£000s	£000s
Income from investments (<i>note 1</i>)				
Associated companies (<i>note 2</i>)	4,145		2,919	
Other investments	13,554		10,335	
		17,699		13,254
Surplus on realizations of investments				
less amounts written off		2,124		4,309
Interest received		5,022		4,305
Trading profit (<i>note 4</i>)		6,566		7,198
		31,411		29,066
<i>Deduct:</i>				
Administration and technical expenditure (<i>note 4</i>)	1,129		1,001	
Directors' emoluments (<i>note 5</i>)	204		171	
Prospecting expenditure	2,163		919	
Interest paid (<i>note 3</i>)	5,780		3,978	
Auditors' remuneration (parent company — £7,000; 1974 — £4,500)	164		123	
		9,440		6,192
		21,971		22,874
<i>Add:</i>				
Group share of retained profits less losses of associated companies (<i>note 2</i>)		5,965		3,109
Profit before taxation		27,936		25,983
Taxation (<i>note 7</i>)		9,869		9,076
Profit after taxation and before extraordinary items		18,067		16,907
<i>Deduct:</i>				
Interest of outside shareholders in profits of subsidiaries	899		982	
Pre-acquisition loss (1974 — profit)	(38)		34	
		861		1,016
Attributable to Charter		17,206		15,891
Earnings per share 16.42p (1974 — 15.16p) (<i>note 6</i>)				
Dividends				
Interim dividend of 2.25p per share (1974 — 2p) paid on 3 January 1975	2,358		2,096	
Proposed final dividend of 3.3366p per share (1974 — 3.71371p) payable on or about 18 July 1975	4,149		3,891	
		6,507		5,987
Profit of the year retained before extraordinary items		10,699		9,904
Extraordinary items (<i>note 8</i>)		(8,333)		846
Retained profit transferred to reserves (<i>note 13</i>)		2,366		10,750
Profit of the year after extraordinary items totalled £8,873,000 (1974 — £16,737,000)				

For the accounting policies see pages 18 and 19. For notes on the accounts see pages 23 to 30.

CHARTER CONSOLIDATED LIMITED

Report and Accounts
Year ended 31 March 1975

Notice of Meeting

NOTICE IS HEREBY GIVEN that the tenth annual general meeting of members of Charter Consolidated Limited will be held at Winchester House, 100 Old Broad Street, London EC2N 1BU, on Tuesday 15 July 1975 at 12 noon for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

1. 'That the consolidated profit and loss account for the year ended 31 March 1975 and the balance sheet of the company and the consolidated balance sheet at that date, together with the annexed report of the directors, be and are hereby approved and adopted'
2. 'That the final dividend of 3.95966p per share for the year ended 31 March 1975 recommended by the board of directors be and is hereby approved for payment to shareholders registered at the close of

business on 13 June 1975 and to persons presenting coupon no. 20 detached from share warrants to bearer'

3. 'That the following be and are hereby reappointed directors of the company:

Mr P. C. D. Burnell

Mr H. F. Oppenheimer

Mr W. D. Wilson

Mr J. E. H. Collins'

These appointments will be dealt with in one resolution unless any member present or represented at the meeting requires otherwise.

4. 'That the remuneration of the joint auditors for the period until the next annual general meeting be fixed by the board of directors'

The transfer books and registers of members in the United Kingdom, the Republic of South Africa, and Rhodesia

will be closed from 12 to 15 July 1975, both days inclusive.

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.

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at any general meeting of the company must comply with the relevant conditions governing share warrants to bearer (see page 48).

by order of the board

D. S. BOOTH

secretary

40 Holborn Viaduct
London EC1P 1AJ

19 June 1975

NOTES

1. Holders of loan stock are reminded that only shareholders are entitled to attend and vote at the meeting.
2. To be valid the form of proxy must reach the company at PO Box 102, Charter House, Park Street, Ashford, Kent TN21 2BR, not less than 48 hours before the meeting.

3. There are no directors' service contracts required by The Stock Exchange to be made available for inspection at the meeting.

INTRODUCTION

Charter Consolidated is a United Kingdom mining finance company operating internationally and having assets valued, on 31 March 1975, at £302 million.

Its mining investments include interests in gold, copper, diamonds, platinum, potash, coal, iron ore, lead, nickel, silver, tin, uranium, wolfram, and zinc. Many of these interests arise indirectly from holdings in other mining finance companies, such as Anglo American Corporation of South Africa, Anglo American Investment Trust, Minerals and Resources Corporation, The Rio Tinto-Zinc Corporation, Selection Trust, and Union Corporation. Charter also provides administrative, technical, and other services to a number of mining operations, including Cleveland Potash in the United Kingdom, the Tronoh group of tin mines in Malaysia, Beralit Tin and Wolfram in Portugal, and the SMTF copper project in Zaire.

Charter's principal industrial activity is the manufacture of products for the building and automotive industries through its subsidiary Cape Industries. The other industrial subsidiaries manufacture rail fastening clips for railways throughout the world and domestic and industrial heating appliances.

Charter has a close association with the Anglo American Corporation group. The services of a single technical organization are shared by both groups, and the two operate in partnership in the development of mining and other ventures in various parts of the world.

Directorate and Administration

Chairman
S. Spiro, MC*

Deputy Chairman
Sir Philip Oppenheimer*

Managing Director
M. B. Hofmeyr*

Directors
F. S. Berning*
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
N. K. Kinkead-Weekes*
H. F. Oppenheimer
B. W. Pain*
G. W. H. Relly
J. G. Richardson*
M. W. Stephenson
L. G. Stopford Sackville*
M. W. Thomas
W. D. Wilson

Alternate Directors
R. J. Armitage
P. G. Hatch
M. W. B. Heald
A. E. Oppenheimer
A. J. W. Owston

Managers
R. J. Armitage
P. C. D. Burnell
P. G. Hatch
M. W. B. Heald
A. J. W. Owston

Secretary
D. S. Booth

Treasurer
S. W. Parks

Chief Economist
L. L. C. Smets

Personnel Controller
H. Holmes, MBE

Public Relations Consultant
L. J. Burke

Director responsible for technical services
M. W. Stephenson

Consulting Engineers
K. C. G. Heath
T. Lee-Jones
H. J. Stucke

Assistant Consulting Engineer
A. Smith

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

Consulting Metallurgist
A. K. Chant

Consulting Geologists
Dr F. W. D. Cornwall
Dr J. F. Osten

**Members of Executive Committee*

Report of the Directors

The directors have pleasure in submitting their tenth annual report, with the audited accounts, for the year ended 31 March 1975.

Financial results

The following are the salient features from the consolidated profit and loss account for the year ended 31 March 1975.

	1975	1974
	£000s	£000s
Consolidated profit before taxation	27,936	25,983
<i>Deduct:</i>		
Taxation	9,869	9,076
Interest of outside shareholders	861	1,016
	<u>10,730</u>	<u>10,092</u>
Earnings attributable	17,206	15,891
Appropriations		
Dividends:		
Interim of 2.25p per share paid on 3 January 1975	2,358	2,096
Recommended final of 3.95966p per share payable on or about 18 July 1975	4,149	3,891
	<u>6,507</u>	<u>5,987</u>
Profit for the year retained	10,699	9,904
Extraordinary items	(8,333)	846
	<u>2,366</u>	<u>10,750</u>

Charter's earnings, after taxation and excluding extraordinary items, showed a substantial increase at £17,206,000, equivalent to 16.42p per share, compared with £15,891,000 or 15.16p per share last year.

The board has recommended a final dividend of 3.95966p per share which with the interim dividend

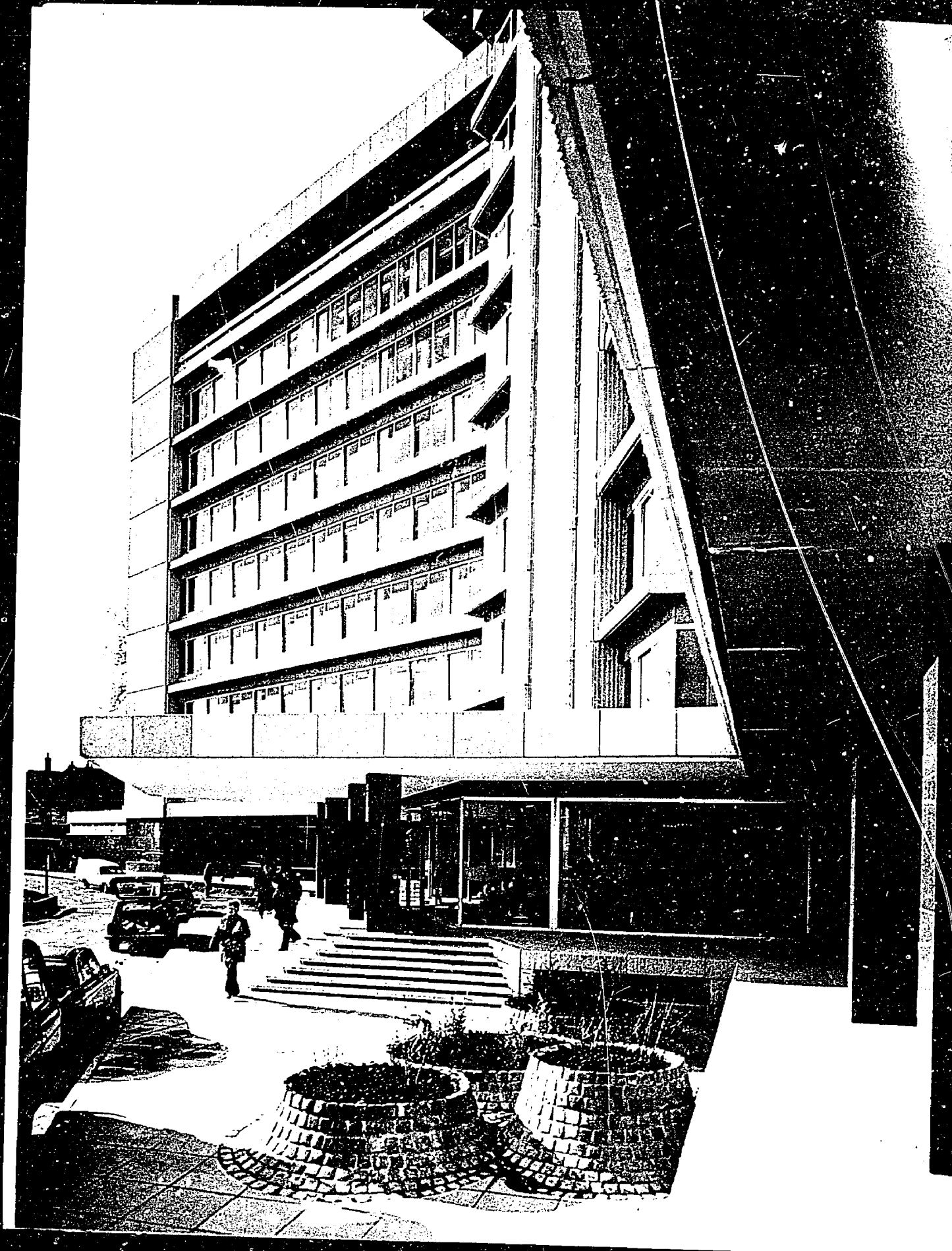
of 2.25p per share makes a total for the year of 6.20966p per share (1974: 5.71371p per share). The dividends, together with the associated tax credit of 3.24034p per share, represent the maximum distribution which can be made under the counter-inflation legislation.

Investment income rose by one third to £17,699,000 from £13,254,000. This reflects increased earnings from Charter's direct and indirect gold mining interests (the latter through higher dividends from Anglo American Corporation of South Africa Limited and Union Corporation Limited), as well as substantially larger dividends from tin mining and diamond interests and from the provision of technical and metal marketing services.

The retained earnings of associated companies were similarly improved, and the amount attributable to Charter and incorporated in Charter's profit and loss account was £5,965,000, compared with £3,109,000. In addition to greater retained earnings from tin mining, Minerals and Resources Corporation Limited (MINORCO) – formerly Zambian Anglo American Limited – and Beralt Tin and Wolfram Limited achieved better results due to the higher copper and wolfram prices respectively prevailing in the relative accounting periods. The operating loss from Société Minière de Mauritanie (SOMIMA) has not had to be taken into account this year consequent upon the disposal of Charter's entire interest in the company.

Apart from gold mining shares, stock markets generally suffered a sharp decline in 1974 due to recession and the adverse economic and industrial conditions affecting the United Kingdom in particular. In the circumstances the reduced profit on realizations of £2,124,000 can be regarded as satisfactory.

Some improvement in market prices occurred in the first quarter of this year, and the value of Charter's net assets at 31 March 1975, taking listed investments at market value and unlisted at directors' valuation,



amounted to £302,020,000, equivalent to 288p per share (1974: 345p).

Charter's industrial subsidiaries suffered unfavourable business conditions in 1974, and trading profits fell from £7,198,000 to £6,566,000.

The taxation charge increased from £9,076,000 to £9,869,000, which includes a provision for taxation deferred of £1,052,000. The higher charge reflects taxation attributable to Charter's share of the retained profits of associates, the charge on group income showing a small decrease of £630,000.

Prospecting expenditure increased this year to £2,163,000 from £919,000, representing largely Charter's share of the cost of the exploration well for hydrocarbons sunk on block 210/19 in the North Sea.

The shortfall in the net amount of interest paid over interest received is mainly accounted for by the increased cost of borrowings by Cape Industries Limited.

Extraordinary items show a net deficit of £8,333,000. The writing off of the balance of the investment in SOMIMA, together with Charter's share of liabilities to provide for the repayment of loans to SOMIMA, absorbed £11,408,000. The fall in the exchange rate of sterling required £3,230,000 to be provided against the conversion of monetary assets and liabilities held in foreign currencies.

Against these amounts a credit of £6,057,000 was attributable to Charter through the surplus in the value of the compensation received for assets transferred by MINORCO over their original written down cost.

Operations and investments

CLEVELAND POTASH

Cleveland Potash Limited, the major deep level mining project in Yorkshire owned jointly by Charter and associates and Imperial Chemical Industries Limited, continued production of potash during the year while further development of the mine and facilities was being carried on, but the scale of production was limited owing to lack of hoisting capacity. This problem will be overcome shortly when the second shaft becomes fully operational, but because of delays

that have occurred the planned annual rate of production will not now be achieved until 1976. The exceptional rates of cost inflation, combined with the delays in completion, have increased the project cost to £47 million. To replace temporary bridging loans and to finance additional expenditure, a medium term loan of £18 million has been obtained from Barclays Bank Limited, in addition to overdraft facilities.

The potash price, which has shown a marked upward trend in recent years, is expected to remain firm, and no difficulties are foreseen in the marketing of the full production.

MALAYSIAN TIN

Charter's principal tin mining interests are held through the Tronoh group of companies, comprising Tronoh Mines Limited, Bidor Malaya Tin Sendirian Berhad, Ayer Hitam Tin Dredging Limited, and The Sungei Besi Mines Limited.

Profits of these companies showed satisfactory increases in 1974, mainly as a result of the higher tin prices prevailing. The production of concentrates is sold entirely in Penang, and the average price quoted on the South-east Asian exchanges was the equivalent of £3,367 per metric ton in 1974, compared with £1,910 in 1973. Nonetheless, technical improvements and innovations have also played a significant part in the performance of the group as regards both production and costs. For the first three months of 1975 the tin price has averaged £2,996 per metric ton.

Tronoh and its subsidiary companies produced a total of 3,077 metric tons of tin concentrates in 1974, compared with 2,748 metric tons the previous year, and earnings increased from £423,000 to £1,533,000.

Production at Ayer Hitam fell from 3,525 to 2,636 metric tons in consequence of the lower grade of ground mined, but this was more than offset by the higher price, and profit for the year to 30 June 1974 was £1,026,000, compared with £691,000 for the previous year.

Sungei Besi's profits increased substantially in its year to March 1974, and although production in the current year has fallen profits have again improved.

Detailed feasibility work has continued on the major tin discovery made by Charter and Tronoh in the state of Selangor. Extensive reserves of recoverable tin have been indicated, and this joint venture with Selangor State Development Corporation in which Charter has a 36 per cent direct interest could become an important tin producer.

HAW PAR

As a logical extension of its interests in South-east Asia, Charter purchased last year, at a cost of £5.1 million, a 13 per cent shareholding in Haw Par Brothers International Limited. Haw Par has extensive trading, property, plantation, and other interests in South-east Asia, together with a 29 per cent holding in London Tin Corporation Limited.

Arrangements have recently been announced whereby Haw Par would issue new shares, representing some 40 per cent of its increased capital, to the principal investment agency of the Malaysian government, PERNAS, in exchange for the acquisition of a company having assets largely complementary to those already held, including just over 20 per cent of the share capital of London Tin, which thereby becomes a subsidiary of Haw Par. In consequence, Charter's interest in Haw Par will drop to some eight per cent.

The entering into partnership with the Malaysian government and the expansion of its assets are regarded as likely to be in the best interests of shareholders of Haw Par as a whole. Charter will continue to be represented on the boards of both Haw Par and London Tin.

BERALT TIN AND WOLFRAM

The operations of Beralt Tin and Wolfram Limited in Portugal are carried on by a Portuguese subsidiary of which 80.5 per cent is owned by Beralt and the balance, through the nationalization of the banks, is now under the control of the government.

The market for wolfram was much stronger in 1974, and this enabled the whole of the stockpile of wolfram concentrates, accumulated when prices were low, to be disposed of, as well as the major part of production

for the year which at 1,827 metric tons was similar to that of the previous year. A total of 3,032 metric tons of concentrates was sold against 1,409 metric tons in 1973, and as a result of these large sales at high prices a profit before tax was achieved of £3,066,000, compared with a loss of £115,000 in 1973.

The operating subsidiary has declared a dividend, of which Beralt's share, after providing for Portuguese withholding taxes, would amount at current exchange rates to just over £1 million before United Kingdom taxation. Permission for the remittance of the dividend to the United Kingdom has, however, not yet been granted by the Portuguese authorities.

Every effort has been made to contain costs and improve efficiencies at the mine, but the effects of inflation have borne heavily on operations, and in the unsettled conditions in Portugal there has been a series of wage claims throughout the year with the result that labour costs have increased by over 80 per cent.

The new government in Portugal has declared an intention to participate to a greater extent in commerce and industry, including mining, and to promote industrial development, but no specific proposals have so far been made relating to the mine.

SOCIETE MINIERE DE MAURITANIE (SOMIMA)

Serious problems were encountered in the early years by SOMIMA in the mechanical operation of the processing plant due to the difficult climatic conditions prevailing in the desert and on account of the special characteristics of the mineral. These problems were, however, overcome and a consistent rate of production achieved, but the increase over the originally estimated capital cost of the project gave rise to much greater financing charges which were aggravated by the very high interest rates prevailing. The increased costs resulting from inflation and more especially the quadrupling of the price of oil by the OPEC countries in 1973 had a most severe effect on the relatively small operations of the company, since the recovery of copper and the production of concentrates from the refractory oxide ores forming the upper part of the deposit involves the consumption of large quantities

of fuel. The world market for copper is largely for metal in a refined form, and SOMIMA suffered an additional disadvantage in having to carry the burden of high financing charges while its concentrates were transported to and treated by such overseas smelters as had the available capacity and ability to handle them satisfactorily.

The major decline in the copper price from the level of £1,400 in April 1974 to about £550 had a most dramatic and serious effect on the company, causing sales proceeds to fall far below what was needed to meet production costs and debt service.

In the knowledge that the winning of the copper from the substantial reserves of sulphide ore occurring deeper down in the deposit below the oxides would be much less expensive and likely to be of economic potential, and in the desire to maintain employment, the government of Mauritania was determined that the operation should be maintained. To fall in with the wishes of the government and to avoid the heavy expenditure and very serious hardship that a closing down would have involved, Charter agreed to contribute with the Mauritanian government additional loan finance to meet current payments so as to keep the operation going and allow time for the government to make arrangements for a long term solution.

An agreement has since been entered into with the Mauritanian government whereby the Mauritanian state mining organization has taken over the share capital and liabilities of the company and will continue to operate the mine. In conjunction with other shareholders, Charter was called upon to meet its liabilities as guarantor of certain of SOMIMA's loans at a cost of £8.7 million, and was obliged to accept as a loss loans totalling £2.7 million made between September 1974 and January 1975. These amounts have been written off.

In the interests of all concerned it is believed that this ultimate outcome was the best attainable in the circumstances.

SOCIETE MINIERE DE TENKE-FUNGURUME

Design engineering, construction work, and site development have proceeded on the Tenke-Fungurume project in Zaire which is planned to produce

130,000 metric tons of refined copper and an average of 6,500 metric tons of cobalt per annum from established ore reserves estimated at 51 million metric tons containing 5.7 per cent copper and 0.45 per cent cobalt.

Consequent upon the exceptional escalation in costs which has taken place affecting capital goods in particular, the revised capital estimates for the project, after allowing for inflation during the construction period and providing for contingencies, indicate a total cost of \$660 million. Working capital amounting to \$50 million will be required additionally as production commences in order to finance inventories, but this should be obtainable as short term credit facilities against stocks of copper in the pipeline.

The financing scheme contemplates that \$235 million will be contributed by shareholders in the form of equity and shareholders' advances, and the balance of \$425 million in export credit finance and loans from commercial banks.

Preliminary undertakings have been received for export credit guarantee cover for purchases up to a total just in excess of \$200 million from the United States (Export-Import Bank), France (COFACE), Canada, and the United Kingdom, and negotiations are well advanced for the raising of the balance in the form of eurodollar credits from a syndicate of banks under the leadership of Chase Manhattan. Owing to the complicated and international nature of the project finance, involving many considerations and aspects both political and commercial, negotiation of the detailed terms and drafting of the relevant legal documents has been a lengthy process. The scheme envisages undertakings from the private shareholders to complete the project to certain production standards and to provide any additional finance that may be required. Until completion is achieved, shareholders will be responsible for the service of the third party debt, and they will be required to guarantee a minimum price for the copper produced.

Charter will provide administrative and technical services, and Fluor Utah Inc., a United States company, has been appointed principal contractor respon-



sible for engineering and process plant construction. In order to achieve the earliest production date, which is now estimated to be in the second quarter of 1978, it has been necessary to pursue construction activities and to place orders for plant and equipment. Considerable progress has thus already been made, and the first houses for personnel at Fungurume have been completed. Expenditure of \$110 million has been incurred, and pending finalization of the financing arrangements this has been provided by shareholders directly or under guarantee.

PROSPECTING AND OIL EXPLORATION

Although the attitude of the Australian authorities is inhibiting to foreign investors, the Anglo American Corporation group, including Charter, continued prospecting and other activities in Australia and adjacent areas in the Pacific. An assessment was made of the small gold and antimony mining project of Blue Spec in Western Australia and a decision taken to go ahead. Mining is expected to begin in 1976.

Charter either directly or indirectly through associated companies continued prospecting work in other parts of the world, in particular in South-east Asia, South and Central America, Spain, and Ireland.

Charter has a 25 per cent interest in a consortium with Home Oil of Canada Limited as the operator which has licences over two blocks in the United Kingdom sector of the North Sea. Drilling of an exploratory well in the northern block 210/19 was completed without any significant showings of hydrocarbons. The geological results obtained are under study, and consideration is being given to the sinking of a further well on this block.

CAPE INDUSTRIES

Charter's principal industrial subsidiary, Cape Industries Limited (formerly The Cape Asbestos Company Limited), achieved a substantial increase in turnover from £69,767,000 to £81,278,000. Pre-tax profit, however, fell from £5,056,000 last year to £4,004,000. This reduction is largely due to the increased costs of production and higher financing costs in the United Kingdom, which cannot be fully recovered under

present legislation, and to technical problems which persisted at the company's amosite mines in South Africa. African wages, which were raised by over 90 per cent in 1974, are now running at three times the rate paid in 1971.

Demand for the company's building and insulation products remained strong, but the market in industrial and agricultural buildings is likely to be depressed in 1975. The need for energy conservation and higher insulation standards should lead to the continuation of active trading conditions in the insulation business, in which Cape is in the forefront. The acquisition by Cape Contracts Limited of the insulation contracting subsidiary of Turner & Newall Limited has strengthened Cape's capacity and range of competitiveness as a contractor.

In the field of friction materials and automotive products some progress has been made in improving productivity and efficiencies. There has been a marked fall in demand for original automotive equipment in the United Kingdom, but Cape is well placed to compete in replacement and export markets.

Cape plays a leading part in research into health hazards associated with asbestos, and will continue its efforts to ensure that its products are made and used safely and efficiently.

ELASTIC RAIL SPIKE AND HEATRAE GROUPS

Although, in common with United Kingdom industry generally, the sales of the Elastic Rail Spike and Heatrae groups in terms of money were greater last year, the price increases permitted in the United Kingdom did not cover the substantial cost increases affecting all materials and services, and profits of the two groups before tax fell from £1,250,000 to £800,000.

Elastic Rail Spike has a substantial export business, and profits were only slightly below the peak achieved in 1973. Production in the United Kingdom and Australia was affected by limited availability of low alloy steel, but this has now eased. The rail fastenings manufactured by the group are achieving increasing acceptance by railway systems abroad, and continued growth of exports is expected. A new sub-

subsidiary in Canada commenced production in May 1975, and attention has been turned to the United States, where the long term sales potential is considerable. The subsidiary in Australia and associated company in South Africa will both benefit from the track modernization and extension programmes in their territories.

The volume of sales of the Heatrae group, which are made largely in the United Kingdom market, also declined sharply during the latter months of 1974, dropping by some 15 per cent and reducing profits materially.

Charter's offer for Sadia Limited – a company with activities similar to those of Heatrae group – which had been suspended for investigation by the Monopolies and Mergers Commission, was renewed after clearance by the commission and proved to be successful. The Heatrae and Sadia groups have now been merged and reorganized to achieve operational advantages.

MINERALS AND RESOURCES CORPORATION (MINORCO)

With the object of developing as a major international finance company in the natural resources field, Anglo American Limited carried out in 1974 an important expansion and diversification of its business and, in order to reflect more accurately its new role, changed its name to Minerals and Resources Corporation Limited (MINORCO). Through the issue of 'A' ordinary shares, it increased its holding in Engelhard Minerals & Chemicals Corporation to 30 per cent and acquired certain other interests, thereby raising the value of its assets by US\$145 million.

The year 1974 was the most successful in the history of Engelhard Minerals & Chemicals. Earnings at US\$110 million were double those of 1973, itself a record year, and the dividend was increased by 27 cents to 70 cents a share.

MINORCO also acquired at a cost of US\$48 million 43 per cent in Trend Exploration Limited, an oil and gas exploration company which owns producing oil wells in the United States and Canada and has been responsible for the discovery and establishment of a new oil field in Irian Jaya, Indonesia. Gross production from

this field in 1974 reached a peak of 50,000 barrels a day. With the addition of new wells and increased production facilities, sales in 1975 are expected to increase to 100,000 barrels per day. The balance of the equity of Trend is held by a subsidiary of Hudson Bay Mining and Smelting Co. Limited.

The expansion of its asset base creating a much wider geographical and commodity spread should enable MINORCO to participate in the development of important mineral and metal projects and generally enhance its capacity and potential for large scale business in the future. In particular, it is proposed that the company should play a major part in new business of the Anglo American Corporation and Charter groups in areas which are not covered by their regional companies. Charter has an effective interest of 20 per cent in the enlarged MINORCO, compared with its 23.5 per cent interest before the expansion.

ANGLO AMERICAN CORPORATION OF CANADA

Charter has 25 per cent of Anglo American Corporation of Canada Limited (AMCAN), the major asset of which is 36 per cent of Hudson Bay Mining and Smelting Co. Limited. Although the copper/zinc mining operations at Flin Flon remain an important activity of Hudson Bay, the company has recently diversified into a more broadly based international resources organization. In 1974 the proportion of earnings from base metals accounted for only 44 per cent of the total, compared with 80 per cent in 1973. The Sylvite of Canada potash division is operating at full capacity, and Hudson Bay has agreed to increase its interest from 31 per cent to 51 per cent in Terra Chemicals International Inc., an important United States manufacturer of fertilizers, crop production chemicals, and food ingredients, which is the major sales agent in the United States for the Sylvite potash production.

Hudson Bay and AMCAN have each acquired a one third interest in Lytton Minerals Limited, which holds a 48 per cent interest in a company formed with the Mexican government and private Mexican interests to develop the La Verde copper project, where ore reserves are estimated at 80 million tons grading 0.7 per cent copper, with some gold and silver.

In spite of the downturn in metal prices and sharply increased taxation, Hudson Bay's earnings amounted to C\$38.6 million in 1974, compared with C\$44.6 million in 1973. The consolidated net income of AMCAN, which in 1973 benefited from a net gain on realization of investments of C\$6.8 million, dropped from C\$21.7 million to C\$11.9 million.

Since the end of the year Hudson Bay has continued to pursue its policy of expansion and diversification, and an agreement has been entered into, subject to the necessary approvals being obtained, whereby Hudson Bay and MINORCO would subscribe for new shares representing 15.6 per cent and 10.4 per cent respectively of the capital of Inspiration Consolidated Copper Company, a United States company, at a cost of US\$31,450,000.

The principal business of Inspiration is the production and sale of copper from its operations in the state of Arizona, which include mines, smelter, refinery, and rod fabricating plant, and the production of sulphuric acid. The company has substantial reserves of copper ore which are capable of further development, and it plans also to enter the coal mining industry.

OFFICES

During the year, the company occupied its new office building, Charter House at Ashford in Kent, and progressively vacated the premises there which it had rented since 1967. Charter House, although built to a high specification, shows substantial savings in accommodation costs against comparable office space in London, while conditions at Ashford provide a more pleasant working environment for employees. The value of work completed at 31 March 1975 was £6,150,000 and includes provision of approximately 20 per cent capacity for expansion.

Work on the first stage of development of the two-acre site adjoining Charter House, which will include scope for provision of office development as well as a multi-storey car park and supermarket, is expected to commence in 1976.

Directorate

A list of the directors of the company is on page 4.

Mr P. C. D. Burnell was appointed a director on 3 June 1975. In accordance with the provisions of article 103 of the company's articles of association he holds office only until the forthcoming annual general meeting but offers himself for reappointment. Mr H. F. Oppenheimer, Mr W. D. Wilson, and Mr J. E. H. Collins retire by rotation in accordance with the provisions of article 99(1) of the articles of association and offer themselves for reappointment.

General information

The book value of the group's fixed assets increased from £30,075,000 to £36,668,000 during the year. Details are shown on page 26 in note 9 on the accounts. Movements on reserves are shown on page 28 in note 13 on the accounts.

During the year the company issued 1,267 fully paid shares of 25p each against conversion of £5,068 5 per cent convertible unsecured loan stock 1984. The issued share capital was thereby increased to £26,201,367.75 in 104,792,411 fully paid shares of 25p each and 326,500 partly paid shares of 25p each (1p paid up).

An analysis of investments and investment 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.

Auditors

Coopers & Lybrand and Deloitte & Co. will be re-appointed in accordance with the provisions of section 159(2) of the Companies Act 1948.

by order of the board

D. S. BOOTH
secretary

40 Holborn Viaduct
London EC1P 1AJ

3 June 1975

Ten Year Financial Record

CHARTER CONSOLIDATED LIMITED AND ITS SUBSIDIARY COMPANIES

EARNINGS

(year to 31 March)

	1975 £000s	1974 £000s	1973 £000s	1972 £000s	1971 £000s	1970 £000s	1969 £000s	1968 £000s	1967 £000s	1966 £000s
Income from investments	17,699	13,254	10,440	10,441	14,372	10,705	9,578	8,972	8,218	8,717
Surplus on realizations	2,124	4,309	4,034	3,445	1,104	5,343	3,041	2,253	1,619	1,200
Interest received less paid	(758)	327	(129)	222	(15)	(511)	125	539	777	1,216
Trading profit	6,566	7,198	5,716	4,442	3,704	4,499	839	871	834	518
	25,631	25,088	20,061	18,556	19,165	20,036	13,583	12,635	11,446	11,651
Deduct:										
administration and technical expenditure	1,497	1,295	944	901	999	1,237	1,349	1,283	1,135	1,216
prospecting expenditure*	2,163	919	602	778	769	—	—	—	—	—
	3,660	2,214	1,546	1,679	1,768	1,237	1,349	1,283	1,135	1,216
	21,971	22,874	18,515	16,871	17,397	18,799	12,234	11,352	10,313	10,435
Add: group share of retained profits less losses of associated companies*	5,965	3,109	(1,137)	774	2,803	—	—	—	—	—
Profit before taxation	27,936	25,983	17,378	17,645	20,200	18,799	12,234	11,352	10,313	10,435
Deduct: taxation	9,869	9,076	3,832	3,036	3,276	4,772	2,114	1,649	1,576	2,656
	18,067	16,907	13,546	14,609	16,924	14,027	10,120	9,703	8,737	7,779
Deduct: amount attributable to outside shareholders and pre-acquisition	861	1,016	1,103	673	556	1,029	—	—	—	—
Earnings attributable	17,206	15,891	12,443	13,936	16,368	12,998	10,120	9,703	8,737	7,779
Deduct: dividends paid	6,507	5,987	6,654	8,383	8,381	7,422	6,522	6,522	5,707	4,784 (net)
Retained	10,699	9,904	5,789	5,553	7,987	5,576	3,598	3,181	3,030	2,995
Earnings per share	16.42p	15.10p	11.87p	13.30p	15.84p††	13.13p	10.34p	9.92p	8.93p	7.96p (net)
Dividends per share	6.21p†	5.71p†	6.35p	8.00p	8.00p	7.50p	6.66p	6.66p	5.83p	4.90p (net)
Imputed tax credit per share**	3.24p†	2.69p†	1.65p	—	—	—	—	—	—	—
	9.45p†	8.40p†	8.00p	8.00p	8.00p	7.50p	6.66p	6.66p	5.83p	4.90p (net)

*items introduced in 1972 resulting from new accounting policies

**item 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

CHARTER CONSOLIDATED LIMITED AND ITS SUBSIDIARY COMPANIES

NET ASSETS

(at 31 March)

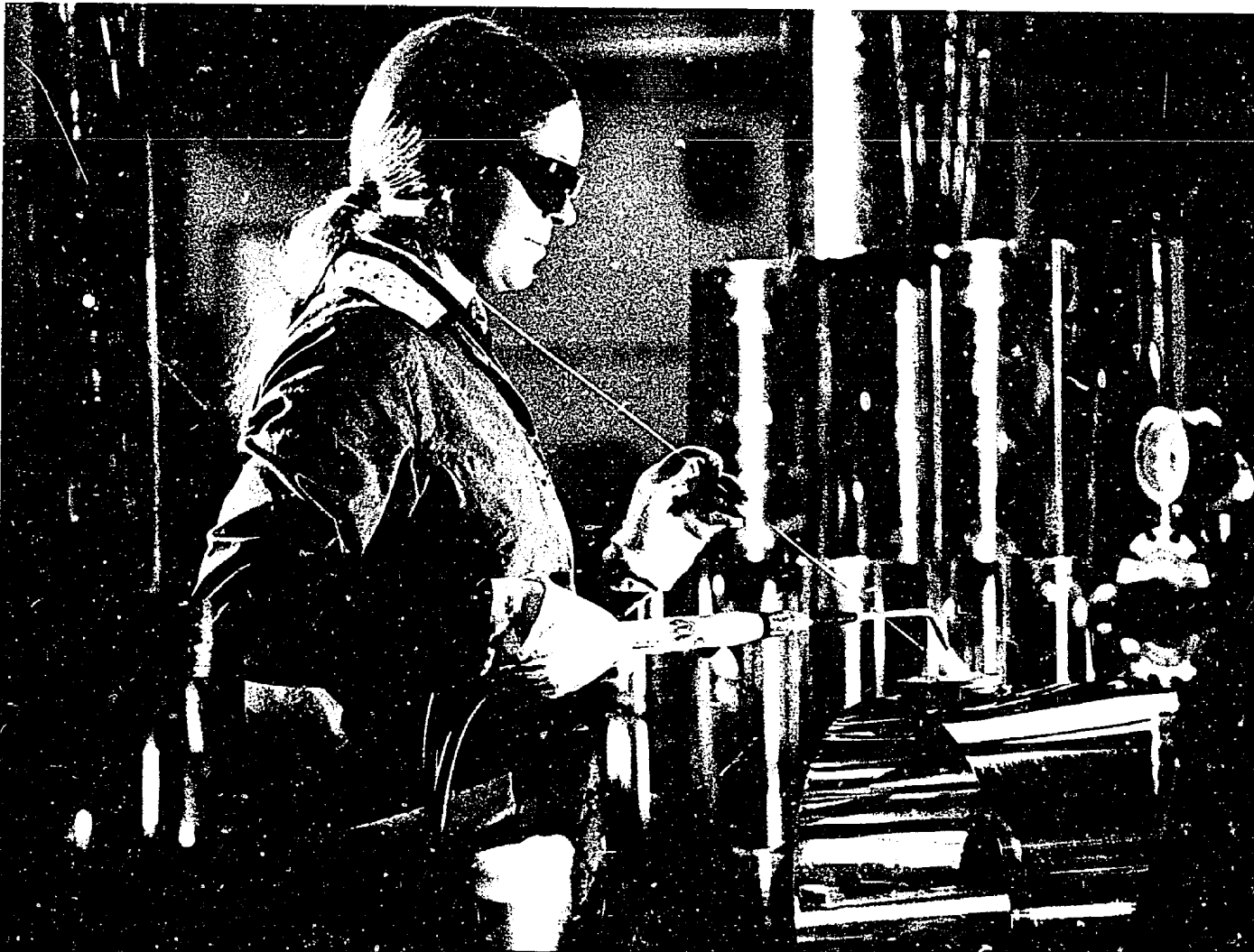
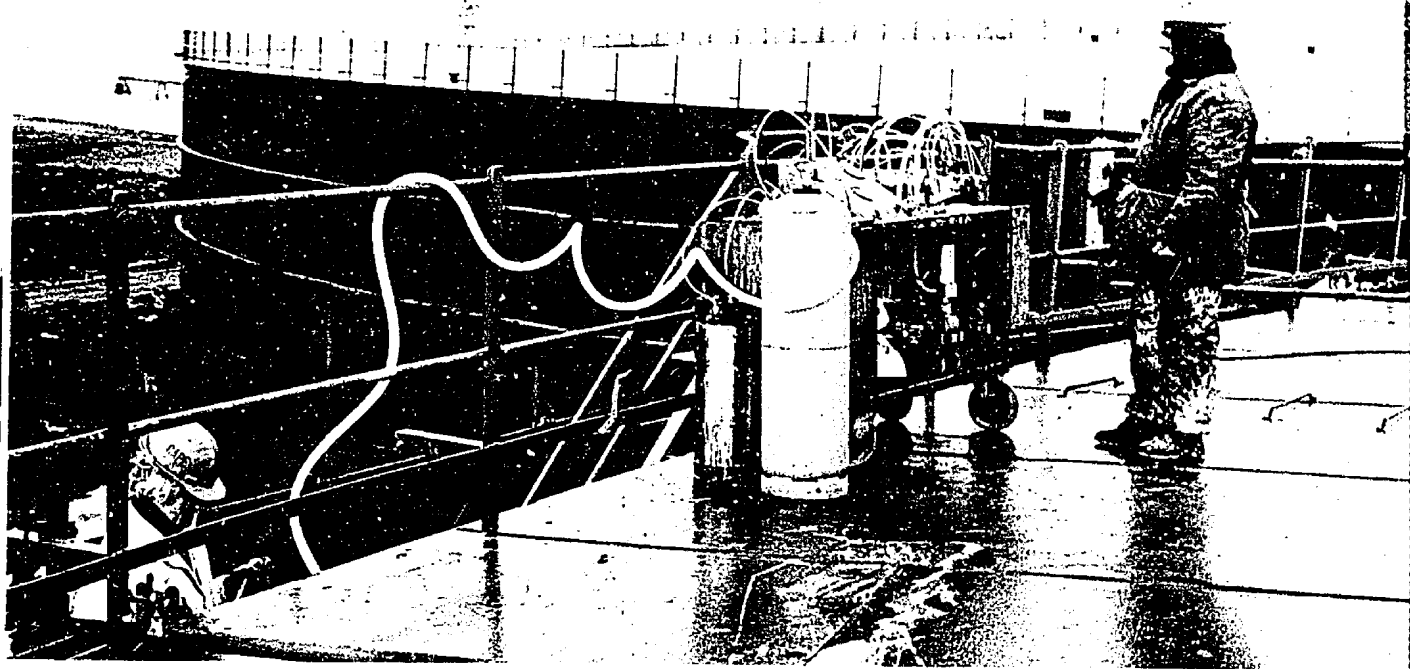
	1975 £000s	1974 £000s	1973 £000s	1972 £000s	1971 £000s	1970 £000s	1969 £000s	1968 £000s	1967 £000s	1966 £000s
Investments at market value or directors' valuation	303,863	351,347	324,189	272,637	266,785	325,959	383,226	268,929	163,286	155,688
Investments at book value	199,393	184,410	178,597	150,413	143,559	138,388	141,547	123,723	106,111	92,326
Fixed assets	36,668	30,075	23,640	22,000	21,556	19,578	3,315	3,015	2,664	2,030
Exploration and development expenditure*	4,442	4,069	2,250	759	—	—	—	—	—	—
Net current assets	9,269	24,531	27,177	34,425	37,760	17,969	5,424	3,986	7,177	15,163
	249,772	243,085	231,664	207,597	202,875	175,935	150,286	130,724	115,952	109,519
Deduct: investment grants, minority interest, long term indebtedness, and deferred taxation	52,222	48,189	46,951	35,234	35,175	33,969	14,991	1,125	1,080	1,240
Total capital and reserves	197,550	194,896	184,713	172,363	167,700	141,966	135,295	129,599	114,872	108,279
Add: surplus of market value or directors' valuation of investments over book value	104,470	166,937	145,592	122,224	123,226	187,571	241,679	145,206	57,175	63,362
Total net assets	302,020	361,833	330,305	294,587	290,926	329,537	376,974	274,805	172,047	171,641
Net assets per share	288p	345p	315p	281p	277p	333p	385p	280p	175p	175p

ISSUED SHARE CAPITAL

(at 31 March)

26,201	26,201	26,200	26,199	26,194	24,738	24,458	24,458	24,458	24,431
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*item introduced in 1972 resulting from new accounting policies



ABOVE

*Insulation work by Cape Contracts on fuel tanks at the
Inverkip power station in Scotland*

BELOW

Manufacture of Sadia water heaters at Salisbury, Wiltshire

ACCOUNTS

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Consolidated Balance Sheet	21
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Report of the Auditors to the Members	32

Accounting Policies

1. Basis of consolidation

(i) 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.

(ii) 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

Profit and loss items, assets, and liabilities in foreign currencies are converted into sterling at the rates of exchange ruling at the dates of the respective balance sheets. Differences arising from the conversion of currencies are shown as an extraordinary item.

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) Treatment of profits less losses arising on disposal of investments:

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

(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.

5. Turnover

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

6. Investment and other 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.

Depreciation on assets qualifying for investment and other 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

This represents United Kingdom corporation tax at 52 per cent and overseas taxation at the appropriate rates on the differences between the amounts at which certain items are included in the balance sheets 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 on bases consistent with those adopted in previous years. In determining cost, appropriate overhead expenses are included.

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.

(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 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.

(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 in the appropriate asset account. 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.

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 shown in the list of other investments of 10 per cent or more on page 35.

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.

The accounts used to calculate the group share of profits less losses of associated companies are the latest audited accounts available to the group.

Consolidated Profit and Loss Account

Year ended 31 March 1975

CHARTER CONSOLIDATED LIMITED AND ITS SUBSIDIARY COMPANIES

	1975		1974	
	£000s	£000s	£000s	£000s
Income from investments (<i>note 1</i>)				
Associated companies (<i>note 2</i>)	4,145		2,919	
Other investments	13,554		10,335	
Surplus on realizations of investments less amounts written off		17,699		13,254
Interest received		2,124		4,309
Trading profit (<i>note 4</i>)		5,022		4,305
		6,566		7,198
		31,411		29,066
<i>Deduct:</i>				
Administration and technical expenditure (<i>note 4</i>)	1,129		1,001	
Directors' emoluments (<i>note 5</i>)	204		171	
Prospecting expenditure	2,163		919	
Interest paid (<i>note 3</i>)	5,780		3,978	
Auditors' remuneration (parent company – £7,000; 1974 – £4,500)	164		123	
		9,440		6,192
		21,971		22,874
<i>Add:</i>				
Group share of retained profits less losses of associated companies (<i>note 2</i>)		5,965		3,109
Profit before taxation		27,936		25,983
Taxation (<i>note 7</i>)		9,869		9,076
Profit after taxation and before extraordinary items		18,067		16,907
<i>Deduct:</i>				
Interest of outside shareholders in profits of subsidiaries	899		982	
Pre-acquisition loss (1974 – profit)	(38)		34	
		861		1,016
Attributable to Charter		17,206		15,891
Earnings per share 16.42p (1974 – 15.16p) (<i>note 6</i>)				
Dividends				
Interim dividend of 2.25p per share (1974 – 2p) paid on 3 January 1975	2,358		2,096	
Proposed final dividend of 3.95966p per share (1974 – 3.71371p) payable on or about 18 July 1975	4,149		3,891	
		6,507		5,987
Profit of the year retained before extraordinary items		10,699		9,904
Extraordinary items (<i>note 8</i>)		(8,333)		846
Retained profit transferred to reserves (<i>note 13</i>)		2,366		10,750
Profit of the year after extraordinary items totalled £8,873,000 (1974 – £16,737,000)				

For the accounting policies see pages 18 and 19. For notes on the accounts see pages 23 to 30.

Consolidated Balance Sheet

31 March 1975

CHARTER CONSOLIDATED LIMITED AND ITS SUBSIDIARY COMPANIES

	1975	1974
	£000s	£000s
Fixed assets (<i>note 9</i>)	36,668	30,075
Exploration and development expenditure	4,442	4,069
Investments (<i>note 10</i>)	199,393	184,410
Current assets		
Stocks and work in progress	24,727	16,804
Debtors	32,185	26,061
Short term loans and deposits	27,563	29,673
Bank and cash balances	1,489	1,083
	<u>85,964</u>	<u>73,621</u>
Current liabilities		
Associated companies' and other deposit accounts	9,514	6,541
Bank loans and overdrafts	16,690	8,293
Creditors	42,821	25,099
Taxation	3,521	5,266
Proposed final dividend	4,149	3,891
	<u>76,695</u>	<u>49,090</u>
Net current assets	9,269	24,531
Total net assets	<u>249,772</u>	<u>243,085</u>
Financed by:		
Issued capital (<i>note 11</i>)	26,201	26,201
Share premium account (<i>note 12</i>)	30,624	30,620
Reserves (<i>note 13</i>)	140,725	138,075
Total capital and reserves	<u>197,550</u>	<u>194,896</u>
Investment and other grants	947	1,098
Minority interest	7,843	7,608
Long term indebtedness (<i>note 14</i>)	42,172	39,797
Deferred taxation (<i>note 15</i>)	1,260	(314)
	<u>249,772</u>	<u>243,085</u>

S. SPIRO
Chairman
M. B. HOFMEYR
Managing Director

Directors

For the accounting policies see pages 18 and 19. For notes on the accounts see pages 23 to 30.

Balance Sheet

31 March 1975

CHARTER CONSOLIDATED LIMITED

	1975		1974	
	£000s	£000s	£000s	£000s
Subsidiary companies				
Shares at cost	93,779		93,779	
<i>Add:</i>				
Amounts due from subsidiaries	59,595		53,630	
	<u>153,374</u>		<u>147,409</u>	
<i>Deduct:</i>				
Amounts due to subsidiaries	95,158		90,518	
	<u>58,216</u>		<u>56,891</u>	
Deferred asset				
Advance corporation tax (<i>note 15</i>)		2,234		1,917
Current asset				
Bank balances		4		8
		<u>60,454</u>		<u>58,816</u>
Financed by:				
Issued capital (<i>note 11</i>)		26,201		26,201
Share premium account (<i>note 12</i>)		18,627		18,622
Reserves (<i>note 13</i>)		7,442		7,143
Total capital and reserves		<u>52,270</u>		<u>51,966</u>
Long term indebtedness (<i>note 14</i>)		2,360		2,365
Current liabilities				
Creditors	102		99	
Taxation	1,573		495	
Proposed final dividend	4,149		3,891	
	<u>5,824</u>		<u>4,485</u>	
		<u>60,454</u>		<u>58,816</u>

S. SPIRO
Chairman
M. B. HOFMEYR
Managing Director

Directors

For the accounting policies see pages 18 and 19. For notes on the accounts see pages 23 to 30.

Notes on the Accounts

1. Income from investments

	1975 £000s	1974 £000s
(i) Includes franked investment income	3,762	3,458
(ii) Arises from:		
Listed investments	14,460	11,489
Unlisted investments	3,239	1,765
	17,699	13,254

2. Associated companies

(i) Those companies considered as principal associated companies as defined in accounting policy 12 on page 19 are listed on page 34. Certain companies in which the group's holding exceeds 20 per cent but which are not considered to be associated companies are listed on page 35.

(ii) Income from investments in associated companies was £4,145,000 (1974 – £2,919,000). This represents dividends received by Charter in the year ended 31 March 1975, being dividend declarations by associated companies in their financial years ended prior to 31 March 1975 of £3,145,000 (1974 – £2,070,000) and dividend payments by associated companies in respect of their current financial years of £1,000,000 (1974 – £849,000).

(iii) Group share of retained profits less losses of associated companies for their latest financial years ended prior to 31 March 1975

	1975 £000s	1974 £000s
Share of profits less losses before taxation	9,764	5,776
<i>Deduct:</i> dividends paid from these profits	3,799	2,667
Group share of retained profits less losses before taxation	5,965	3,109
<i>Deduct:</i> taxation (see note 7)	2,916	1,493
<i>Add:</i> extraordinary items (see note 8)	3,049	1,616
	5,940	1,746
Group share of retained profits less losses for the year ended 31 March 1975 (see note 13)	8,989	3,362

(iv) For balance sheet details of investments in associated companies see note 10.

3. Interest paid on borrowings by the group

	1975 £000s	1974 £000s
Loans repayable after more than five years	2,664	2,560
Loans repayable within five years	809	312
Amounts deposited with the group	1,224	592
Bank overdrafts	1,083	514
	5,780	3,978

Notes on the Accounts

4. Trading profit and administration and technical expenditure

	1975 £000s	1974 £000s
(i) Turnover of the manufacturing subsidiaries	98,779	79,982
(ii) Investment and other grants credited in these accounts	212	210
(iii) Depreciation of fixed assets charged in these accounts	3,704	3,137
(iv) Rents paid in respect of hire of plant, machinery, and equipment charged in these accounts	484	337
(v) Rents received	214	227
(vi) Administration and technical expenditure	8,843	6,963
<i>Deduct: recovered from companies outside the group</i>	7,714	5,962
	1,129	1,001

5. Directors' emoluments

	1975 £	1974 £
Directors of the parent company:		
Fees	14,000	17,000
Salaries and other remuneration, including pension contributions	221,000	200,000
Pensions to former directors	13,000	13,000
	248,000	230,000
<i>Deduct: fees received from other companies and refunded to the group</i>	44,000	59,000
	204,000	171,000
Amounts paid to directors:		
Chairman: Mr S. Spiro	30,214	26,564
Others:		
£20,001 – £22,500	4	1
£17,501 – £20,000	2	2
£15,001 – £17,500	2	3
£12,501 – £15,000	1	2
£10,001 – £12,500	–	1
£7,501 – £10,000	–	1
£5,001 – £7,500	–	1
up to £2,500	9	10

12 directors have agreed to waive emoluments due to them from Charter Consolidated Limited and its subsidiary com-

panies. Fees waived by these directors during the year amounted to £34,000 (1974: 13 directors – £34,000).

6. Earnings per share

Earnings per share attributable to Charter is calculated on earnings of £17,206,000 (1974 – £15,891,000) and on 104,792,411 shares (1974 – 104,791,144 shares) as if the additional 1,267 shares issued during the financial year had been issued for the whole year.

7. Taxation

	1975 £000s	1974 £000s
GROUP COMPANIES		
On profit for the year		
United Kingdom corporation tax at 52 per cent, including deferred taxation of £1,052,000 (1974 – £670,000)	11,056	8,805
Tax at 33 per cent on United Kingdom investment income (1974 – 30 per cent)	1,241	1,011
	<u>12,297</u>	<u>9,816</u>
<i>Deduct:</i> relief for overseas taxation	5,644	3,468
	<u>6,653</u>	<u>6,348</u>
Overseas taxation, including deferred taxation relief of £194,000 (1974 – £454,000 charge)	1,426	1,616
	<u>8,079</u>	<u>7,964</u>
<i>Deduct:</i>		
Adjustments in respect of previous years	801	111
Estimated overspill relief	325	270
	<u>1,126</u>	<u>381</u>
	<u>6,953</u>	<u>7,583</u>
ASSOCIATED COMPANIES	2,916	1,493
	<u>9,869</u>	<u>9,075</u>
NOTE:		
In the event of certain overseas subsidiaries and associated companies distributing reserves or profits, additional liability to United Kingdom taxation would arise.		

8. Extraordinary items

	1975 £000s	1974 £000s
*SOMIMA:		
Further investment written off (1974 – diminution in value)	(2,729)	(1,335)
Liability to repay the group's share of SOMIMA's guaranteed and other loans under the terms of an agreement with the Mauritanian government	(8,679)	—
	<u>(11,408)</u>	<u>(1,335)</u>
Net effect of conversion of currencies	(3,230)	810
Losses and provisions relating to closure of operations, less recoveries of such losses and provisions established in prior years not now required	(390)	—
Profits less losses on disposal of long term investments	15	5,200
Provision for diminution in value of long term investments	(17)	(4,503)
Provision for compensation for industrial disease	—	(1,700)
Surplus on sale of freehold land and buildings	—	839
Additional provision for deferred taxation arising from change in the United Kingdom corporation tax rate	—	(254)
Sundry	354	—
Associated companies, including surplus on realizations of assets £6,117,000 (1974 – £1,403,000)	5,940	1,746
	<u>(8,736)</u>	<u>803</u>
Minority interest	403	43
	<u>(8,333)</u>	<u>846</u>

*No deferred taxation relief has been taken in respect of these items as such relief may be offset by restriction of relief for overseas taxation.

Notes on the Accounts

9. Fixed assets

	FREEHOLD PROPERTY £000s	LONG LEASEHOLD PROPERTY £000s	SHORT LEASEHOLD PROPERTY £000s	PLANT FURNITURE AND FITTINGS £000s	MINING RIGHTS £000s	TOTAL £000s
Cost or at valuation at 31 March 1974	15,233	2,367	2,943	35,139	1,629	57,311
Currency realignment	(62)	—	(78)	(401)	(54)	(595)
Additions at cost	4,045	155	353	4,898	1	9,452
Subsidiaries acquired during the year	727	235	133	629	—	1,724
Disposals	(223)	(11)	(37)	(1,817)	—	(2,088)
Reallocations	(137)	(42)	121	58	—	—
Revaluations	112	213	—	—	—	325
Balance at 31 March 1975	19,695	2,917	3,435	38,506	1,576	66,129
Depreciation at 31 March 1974 on assets at cost or at valuation	3,991	510	1,727	20,942	66	27,236
Currency realignment	(75)	—	(51)	(246)	(3)	(375)
Charge to profit and loss account	328	76	159	3,110	31	3,704
Subsidiaries acquired during the year	—	—	16	273	—	289
Disposals	(5)	—	(26)	(1,362)	—	(1,393)
Reallocations	(136)	—	116	20	—	—
Balance at 31 March 1975	4,103	586	1,941	22,737	94	29,461
Net book value:						
At 31 March 1975	15,592	2,331	1,494	15,769	1,482	36,668
At 31 March 1974	11,242	1,857	1,216	14,197	1,563	30,075

NOTES:

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

	FREEHOLD PROPERTY £000s	LONG LEASEHOLD PROPERTY £000s	SHORT LEASEHOLD PROPERTY £000s	PLANT FURNITURE AND FITTINGS £000s	MINING RIGHTS £000s
At cost	17,960	1,722	3,333	38,483	272
At valuation — 1948	—	—	—	—	1,304
1960	696	—	—	—	—
1966	255	—	—	—	—
1970	—	—	—	23	—
1971	40	—	—	—	—
1974	744	1,195	102	—	—
	19,695	2,917	3,435	38,506	1,576

(ii) Included in freehold property at cost is an amount of £618,000 relating to freehold land and factory premises acquired by the Belgian subsidiaries and financed by secured loans (see note 14). The legal title to the factory premises does not vest in the companies concerned until the final instalments on the loans have been paid.

(iii) The freehold and leasehold properties at valuation in 1974 are stated mainly on the basis of valuations prepared by chartered surveyors. The valuations were prepared on an existing use basis.

(iv) Commitments for capital expenditure of subsidiaries amount to £2,065,000 (1974 — £5,139,000).

(v) Estimated capital expenditure of subsidiaries authorized but not committed amounts to £1,817,000 (1974 — £2,675,000).

(vi) Virtually all the fixed assets are currently required to maintain the group's business. Accordingly no provision has been made for taxation which might become payable in the event of future sales of properties at the revalued amounts included in the accounts in excess of book cost.

10. Investments

	AT COST, LESS AMOUNTS WRITTEN OFF		MARKET VALUE OR DIRECTORS' VALUATION	
	1975 £000s	1974 £000s	1975 £000s	1974 £000s
ASSOCIATED COMPANIES				
Listed in Great Britain	13,624	13,947	17,294	21,128
Listed outside Great Britain	12,973	123	12,098	131
	<u>26,597</u>	<u>14,070</u>	<u>29,392</u>	<u>21,259</u>
Unlisted	22,844	20,400	27,408	26,777
	<u>49,441</u>	<u>34,470</u>	<u>56,800</u>	<u>48,036</u>
Advances	16,401	20,051	16,401	16,627
	<u>65,842</u>	<u>54,521</u>	<u>73,201</u>	<u>64,663</u>
Add: group share of retained profits less losses (see note 13)	14,549	2,174		
	<u>80,391</u>	<u>56,695</u>		
OTHER INVESTMENTS				
Listed in Great Britain	90,973	93,589	200,284	245,537
Listed outside Great Britain	16,726	12,836	17,941	18,320
	<u>107,699</u>	<u>106,425</u>	<u>218,225</u>	<u>263,857</u>
Unlisted	11,303	21,290	12,437	22,827
	<u>119,002</u>	<u>127,715</u>	<u>230,662</u>	<u>286,684</u>
TOTAL INVESTMENTS				
Listed in Great Britain	114,935	110,105	217,578	266,665
Listed outside Great Britain	29,704	12,948	30,039	18,451
	<u>144,639</u>	<u>123,053</u>	<u>247,617</u>	<u>285,116</u>
Unlisted, including advances	54,754	61,357	56,246	66,231
	<u>199,393</u>	<u>184,410</u>	<u>303,863</u>	<u>351,347</u>

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 1975 both amount to £2,989,000 (1974 - £2,989,000). Any disposal of these shares would require consent under existing exchange control regulations, and no income can be remitted to the company from Rhodesia.
- (iii) Commitments and guarantees by the company and its subsidiaries in respect of subscriptions for shares and loan facilities amount to £10,189,000 (1974 - £2,407,000).
- (iv) A subsidiary company has entered into contracts for exploration expenditure to be incurred after 31 March 1975.
- (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 book cost.
- (vi) The market value of foreign currency investments includes 75 per cent of the investment currency premium where applicable.

Notes on the Accounts

11. Share capital

		£
Authorized: 120,000,000 shares of 25p each		30,000,000
Issued and fully paid:		
At 31 March 1974	104,791,144 shares of 25p each, fully paid	26,197,786
Issued during year as detailed in the report of the directors	1,267	317
	104,792,411	26,198,103
Issued partly paid:		
At 31 March 1974 and 1975	326,500 shares of 25p each, 1p paid up	3,265
Total issued at 31 March 1975		26,201,368

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 5 per cent convertible loan stock 1984 is 566,313.

12. Share premium account

	GROUP £000s	COMPANY £000s
Balances at 31 March 1974	30,620	18,622
Premium on shares issued by the company	5	5
Effect of conversion of currencies	(1)	—
Balances at 31 March 1975	30,624	18,627

13. Reserves

	GROUP £000s	COMPANY £000s	SUBSIDIARY COMPANIES £000s	ASSOCIATED COMPANIES £000s
Balances at 31 March 1974	138,075	7,143	128,758	2,174
Transfer from profit and loss account	2,366	299	(6,922)	8,989
Disposal of associated companies by subsidiaries:				
SOMIMA	—	—	*(3,424)	3,424
Other	(38)	—	—	(38)
Sundry	(3)	—	(3)	—
Revaluation of properties	325	—	325	—
Balances at 31 March 1975	140,725	7,442	118,734	14,549

*losses of SOMIMA written off by subsidiaries

14. Long term indebtedness

	1975 £000s	1974 £000s
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		
7½ per cent debenture stock 1986/89	2,000	2,000
6½ per cent debenture stock 1986/89	600	600
Unsecured loan stocks issued by		
(i) The company		
5 per cent convertible loan stock 1984	2,360	2,365
(ii) Cape Industries Limited		
7½ per cent loan stock 1986/91	3,459	3,459
(iii) Swaziland Collieries Limited		
9½ per cent registered convertible notes 1972/81	151	152
Bonds issued by Charter Consolidated Overseas N.V.		
(i) 6½ per cent unsecured bonds of DM114,000,000 1968/83	20,141	19,142
(ii) 7½ per cent guaranteed bonds of FF96,000,000 1987	9,449	8,596
Belgian long term loans		
Secured, repayable by annual instalments over twelve years	375	371
	<u>39,535</u>	<u>37,685</u>
Loans repayable in less than five years:		
Bank loan unsecured	2,537	1,978
Belgian unsecured	100	134
	<u>42,172</u>	<u>39,797</u>

NOTES:

(i) The company's 5 per cent convertible loan stock 1984 carries the following conversion rights:

<i>Year of conversion</i>	<i>Number of shares per £100 stock</i>
1975-79	24
1980-84	23

(ii) The registered holders of the Swaziland Collieries notes have the right during March and September in any year to 31 March 1981 to surrender the notes for conversion into shares on the basis of one Swaziland Collieries share for every two emalangeni of nominal value so surrendered.

(iii) The DM114,000,000 6½ per cent unsecured bonds 1968/83 are listed on the Frankfurt stock exchange. The FF96,000,000 7½ per cent guaranteed bonds 1987 are listed on The Stock Exchange, London. The company has guaranteed both bonds as regards repayment of principal, including premium if any, and payment of interest.

(iv) The Belgian subsidiaries pay interest at rates determined half yearly by the Belgian authorities, currently at rates not exceeding 7 per cent per annum on the secured loans and 7.35 per cent per annum on the unsecured loans.

(v) The bank loan amounting to £2,537,000 is in Deutsche Marks, repayable not later than 1978.

Notes on the Accounts

15. Deferred taxation

	1975 £000s	1974 £000s
The balance of deferred taxation is comprised as follows:		
Excess of the book value of assets qualifying for taxation allowances over their written down value for taxation purposes	4,332	3,657
Taxation on capital gains on assets sold and rolled over against the acquisition of new assets	240	210
Taxation relief relating to provision for compensation for industrial disease	(1,307)	(1,800)
Stock appreciation relief relating to industrial subsidiaries in respect of their years ended 31 December 1973 (see note (i) below)	716	—
Advance corporation tax (see note (ii) below)	(2,721)	(2,381)
	<u>1,260</u>	<u>(314)</u>

NOTES:

- (i) No account has been taken of any stock appreciation relief which may be due to industrial subsidiaries in respect of their years ended 31 December 1974.
- (ii) Advance corporation tax recoverable of £2,234,000 (1974 — £1,917,000) is shown as a deferred asset in the company's balance sheet.

16. Contingent liabilities

	1975 £000s	1974 £000s
For amounts not called on investments	374	371
In respect of guarantees of £21,497,000 less counter-guarantees £5,337,000 (company net — £14,353,000; 1974 — £16,980,000)	16,160	19,121
In respect of underwriting participations	3,632	—
Bills receivable	277	160
As endorers of bills of exchange	1,467	3,129
	<u>21,910</u>	<u>22,781</u>

Cape Industries Limited has been named a defendant in actions 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. 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.

Source and Application of Funds

Year ended 31 March 1975

Source of funds	1975		1974	
	£000s	£000s	£000s	£000s
Earnings attributable to Charter		17,206		15,891
Extraordinary items		(8,333)		846
		<u>8,873</u>		<u>16,737</u>
Adjustments for items not involving movements of funds:				
Depreciation	3,704		3,137	
Provision for diminution in value of investments	3,441		5,908	
Provision for compensation for industrial disease	—		3,500	
Changes in currency conversion rates of loans	2,764		2,514	
Deferred taxation	1,574		(1,752)	
Share of retained profits less losses of associated companies	(8,989)		(3,362)	
		<u>2,494</u>		<u>9,945</u>
Funds generated		<u>11,367</u>		<u>26,682</u>
Application of funds				
Purchases less disposals of fixed assets	9,972		9,572	
Exploration and development expenditure	373		1,819	
Purchases less realizations of investments	9,473		8,674	
Decrease in working capital and other items (see note (i) below)	(1,884)		4,622	
Dividends paid and proposed	6,507		5,987	
		<u>24,441</u>		<u>30,674</u>
Decrease in liquid funds (see note (ii) below)		<u>(13,074)</u>		<u>(3,992)</u>

NOTES:

	1975 £000s	1974 £000s
(i) Analysis of working capital:		
Increase in stocks and work in progress	7,923	4,288
Increase in debtors	6,124	2,499
Increase in creditors (including taxation)*	(15,977)	(2,350)
Other items	46	185
	<u>(1,884)</u>	<u>4,622</u>

	1975 £000s	1974 £000s
(ii) Decrease in liquid funds:		
(Decrease)/increase in short term loans, deposits, and cash	(1,704)	4,519
Increase in associated companies' and other deposits	(2,973)	(4,713)
Increase in bank loans and overdrafts	(8,397)	(3,798)
	<u>(13,074)</u>	<u>(3,992)</u>

*includes liability of £8,679,000 to repay the group share of SOMIMA's guaranteed and other loans (see note 8 on the accounts)

Report of the Auditors to the Members

In our opinion, based on our examination and on the reports of the auditors of certain subsidiaries and associated companies not audited by us, the accounts set out on pages 18 to 31 and pages 34 to 36 together:

- (a) give, so far as concerns the members of Charter Consolidated Limited, a true and fair view of the state of affairs at 31 March 1976 and of the profit and source and application of funds for the year ended on that date, so far as is practicable having regard to the fact that the accounts of certain subsidiaries and associated companies have been made up to dates other than 31 March 1976, and
- (b) comply with the Companies Acts 1948 and 1967.

COOPERS & LYBRAND
DELOITTE & CO.
Chartered Accountants
London, 3 June 1976

PRINCIPAL INTERESTS AND INVESTMENTS

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Principal Investments

ASSOCIATED COMPANIES

as defined in accounting policy 12 on page 19, shown by principal country of operation*

	Accounting date	Group interest in equity capital (per cent)		Accounting date	Group interest in equity capital (per cent)
Australia			South Africa		
Australian Anglo American Limited <i>Mining finance</i>	June	25	Euranglo (Pty) Limited <i>Investment</i>	Dec	25
Bermuda			Freight Services Holdings Limited <i>Shipping and forwarding agents</i>	Dec	23.9
Minerals and Resources Corporation Limited (MINORCO) <i>Mining finance</i>	June	20	Switzerland		
Botswana			Anmersales AG. <i>Marketing of metals</i>	Sep	37
Anglo American Corporation Botswana Limited <i>Mining finance</i>	Dec	25	United Kingdom		
Canada			Anmercosa Sales Limited <i>Marketing of metals</i>	Sep	37
Anglo American Corporation of Canada Limited <i>Mining finance</i>	Dec	24.8	Cleveland Potash Limited <i>Potash mining</i>	Dec	37.5
Luxembourg			Covenant Industries Limited <i>Marketing and manufacture of chemicals</i>	Sep	33.9
Park Holdings Limited <i>Investment</i>	Sep	22.5	CAPE INDUSTRIES GROUP		
Malaysia			India		
Associated Mines (Malaya) Sendirian Berhad <i>Mine management</i>	Dec	39.2	Rane Brake Linings Limited <i>Manufacture of friction materials</i>	Dec	11.8
Ayer Hitam Tin Dredging Limited Incorporated in England (In addition 17.5 per cent held by Tronoh Mines Limited) <i>Tin mining</i>	June	16.4	New Zealand		
Bidor Malaya Tin Sendirian Berhad <i>Tin mining</i>	Dec	39.2	Don Agencies Limited <i>Manufacture of friction materials and distribution of automotive components</i>	Jan	14.2
The Sungei Besi Mines Limited Incorporated in England (In addition 25.7 per cent held by Tronoh Mines Limited) <i>Tin mining</i>	Mar	6.3	Sweden		
Tronoh Mines Limited Incorporated in England <i>Tin mining</i>	Dec	29.7	Svenska Bromsbandsfabriken AB <i>Manufacture of friction materials</i>	Dec	30.9
Portugal					
Beral Tin and Wolfram Limited Incorporated in England <i>Wolfram mining</i>	Dec	46.3			

*where the country of incorporation is different from the principal country of operation this is shown beneath the company name

OTHER INVESTMENTS OF 10 PER CENT OR MORE

	<i>Group interest in equity capital (per cent)</i>		<i>Group interest in equity capital (per cent)</i>
Australia			
International Pacific Corporation Limited	38	Anglo American Investment Trust Limited	10
<i>Merchant banking</i>		<i>Diamond investments</i>	
Tinnabruich (Pty) Limited	37	Blyvooruitzicht Gold Mining Company Limited	10
<i>Investment</i>		<i>Gold mining</i>	
France		The Northern Lime Company Limited	10.5
Société Minière d'Anglade	25	<i>Lime quarrying</i>	
<i>Scheelite mining</i>		Pretoria Portland Cement Company Limited	10.5
Republic of Ireland		<i>Cement manufacture</i>	
Tara Exploration and Development		Union Corporation Limited	10
Company Limited	10.8	<i>Mining finance</i>	
<i>Incorporated in Canada</i>		Union Platinum Mining Company Limited	11.5
<i>Lead and zinc mining</i>		<i>Platinum mining</i>	
Mauritania		United Kingdom	
Société Minière de Mauritanie (SOMIMA)	33.5	Ferranti Limited	12.7
<i>Copper mining</i>		<i>Manufacture of electrical and electronic equipment</i>	
Rhodesia		Selection Trust Limited	28.8
Anglo American Corporation Rhodesia Limited	33.5	<i>Mining finance</i>	
<i>Industrial finance</i>		Zaire	
Singapore		Société Minière de Tenke-Fungurume	14
Haw Par Brothers International Limited	13.2	<i>Development of copper mine</i>	
<i>Tin mining and industrial interests</i>		Zambia	
South Africa		National Milling Company Limited	24.5
Anglo American Corporation of South Africa		<i>Flour milling</i>	
Limited	10		
<i>Mining finance</i>			

OTHER PRINCIPAL INVESTMENTS

South Africa		Rand Selection Corporation Limited	
The Argus Printing and Publishing Company		<i>Mining finance</i>	
Limited		United Kingdom	
<i>Printing and publishing</i>		The Rio Tinto-Zinc Corporation Limited	
De Beers Consolidated Mines Limited		<i>Mining finance</i>	
<i>Diamond mining</i>		Zambia	
Harmony Gold Mining Company Limited		Zambian government loans – housing	
<i>Gold mining</i>		– Kariba hydro-electric scheme	
Highveld Steel and Vanadium Corporation Limited			
<i>Steel manufacture</i>			

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.

	Country of incorporation/operation		Country of incorporation/operation
Cape Industries group		Finance and investment	
Cape Industries Limited (63.2 per cent) (3½ per cent cumulative preference shares – 100 per cent) <i>Industrial and mining</i>	England	Barnato (Holdings) U.K. Limited	England
Cape Asbestos Fibres Limited (63.2 per cent) <i>Marketing of asbestos fibre</i>	England	The British South Africa Company*	England
Cape Asbestos Insulations (Pty) Limited (63.2 per cent) <i>Asbestos insulation products and friction materials</i>	South Africa	The British South Africa Company Investments Limited*	England
Cape Asbestos South Africa (Pty) Limited (63.2 per cent) <i>Administration of group South African companies</i>	South Africa	Cecil Investments Limited	England
Cape Blue Mines (Pty) Limited (63.2 per cent) <i>Mining of blue asbestos</i>	South Africa	Central Mining Finance Limited	England
Cape Boards and Panels Limited (63.2 per cent) <i>Insulation board for ship and building construction</i>	England	The Central Mining & Investment Corporation Limited*	England
Cape Contracts Limited (63.2 per cent) <i>Fire protection, thermal and acoustic insulation contracting</i>	England	Centramic (South Africa) Limited	South Africa
Cape Distribution Limited (63.2 per cent) <i>Distribution of automotive components</i>	England	Charmay Limited	Bermuda/England
Cape Insulation Limited (63.2 per cent) <i>Insulation products</i>	England/Scotland	Charter Consolidated Finance Limited	England
Cape Universal Claddings Limited (63.2 per cent) <i>Asbestos cement products and other building materials</i>	England	Charter Consolidated Investments Limited*	England
Don International s.a. (63.2 per cent) <i>Automotive and industrial friction materials</i>	Belgium	Charter Consolidated (Malaysia) Sendirian Berhad	Malaysia
Egnep (Pty) Limited (63.2 per cent) <i>Mining of amosite asbestos</i>	South Africa	Charter Consolidated (North Sea Explorations) Limited	England
Small and Parkes Limited (63.2 per cent) (4.2 per cent cumulative preference shares – 63.2 per cent) <i>Manufacture of friction materials</i>	England	Charter Consolidated Overseas N.V. (Netherlands Antilles)	Curaçao
Trist, Draper Limited (63.2 per cent) <i>Manufacture of friction materials</i>	England	Charter European Holdings S.A.	Luxembourg
Other industrial		Charterlux Limited S.A.	Luxembourg
Elastic Rail Spike Company Limited <i>Railway track fastenings</i>	England	The Consolidated Mines Selection (Johannesburg) Limited	South Africa
Heatrae Holdings Limited <i>Heating equipment</i>	England	Equinox Investments Limited	South Africa
Sadia Limited <i>Domestic electrical appliances and commercial refrigerators</i>	England	Interlink Investments Limited	Canada
		Leonora Investments Limited	Gibraltar
		Raven Investments Limited	Gibraltar
		Shafford Holdings Limited	England
		Swaziland Collieries Limited (63.4 per cent)	Swaziland
		Services	
		Anglo Charter International Services Limited* (51 per cent) <i>Employment services</i>	England
		Charter Consolidated Services Limited* <i>Administrative and technical services</i>	England
		Charter France (50.3 per cent) <i>Administration</i>	France

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

Analysis of Investments and Investment Income

Geographical

	INVESTMENTS		PER CENT		PER CENT OF INVESTMENT INCOME	
	1975 £000s	1974 £000s	1975	1974	1975	1974
United Kingdom	31,875	32,907	10.5	9.4	6.0	10.6
Rest of Europe	10,876	12,852	3.6	3.6	6.5	1.9
North America	42,387	46,355	13.9	13.2	9.8	8.4
South Africa	153,217	185,139	50.4	52.7	50.8	50.7
Zambia	16,700	18,647	5.5	5.3	11.5	17.0
Rest of Africa	10,045	10,168	3.3	2.9	2.0	1.0
South-east Asia	11,476	5,414	3.8	1.5	6.9	1.9
Australia	27,287	39,865	9.0	11.4	6.5	8.5
	303,863	351,347	100.0	100.0	100.0	100.0

By category

Mining – Finance	171,974	174,245	56.6	49.6	48.9	40.3
Diamonds	21,488	26,922	7.1	7.6	9.8	10.3
Gold	32,663	39,502	10.7	11.3	13.7	11.6
Tin and wolfram	6,039	7,004	2.0	2.0	5.8	1.9
Copper and other minerals	32,835	60,365	10.8	17.2	4.0	20.0
Industrial, commercial, oil, etc.	34,923	40,143	11.5	11.4	16.5	14.2
Long term loans	3,941	3,166	1.3	0.9	1.3	1.7
	303,863	351,347	100.0	100.0	100.0	100.0

NOTES:

1. The analysis (geographical and by category) is based on the stock exchange value of listed investments and the directors' valuation of unlisted investments at 31 March.

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

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 head of an international group of mining, industrial, and investment companies to which it provides technical and other services.

The corporation's investment income for the year ended 31 December 1974 rose from R51,017,000 to R73,298,000. Anglo American Gold Investment Company Limited benefited significantly from higher dividends from its gold mining interests, increasing its net profit by R32.3 million to R75.3 million and its dividend by 105 cents to 250 cents a share.

Production by the group's gold mines fell to 299,900 kilograms, compared with 346,100 kilograms for the previous year, partly as a result of mining lower grades of ore made economic by the higher gold price. Working costs per ton milled increased by 31.8 per cent, but working profit from gold increased by 48.6 per cent to R648.4 million. The group produced 1,023 tons of uranium in 1974, compared with 803 tons in 1973.

Coal is the dominant source of energy in South Africa, and sales by group collieries rose by 5.5 per cent to 21.0 million tons, accounting for 32.5 per cent of South Africa's total production. In spite of significantly higher working costs, net profits rose from R8.4 million to R10.3 million.

Anglo American Industrial Corporation Limited, the main channel for the group's industrial investments in South Africa, increased its consolidated net profit by 36 per cent to R28.5 million for the year to 31 December 1974, a significant contribution being made by its two major subsidiaries, Boart International Limited and Scaw Metals Limited. Highveld Steel and Vanadium Corporation Limited achieved record outputs of steel and vanadium, and its net profit for the year to 30 June 1974, before providing for deferred taxation, rose from R7.50 million to R11.17 million.

The group's extensive interests in the property field were expanded during 1974 by the acquisition of a major interest in Sorec Limited. The group's principal property vehicle, Anglo American Properties Limited, achieved slightly improved results during the six months ended 31 August 1974, with a loss of R760,000, compared with R1,005,000 for the corresponding period in 1973. Sorec increased its taxed profit by nine per cent to R2,119,600 for the year to 30 June 1974.

The corporation's interest in diamonds lies mainly in its holding in De Beers Consolidated Mines Limited, both directly and through Anglo American Investment Trust Limited.

The corporation's investment in the Zambian copper mining industry is held through the Bermudian company Minerals and Resources Corporation Limited.

An analysis by primary source of the corporation's investments at 31 December 1974 is shown below:

	Value per cent	Income per cent
Gold	56	44
Diamonds	9	17
Copper	2	9
Coal	3	3
Platinum	2	3

	Value per cent	Income per cent
Other mining	5	2
Industrial	14	16
Finance	7	6
Property	2	—
	100	100

FEATURES OF THE ACCOUNTS

Year ended 31 December	1974 R000s	1973 R000s
Issued share capital in 131,387,300 ordinary shares of 10 cents each and R4,758,750 6 per cent cumulative preferred stock	17,897	17,748
Loan capital	49,546	48,520
Capital reserves and share premium	79,188	70,819
Revenue reserves	296,508	261,541
Group profit before taxation	83,857	71,226
Taxation	4,942	9,556
Group profit after taxation, minorities, and preferred dividends	75,460	57,954
Earnings per ordinary share	57.4 cents	44.6 cents
Dividends (ordinary) — amount	38,100	31,176
— per share	29 cents	24 cents
Market value of listed investments	1,057,818	1,113,943
Directors' valuation of unlisted investments	218,785	—
Net assets — value	*1,218,000	1,097,000
— per ordinary share	R9.27	R8.45

*includes unlisted investments at directors' valuation

Anglo American Corporation Botswana Limited

Anglo American Corporation Botswana (AMBOT), in which Charter holds 25 per cent, has an interest of approximately 18 per cent in Botswana RST Limited which in turn holds 85 per cent of Bamangwato Concessions Limited, the company mining nickel and copper at Selebi-Pikwe. Technical difficulties in the treatment plant led to low and erratic production throughout the year, with some improvement in the last quarter. Extensive plant modifications should be completed by mid-1975. The cost of these modifications, together with inadequate production and falling copper prices, has strained finances, and substantial loans are being provided by the principal shareholders pending refinancing.

AMBOT also has an 80 per cent holding in Morupule Colliery (Proprietary) Limited and owns a multi-storey office building in Gaborone.

FEATURES OF THE ACCOUNTS

Year ended 31 December	1974 R000s	1973 R000s
Issued share capital in shares of R1 each	200	200
Share premium	5,568	5,568
Consolidated loss before taxation	329	1 (profit)
Taxation	15	4
Consolidated loss after taxation and minorities	295	1

Anglo American Corporation do Brasil Ltda

Charter has a 25 per cent interest in Anglo American Corporation do Brasil, which is conducting general prospecting activities in Brazil and is examining an interesting occurrence of gold in conglomerates at Jacobina in Bahia. An interest has recently been acquired in Mineracao Morro Velho SA, which owns a group of small gold mines in the state of Minas Gerais, Brazil, and also has other mineral and surface rights in the adjoining area. The gold mines are the oldest and largest in Brazil, and current production of 40,000 tons of ore a month with a gold content of 10 grams a ton is expected to be increased significantly within a short period.

Anglo American Corporation of Canada Limited

The company (AMCAN), which is a member of the Anglo American Corporation group, holds the bulk of the Canadian assets of the Charter Consolidated, Anglo American Corporation, and De Beers groups. The major part of its income is derived from its direct and indirect interest in Hudson Bay Mining and Smelting Co. Limited, whose net earnings and dividends were reduced, mainly owing to the introduction of higher taxation charges in 1974.

At 31 December 1974 AMCAN's principal investments were:

	Percentage (direct)
Francana Development Corporation Ltd	40.00
Hudson Bay Mining and Smelting Co. Limited	35.12
Lytton Minerals Limited	33.64
Tombill Mines Limited	50.63
Whitehorse Copper Mines Ltd	20.63

FEATURES OF THE ACCOUNTS

Year ended 31 December	1974 C\$000s	1973 C\$000s
Issued capital stock in 6,319,614 'A' and 3,609,931 'B' shares of no par value	101,085	101,085
Revenue reserves	48,077	41,069
Income less expenses	4,555	7,848
Provision for taxation	3	1,027
Share of income of effectively controlled companies	7,309	8,950
Gain on realization of investments less provision for losses	86	6,843
Net income	11,946	23,033
Net earnings per share (after extraordinary items)	120 cents	254 cents
Dividends—amount	3,972	3,709
—per share	40 cents	40 cents
Market value of listed investments	50,420	97,100
Book cost of unlisted investments	19,941	16,632
Net asset value per share	C\$8.24	C\$14.20

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 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 Kleinsee and Dreyers Pan in Namaqualand. Agreement has been reached with the Lesotho government for the opening of a new diamond mine at Letseng-la-Terai, at an estimated cost of R23 million, where production is expected to start in 1977.

The De Beers company's mining subsidiaries are The Consolidated Diamond Mines of South West Africa Limited, which operates opencast workings along the southern portion of the coast of South West Africa; Premier (Transvaal) Diamond Mining Company Limited, which operates the Premier mine near Pretoria in the Transvaal; and De Beers Botswana Mining Company (Proprietary) Limited, which operates the Orapa mine in central Botswana.

Other subsidiaries of De Beers include The Diamond Corporation (Proprietary) Limited, a diamond purchasing company. De Beers also has interests in The Diamond Purchasing and Trading Company (Proprietary) Limited and The Diamond Trading Company (Proprietary) Limited, which market gem and near-gem diamonds and in which ANAMINT has direct shareholdings. De Beers has 50 per cent indirect interests in companies manufacturing synthetic diamonds in South Africa and Ireland.

Total sales of gem and industrial diamonds through the Central Selling Organisation in the year to 31 December 1974 fell by 7.8 per cent to R849,148,000. Sales in the first half of the year set a new record, but the world-wide deterioration in economic conditions in the latter half of the year caused a sharp reduction in demand for the larger and more valuable stones. The consolidated net profit of De Beers for 1974 decreased to R201,314,000, compared with R237,545,000 in the previous year.

Through its 39.49 per cent direct and indirect interest in Rand Selection Corporation Limited, and through its subsidiary De Beers Holdings (Proprietary) Limited, De Beers has large interests in the mining of gold, copper, platinum, coal, and other minerals, and in a number of industrial, finance, insurance, and property companies. Another subsidiary, De Beers Industrial Corporation Limited, is an industrial finance and investment company whose principal interest is a direct and indirect holding of nearly 41 per cent in AE & CI Limited.

FEATURES OF THE ACCOUNTS

Year ended 31 December	1974 R000s	1973 R000s
Issued share capital in 10,000,000 ordinary shares of 50 cents each and 2,500,000 6 per cent cumulative preference shares of R2 each	10,000	10,000
Revenue reserves	26,917	26,476
Profit before taxation	29,967	24,816
Taxation	226	160
Profit after taxation and preference dividends	29,441	24,356
Earnings per ordinary share	294 cents	244 cents
Dividends (ordinary)—amount	29,000	24,000
—per share	290 cents	240 cents

Year ended 31 December	1974 R000s	1973 R000s
Market value of listed investments	251,224	442,415
Directors' valuation of unlisted investments	40,972	—
Net assets — value	*281,800	438,100
— per ordinary share	R27.68	R43.31

*includes unlisted investments at directors' valuation

Australian Anglo American Limited

Australian Anglo American (AAA) is a holding company through which Charter Consolidated, together with the Anglo American Corporation group and associates, seeks new business opportunities in the Australian mining industry and undertakes prospecting programmes in Australia and neighbouring regions. AAA are managers of the joint venture project at the Blue Spec gold mine in Western Australia, where development of a mining operation has commenced.

FEATURES OF THE ACCOUNTS

Year ended 30 June	1974 A\$000s	1973 A\$000s
Issued share capital in ordinary shares of 50 cents each	18,000	18,000
Share premium	2,970	2,970
Consolidated profit before taxation	769	205
Taxation	2	nil
Consolidated profit after taxation	767	205

Beral Tin and Wolfram Limited

The company owns 80.55 per cent of Beral Tin & Wolfram (Portugal) S.A.R.L., which operates a wolframite deposit in central Portugal to produce wolfram concentrates and small tonnages of tin and copper concentrates.

The substantial improvement in wolfram prices in 1974 enabled the major part of the year's production, together with most of the excess stocks, to be sold on advantageous terms. Revenue from this exceptionally high level of sales more than offset the sharp rise in working costs and resulted in a return to profitability.

FEATURES OF THE ACCOUNTS

Year ended 31 December	1974 £000s	*1973 £000s
Issued share capital in ordinary shares of 25p each	2,869	2,869
Capital reserves	270	130
Revenue reserves	1,559	(160)
Consolidated profit before taxation	3,066	(115)
Taxation	835	133 (recoverable)
Consolidated net profit attributable to Beral before extraordinary items	1,690	4
Earnings per share	14.72p	0.05p
Extraordinary items	169	(11)
Dividends — amount	nil	nil
— per share	nil	nil

*certain figures adjusted due to change of accounting policy in providing for silicosis claims

Blyvooruitzicht Gold Mining Company Limited

The company is a member of the Barlow Rand group, operating a gold mine on the far west Witwatersrand which recovers uranium oxide, silver, and osmiridium as by-products.

In spite of lower gold production and a sharp rise in working costs, the increase in the average price received for gold resulted in a very substantial improvement in the working profit from gold. Profit from uranium decreased due to falling sales and higher costs. Total working profit was R64,658,000, more than double that for the previous year.

Shortage of labour in the gold mining industry is expected to hold back the company's production until further mechanization and better working methods can be implemented.

FEATURES OF THE ACCOUNTS

Year ended 30 June	1974 R000s	1973 R000s
Issued share capital in shares of 25 cents each	6,000	6,000
Capital reserves	69,867	66,031
Revenue reserves	6,701	4,718
Yield per metric ton (gold)	16.34 grams	17.36 grams
Profit before taxation	66,092	31,802
Taxation and lease payments	38,490	17,869
Profit after taxation and lease payments	27,602	13,933
Dividends — amount	21,600	8,400
— per share	90 cents	35 cents

Cape Industries Limited

Based in the United Kingdom, the Cape Industries group manufactures building and insulation products, friction materials, and light engineering products; undertakes thermal insulation contracting; and distributes components and replacement parts for the automotive industry. It also mines asbestos fibre in South Africa and sells it world wide. The name of the company was changed from The Cape Asbestos Company Limited on 1 July 1974 to reflect the widening range of the group's activities.

Turnover increased substantially from £69,767,000 in 1973 to £81,278,000, but sales margins were reduced due largely to rising production costs which, together with higher interest charges on substantially larger borrowings, reduced profit before tax by 20 per cent.

In the building and insulation products division demand remained strong, particularly for fire resisting and heat insulation products which form a substantial part of the division's turnover. Cape Contracts Limited was considerably enlarged by the acquisition of the insulation contracting business of Newalls Insulation Company Limited.

The automotive and engineering products division experienced a fall in orders for original automotive equipment, but demand for replacement parts was not affected. Cape Distribution Limited has completed its expansion programme and now operates over sixty depots for the distribution of vehicle replacement parts.

On the mining side, demand for asbestos fibre was at a high level and the blue mines operated satisfactorily, but technical problems in the amosite mines had still not been fully overcome.

FEATURES OF THE ACCOUNTS		
Year ended 31 December	1974 £000s	*1973 £000s
Issued share capital in 17,573,650 ordinary shares of 25p each and 250,000 3½ per cent cumulative preference shares of £1 each	4,643	4,643
Loan capital (6½ per cent and 7½ per cent debenture stocks and 7½ per cent unsecured loan stock)	6,059	6,059
Reserves and share premium	15,590	15,096
Consolidated profit before taxation	4,004	5,056
Taxation	1,352	2,178
Profit after taxation and extraordinary items	2,364	1,656
Earnings per ordinary share	15.0p	16.3p
Dividends (ordinary) - amount	989	989
- per share	5.6267p	5.6267p

*the proportionate amount of profits of associated companies is included in the figures for 1974, and the 1973 figures have been adjusted to reflect this change

Covenant Industries Limited

Charter and associates, with Imperial Chemical Industries Limited, jointly own Covenant Industries, which operates in the chemical and allied industries field in east, west, and central Africa. It handles the merchandising of ICI products and the local formulation of some chemicals, the manufacture of paint and, in Zambia, of explosives primarily for the copperbelt. Consolidated profit before tax rose from £1.4 million in the year to September 1973 to £2.3 million in 1974.

There are many uncertainties in the areas in which Covenant functions, but earnings this year are expected to be maintained. Remission of profits, however, from Zambia and Tanzania is restricted by exchange control.

To comply with the Nigerian enterprises promotion legislation, the subsidiary of Covenant handling its business in Nigeria has been obliged to sell 40 per cent of its share capital to Nigerian citizens at a very low price. Although the proceeds of the share issue were thus regrettably small, the widely spread Nigerian shareholding that resulted from the issue is expected to be of general advantage to the company. Two executive directors and nearly all of the managers and staff are Nigerians. The growing strength of the Nigerian economy with its substantial revenue from oil should provide increasing opportunities for the company.

FEATURES OF THE ACCOUNTS		
Year ended 30 September	1974 £000s	1973 £000s
Issued share capital in ordinary shares of £1 each	92	92
Shareholders' loans	306	306

Year ended 30 September	1974 £000s	1973 £000s
Reserves	3,332	2,668
Consolidated profit before taxation	2,272	1,387
Taxation	931	398
Consolidated profit after taxation, minorities, and extraordinary items	796	989
Dividends	210	nil

Freight Services Holdings Limited

Charter has acquired a 23.9 per cent interest in Freight Services Holdings, a subsidiary of Anglo American Industrial Corporation Limited, for a total consideration of £2.92 million. Based in South Africa, Freight Services Holdings operates in the clearing and forwarding, transport, and travel agency business in many parts of the world. It is currently expanding its activities in Europe while preparing for the advent of containerization in South Africa and continuing to seek new opportunities internationally.

Although costs rose substantially during 1974, particularly in the freight forwarding sector, earnings were again at a record level. Profits from the clearing and forwarding and warehousing activities were increased by the acquisition in April 1974 of the entire issued share capital of Dart & Howes (Proprietary) Limited, an old-established clearing and forwarding business.

FEATURES OF THE ACCOUNTS		
	Year ended 31 December 1974	Eighteen months ended 31 December 1973
	R000s	R000s
Issued share capital in ordinary shares of R1 each	1,437	1,437
Capital reserves and share premium	9,987	10,210
Revenue reserves	4,729	3,751
Group profit before taxation	4,802	4,559
Taxation	1,948	1,867
Group profit after taxation, minorities and extraordinary items	1,968	2,091
Earnings per share	181 cents	171 cents
Dividends - amount	1,150	1,036
- per share	80 cents	75 cents
Market value of listed investments	299	184
Directors' valuation of unlisted investments	699	424
Net assets - value	16,154	15,398
- per share	R11.24	R10.72

Harmony Gold Mining Company Limited

The company and its wholly owned subsidiaries, members of the Barlow Rand group, mine for gold in the Orange Free State. Uranium oxide, sulphuric acid, silver, osmiridium, and pyrite are recovered as by-products.

Total working profit for the year to 30 June 1974 more than

doubled from R20,360,000 to R47,821,000. Although gold output fell, this was more than offset by increased revenue from sales resulting from the much higher average gold price. Working costs per ton milled increased by 19 per cent, rather less than for the industry as a whole, due largely to substantial wage increases. There was a sharp fall in working profit from uranium, pyrite, and sulphuric acid.

FEATURES OF THE ACCOUNTS

Year ended 30 June	*1974 R000s	1973 R000s
Issued share capital in shares of 50 cents each	13,442	13,442
Capital reserves and share premium	152,106	143,787
Revenue reserves	16,143	11,453
Yield per metric ton (gold)	6.38 grams	7.71 grams
Consolidated profit before taxation and lease payments	49,577	20,932
Taxation and lease payments	23,429	9,761
Consolidated profit after taxation and lease payments	26,148	11,171
Dividends - amount	15,324	6,642
- per share	57 cents	†25 cents

*figures not comparable with those for 1973, when results of newly acquired wholly owned subsidiaries were included for six months only

†adjusted for increase in issued share capital during year to 30 June 1973

Haw Par Brothers International Limited

Incorporated in Singapore, the company operates in Singapore, Malaysia, Hong Kong, and Thailand. Its principal direct interests are pharmaceuticals, merchanting and general trading (including insurance), merchant and investment banking, ship leasing, chartering, and marine services. The principal indirect activities include substantial interests in London Tin Corporation Limited, the largest tin mining group in the world; Island and Peninsular Development Berhad, a Malaysian company whose main activities are in palm oil, rubber plantations, and property development; and Cheung Kong (Holdings) Limited, a large Hong Kong property company.

FEATURES OF THE ACCOUNTS

Year ended 31 December	*1974 S\$000s	1973 S\$000s
Issued share capital in ordinary shares of S\$1 each	106,812	69,189
Capital reserves and share premium	31,793	26,200
Revenue reserves	35,460	21,217
Consolidated profit before taxation	25,108	24,233
Taxation	7,848	6,667
Consolidated profit after taxation	17,260	17,566
Dividends - gross amount	10,681	6,919
- per share	10 cents	10 cents
Market value of investments	96,310	202,473
Book cost of investments	175,062	206,536

*unaudited

Minerals and Resources Corporation Limited

Minerals and Resources Corporation (MINORCO), a member of the Anglo American Corporation group, is a company incorporated in Bermuda with interests in mining, prospecting, oil, and industry. It changed its name from Zambian Anglo American Limited in August 1974 to reflect the expansion and diversification of its activities, including its proposed major role in new business of the Anglo American Corporation and Charter Consolidated groups in areas not covered by their regional companies.

As part of its expansion MINORCO acquired, in exchange for the issue of new 'A' ordinary shares, 30.6 per cent of the common stock of Engelhard Minerals & Chemicals Corporation, a United States company. The three lines of business of Engelhard are the marketing of ores, minerals, and metals by the Philipp Brothers division; the mining and processing of non-metallic minerals by the Minerals & Chemicals division; and the refining and manufacturing of precious metals for industry by the Engelhard Industries division. In 1974 the company recorded its most successful year, with net earnings of US\$110,164,000, more than double those for 1973. All three operating divisions contributed to these higher earnings, but the major portion came from the international marketing operations of Philipp Brothers.

During 1974 MINORCO also acquired, at a cost of approximately US\$48 million, an effective interest of about 43 per cent in Trend Exploration Limited, a United States company which owns or operates a number of oil wells in North America and Indonesia.

A major investment in the Zambian copper mining industry is held through Zambia Copper Investments Limited (ZCI), of which MINORCO owns fractionally under 50 per cent. ZCI holds 49 per cent of Nchanga Consolidated Copper Mines Limited and 12.25 per cent of Roan Consolidated Mines Limited, both of which were able to pay increased dividends as a result of the higher copper price prevailing in the first half of 1974. ZCI's profit after tax for the year to 30 June 1974 improved from US\$31,909,000 to US\$54,854,000, and its dividend was increased by 64 per cent to 40 cents a share. ZCI's dividend income in the year to 30 June 1975 will, however, be drastically reduced owing to the lower copper price.

MINORCO holds 30 per cent of Australian Anglo American Limited, and through ZCI an interest in the Selebi-Pikwe copper/nickel mine in Botswana.

FEATURES OF THE ACCOUNTS

Year ended 30 June	1974 US\$000s	1973 US\$000s
Issued share capital in ordinary shares of BDS1.40 each	44,336	44,336
Loan capital	5,035	5,035
Capital reserve and share premium	120,236	58,245
Revenue reserves	46,868	39,115
Consolidated profit before taxation	29,769	19,394
Overseas taxation	118	126
Consolidated profit after taxation	29,651	19,268
Market value of listed investments	62,807	144,693
Book cost of unlisted investments	51,404	51,243
Dividends - amount	22,168	18,583
- per share	70 cents	59 cents

Year ended 30 June	1974 US\$000s	1973 US\$000s
Net assets – value	224,700	226,800
– per share	\$7.10	\$7.16

*increased since the end of the financial year by the allotment of 41,910,618 'A' ordinary shares of BDS1.40 each

The Northern Lime Company Limited

The company is a member of the Barlow Rand group and operates three limeworks, two in the north-western Cape at Lime Acres and Taung and one in the northern Transvaal at Marble Hall.

Heavy rainfall and consequent flooding caused some loss of production, but this was virtually made up by the end of the year. There was a moderate rise in sales of lime and limestone, in spite of a fall in supplies to the ferro-chrome industry. Sales of lime for stabilization of soils used in the construction of road bases were buoyant and now account for 14 per cent of all lime sold. Costs were appreciably higher but were covered by the increase in selling prices applied in June 1974 which led to a rise in sales revenue of 15.6 per cent. An expansion programme is planned for completion by June 1977, at a cost of R11 million, to meet the forecast increase in demand, particularly from the steel industry.

FEATURES OF THE ACCOUNTS		
Year ended 30 June	1974 R000s	1973 R000s
Issued share capital in 1,860,485 ordinary shares of R2 each and 96,500 ordinary shares of R2 each (1c paid)	3,722	3,721
Share premium	607	607
Revenue reserves	4,415	3,743
Profit before taxation	2,356	2,234
Taxation	988	920
Profit after taxation	1,368	1,314
Dividends – amount	632	595
– per share	34 cents	32 cents

Pretoria Portland Cement Company Limited

The company and its subsidiaries, which are members of the Barlow Rand group, are engaged principally in the manufacture of cement in South Africa.

The new kiln at the Hercules factory was commissioned in April 1974 and contributed to an increase in sales of 11 per cent over the previous year. Extension of the Slurry works is progressing satisfactorily, and modernization of the De Hoek plant at Cape Portland Cement Company Limited has been completed. Turnover for the year to 30 June 1975 is expected to be higher, but continued increases in costs are seriously affecting profitability.

FEATURES OF THE ACCOUNTS		
Year ended 30 June	1974 R000s	1973 R000s
Issued share capital in 11,990,666 fully paid shares of R2 each and 495,000 partly paid shares of R2 each (1c paid)	23,986	23,591
Capital reserve and share premium	5,773	2,300
Revenue reserves	30,407	22,760

Year ended 30 June	1974 R000s	1973 R000s
Group profit before taxation	11,951	7,175
Taxation	4,058	3,085
Group profit after taxation	7,893	4,090
Dividends – amount	2,158	1,887
– per share	18 cents	16 cents

Rand Selection Corporation Limited

The corporation, a member of the Anglo American Corporation group, is a financial and investment company with shareholdings in gold, diamond, copper and other base metals, coal, platinum, finance, insurance, industrial, and property companies. Within this wide spread of investments its main strength is in gold.

The corporation's investment income for the year to 30 September 1974 rose by 5.1 per cent to R49,412,000, mainly as a result of higher dividends from its gold interests, which enjoyed an increase in revenue due to the buoyancy of the gold price. The diamond market was also strong, and the corporation's principal industrial interests had a good year.

The acquisition in April 1974 of Schlesinger Insurance and Institutional Holdings Limited (SII) as a wholly owned subsidiary, with its substantial interests in life assurance, property development, and finance in South Africa and the United Kingdom, was a major diversification. The enlarged group subsequently acquired further holdings in several companies of the SII group and raised to approximately 75 per cent its stake in African Eagle Life Assurance Society Limited, the principal vehicle in SII's life insurance operations.

FEATURES OF THE ACCOUNTS		
Year ended 30 September	1974 R000s	1973 R000s
Issued share capital in shares of 50 cents each	20,848	17,023
Loan capital	57,206	62,694
Capital reserves and share premium	211,631	*110,478
Revenue reserves	95,973	78,913
Group profit before taxation	46,302	26,465
Taxation	756	331
Group profit after taxation and minorities	43,911	25,903
Earnings per share	†113.6 cents	76.1 cents
Dividends – amount	27,016	17,873
– per share	70 cents	52.5 cents
Market value of listed investments	784,319	689,482
Directors' valuation of unlisted investments	**100,982	—
Net assets – value	**850,060	**732,250
– per share	R20.39	R21.51

*including R3,708,000 being excess of written down cost of shares in subsidiaries over book value of net assets at dates of acquisition

†adjusted to reflect that profits from new subsidiary companies were received for only part of the year

**the corporation's interest in Charter Consolidated Limited held through Rhochar Holdings Limited, an unlisted company, has been included at its market value

The Rio Tinto-Zinc Corporation Limited

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

Higher average prices received for copper and other metals were the principal factor in the increase of group sales revenue by £231.5 million to £1,164.7 million in 1974. Group profit before tax showed a corresponding increase, to which all the major operations contributed, but a considerably higher taxation charge reduced the net profit by £7.1 million.

In March 1975 RTZ made a rights issue of 27,706,928 ordinary shares, raising approximately £33 million for use primarily in the development of business in the United Kingdom.

The group's interests in Australia, New Zealand, and adjacent territories are mainly held through Conzinc Riotinto of Australia Limited (CRA), in which RTZ's holding is 80.6 per cent. Bougainville Copper Limited (53.6 per cent owned by CRA) marginally increased output during its second full year of commercial production, but the higher income tax liability incurred through renegotiation of the 1967 agreement with the Papua New Guinea government substantially reduced RTZ's share of Bougainville's earnings. Hamersley Iron Pty Limited (54 per cent owned by CRA) increased production and benefited from higher selling prices on Japanese contracts, but these factors were offset by labour problems, late delivery of equipment, and continuing inflation of costs. Earnings of Australian Mining & Smelting Limited (73.5 per cent owned by CRA) showed a considerable improvement over those for 1973 due to high prices for lead and zinc and increased sales. Comalco Limited (45 per cent owned by CRA), with interests in bauxite, alumina, and aluminium, achieved sales appreciably higher than those for the previous year, but costs of production increased sharply and earnings showed only a small improvement.

In Canada, Rio Algom Mines Limited, in which RTZ's holding is 51.3 per cent, has interests in copper and uranium mining and in stainless and specialty steels. Its principal copper mining investment is 56.9 per cent in Lornex Mining Corporation Ltd, which operates an open-pit copper/molybdenum mine in British Columbia. In spite of the lower average price realized for copper and the rise in operating costs, earnings of Lornex, before taxes and government royalty, were slightly higher than in the previous year.

RTZ has a 62.7 per cent interest in Brinco Limited, whose principal interests are concentrated in mineral exploration. Brinco's gross income exceeded that for the previous year, largely as a result of interest earned on the proceeds of the sale of its majority interest in Churchill Falls (Labrador) Corporation Limited to the Newfoundland and Labrador government for C\$160 million.

In southern Africa, through its wholly owned subsidiary Rio Tinto South Africa Limited, RTZ has interests of 38.9 per cent in Palabora Mining Company Limited and 53.6 per cent in Rössing Uranium

Limited, the developer of a uranium deposit in South West Africa. At Palabora, copper production fell slightly, but the higher average price received resulted in an increase in profit in spite of the rise in costs. Plans have been announced for the expansion of operations by early 1977.

R.T.Z. Borax Limited, a wholly owned subsidiary of RTZ, has interests in borax, potash, and industrial and agricultural chemicals through companies operating principally in Europe (including the United Kingdom) and North and South America. It showed improved sales and profits during the year.

Also wholly owned by RTZ, R.T.Z. Europe Limited is the holding company for many of RTZ's activities in the United Kingdom and the rest of Europe and for several related operations in Canada and elsewhere. Its chief interests are in products made of aluminium, steel, glass, and wood, and in engineering and tin smelting. Most parts of the RTZ Europe group had a successful year and increased their profits over those for 1973.

In the United Kingdom, Anglesey Aluminium Limited, in which RTZ's holding is 47 per cent, achieved higher output in 1974, although operating below capacity for the latter part of the year. Production costs rose, but these were compensated for by higher aluminium prices, and the company's loss was accordingly reduced. Through its wholly owned subsidiary R.T.Z. Oil and Gas Limited, RTZ's interests in the United Kingdom sector of the North Sea include 25 per cent in the Argyll field, where three exploration wells were drilled in 1974 and a production test programme is due to come on stream in 1975.

FEATURES OF THE GROUP ACCOUNTS

Year ended 31 December	1974 £000s	1973 £000s
Issued share capital of RTZ in 194,101,110 ordinary shares of 25p each, 26,858,967 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	66,100	65,900
Loan capital	274,300	289,100
Capital reserves and share premium	130,800	163,700
Revenue reserves	265,400	217,800
Profit before taxation	279,100	224,800
Taxation	135,800	58,400
Net profit attributable to RTZ shareholders before extraordinary items	62,500	69,600
Earnings per ordinary share of RTZ	28.14p	31.44p
Extraordinary items	(7,200)	*24,300
Dividends - amount	10,100	9,000
- per ordinary share	4.97p	4.49p

*represents mainly exchange adjustments on foreign currency indebtedness and on earnings retained overseas; the net charge for 1974 is after deducting a profit of £9 million on the sale of Churchill Falls water power rights

Selection Trust Limited

The company is a British mining finance house with net assets valued at 31 March 1974 at £152 million. Its main business is investment and participation in mining and mineral enterprises and in the conduct of its own mining and minerals exploration ventures. The company's interests cover a wide range of metals and minerals in many parts of the world, mainly Australia, North America, and Africa.

Revenue for the year to 31 March 1974 rose from £12,165,000 to £13,719,000. The increase was mainly attributable to a substantially larger profit from operations due to improved results from the South Bay copper/zinc/silver mine in Canada which, combined with higher dividend income, more than offset a reduction in the profit on realization of investments.

During the year the company maintained its exploration programmes in Australia, North America, and South Africa, and concluded a limited programme in the United Kingdom. Drilling at the Agnew deposit in Western Australia indicated a mineral reserve of 40 million metric tons, at an average grade of about 2.2 per cent nickel, which is sufficient to support a major mining operation. Results have demonstrated the technical feasibility of mining the deposit, and the economic feasibility and financing possibilities are being investigated.

The company continues to extend its interests in North Sea oil and gas. In addition to its participations in exploration and development through the Noordwinning and Pennzoil (UK) groups, it is involved in the building and equipping of offshore production platforms through the lease of a craneship and ancillary equipment to the Hereema organization of The Hague.

The company's main investments at 31 March 1974 were in Consolidated African Selection Trust Limited (CAST), Amax Inc., Tsumeb Corporation Limited, and Western Mining Corporation Limited. It also has an interest in the Mount Newman iron ore project and in Southvaal Holdings Limited. Through Unisel Gold Mines Limited, the company has an equal participation with Union Corporation Limited in the development of a gold mine in the Orange Free State.

Policies of state participation in Sierra Leone and Ghana have reduced the CAST group's interests in its diamond mines there to 49 per cent and 45 per cent respectively, and the resultant decline in revenue threatened to impair CAST's ability to follow its participations in Agnew and other developing projects such as the Brouillan copper/zinc/silver deposit in Quebec. In December 1974 the boards of Selection Trust and CAST agreed that the two companies combined would be in a stronger position to finance participations in projects, and arrangements were proposed for a merger, in terms of which the 12,472,336 ordinary shares in CAST not already owned by Seltrust Investments Limited were cancelled and holders of those shares received two shares in Selection Trust and 45p in cash for every nine shares held in CAST. CAST accordingly became a subsidiary of Selection Trust when the merger became effective in March 1975, but it continues to operate as a separate company.

The company owns 11.6 per cent of Amax, a major United States natural resource company with widely diversified interests. More buoyant levels of business activity in the United States, Europe, and Japan led to higher sales by each of Amax's operating groups, and total sales for the year to 31 December 1973 rose to \$1,337 million, compared with \$876 million in the previous year. Net earnings were a record \$105.1 million, an increase of 59 per cent over the figure of \$66.2 million for 1972.

Tsumeb Corporation, in which the company has a direct interest of 14.3 per cent and an indirect interest in a further 29.6 per cent held by Amax, owns mines in South West Africa producing mainly copper, lead, and zinc. Increased sales of copper and higher prices for lead boosted Tsumeb's sales revenue considerably, and net profit for the year to 31 December 1973 rose from R5 million to R13 million.

The company's investment of 10.6 per cent in Southvaal Holdings Limited was valued at £31.1 million (including investment currency premium) at 31 March 1974.

The company's 8.8 per cent interest in Western Mining Corporation was valued at 31 March 1974 at approximately £21 million (including investment currency premium). In addition to its principal nickel mining operations at Kambalda, in Western Australia, Western Mining has a 50 per cent interest in the Windarra nickel project which is being operated as a joint venture with Poseidon Limited.

The Mount Newman iron ore project in the Pilbara region of Western Australia is a joint venture in which the company has a direct interest of five per cent and an indirect interest through the 25 per cent participation in the project held by Amax. During the year to 31 March 1974 sales of iron ore rose to 27.2 million long tons, compared with 22.6 million long tons in the previous year, and sales proceeds derived by the company from its direct participation amounted to £5.64 million (1973: £4.45 million). Arrangements are being made to expand the annual capacity of the project to 40 million long tons by early 1976.

FEATURES OF THE ACCOUNTS

Year ended 31 March	1974 £000s	1973 £000s
Issued share capital in ordinary shares of 25p each	5,100	5,100
Capital reserves and share premium	25,421	21,338
Revenue reserves	9,628	7,519
Consolidated profit before taxation	9,802	*6,077
Taxation	3,751	2,575
Consolidated profit after taxation and deduction of minority interests	5,269	*3,450
Earnings per share	25.8p	16.9p
Dividends - amount	2,621	2,953
- per share	12.8505p	12.6p
Net assets - at book value	40,149	33,957
- at market value or directors' valuation	151,608	107,991
Net asset value per share	£7.43	£5.29

*figures adjusted because expenditure on exploration, previously charged against reserves, is now dealt with in the profit and loss account

Tronoh Mines Limited group

Tronoh Mines and its subsidiaries, Bidor Malaya Tin Sendirian Berhad and Southern Tronoh Tin Dredging Limited, operate tin mines in Malaysia. Production for the year to 31 December 1974 rose to 3,077 metric tons of tin concentrate, compared with 2,748 metric tons for 1973.

Associated companies are Ayer Hitam Tin Dredging Limited and The Sungei Besi Mines Limited in Malaysia, and Aokam Tin Berhad in Thailand, all of which are tin mining companies.

The increased profitability of the group is due in the main to substantially higher tin prices.

FEATURES OF THE ACCOUNTS

Year ended 31 December	1974 £000s	1973 £000s
Issued share capital in shares of 25p each	2,579	2,579
Capital reserves and share premium	1,900	1,849
Revenue reserves	3,532	2,183
Group profit before taxation	4,423	1,280
Taxation	2,430	751
Group net profit attributable to Tronoh before extraordinary items	1,533	423
Earnings per share	14.9p	4.1p
Extraordinary items	231	(1)
Dividends—amount	415	307
— per share	4.02p	2.975p

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, nickel, and copper. Other interests of the group include property; paper, packaging, and printing; engineering and road construction; and coastal shipping. In South Africa it administers two investment companies with mining finance and industrial portfolios. It also explores for new sources of metals and minerals.

Output from the gold mines in the group was reduced by 12 per cent during the year, and working costs per ton milled were 21 per cent higher, due largely to substantial wage increases. The upsurge in the gold price increased the average price received from R2,090 to R3,400 per kilogram, and total working profit rose by 59 per cent from R115,107,000 to R182,792,000. Work began on the development of a new gold mine in the Orange Free State, Unisel Gold Mines Limited, which is scheduled to reach production in 1978, at an estimated capital cost of R50 million.

The market for platinum remained firm for most of 1974, but towards the end of the year the recession in the United States, Europe, and Japan caused a marked falling off in demand. Impala Platinum Limited recently announced plans to scale down its annual production to match the level of sales expected in 1975.

Mainly as a result of record dividend distributions received from its gold mining investments and increased distributions from Impala, the corporation's dividend income increased by R11,397,000 to R33,634,000.

The market value of the corporation's United Kingdom investments, including its substantial interest in Capital & Counties Property Company, had fallen considerably below their book costs by the end of the year, and an amount of R25,311,000 was transferred from general reserve.

FEATURES OF THE ACCOUNTS

Year ended 31 December	1974 R000s	1973 R000s
Issued share capital in ordinary shares of 6.25 cents each	3,631	3,631
Loan capital (6½ per cent registered unsecured notes 1974/83)	3,200	3,600
Capital reserves and share premium	79,358	79,378
Revenue reserves	69,540	82,434
Consolidated profit before taxation	42,832	29,685
Taxation	4,085	1,872
Consolidated profit after taxation	38,747	27,813
Earnings per share	67 cents	48 cents
Dividends—amount	24,402	13,944
— per share	42 cents	24 cents
Market value of listed investments	426,374	316,115
Directors' valuation of unlisted investments	71,449	107,540
Net assets—value	514,050	445,758
— per share	R8.85	R7.67

Union Platinum Mining Company Limited

The company's revenue consists almost entirely of dividend income from Rustenburg Platinum Mines Limited, of which it owns 37.3 per cent.

In spite of unsettled economic conditions following the international oil embargo at the end of 1973, demand for platinum remained firm throughout most of 1974 and the volume of Rustenburg's sales increased significantly. Turnover for the year ended 31 August 1974 was 50 per cent higher than for the previous year, while profit after tax of R56.9 million and dividends declared of R21.84 per share set new record levels.

As a result of recessionary trends in the world economy, demand for platinum has declined. Rustenburg has announced a cutback in production, and its expansion programme has been slowed down. Sales revenue for the year to 31 August 1975 is expected to be substantially lower.

FEATURES OF THE ACCOUNTS

Year ended 31 October	1974 R000s	1973 R000s
Issued share capital in shares of 10 cents each	4,570	4,570
Capital reserves	35,807	35,807
Revenue reserves	25	21
Profit before taxation	9,340	10,314
Taxation	9	6
Profit after taxation	9,331	10,308
Dividends—amount	9,327	10,310
— per share	20.41 cents	*25.34 cents

*includes special dividend of 7.7 cents paid to holders of 'A' shares

General Information

Directors' interests

The following are the interests of the directors of the company who held office on 31 March 1975 as notified to the company in terms of the Companies Act 1967:

DIRECTORS	FULLY PAID SHARES OF 25p EACH	
	1 April 1974	31 March 1975
F. S. Berning	100	100
G. 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
N. K. Kinkad-Weekes	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. Rely	500*	500*
	100	100
J. G. Richardson	100*	100*
S. Spiro	100	100
M. W. Stephenson	100	100
L. G. Stopford Sackville	4,750*	4,750*
M. W. Thomas	100*	100*
W. D. Wilson	100	100
ALTERNATE DIRECTORS		
R. J. Armitage	nil	nil
P. G. Hatch	nil	nil
M. W. B. Heald	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(3) 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 1974	31 March 1975
J. N. Clarke	7,500	7,500
N. K. Kinkad-Weekes	12,500	12,500
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
P. G. Hatch	3,500	3,500
M. W. B. Heald	5,000	5,000
A. J. W. Owston	6,000	6,000

Mr R. H. Dent also had a beneficial interest in 4,000 ordinary shares of 25p each in Cape Industries Limited, a subsidiary of the company, at 1 April 1974 and 31 March 1975.

There has been no change notified in any of the above-mentioned interests between the end of the financial year and 19 May 1975, being one month prior to the date of the notice of annual general meeting.

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 19 May 1975.

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 4 on the accounts and the amount of profit attributable to each different class of business undertaken by the group's manufacturing subsidiaries:

	Proportion of turnover (per cent)	Contribution to group trading profit before taxation £000s
Building and insulation products	38.6	3,087
Automotive and engineering products	28.8	1,141
Mining and sale of asbestos fibre	14.9	1,367
Railway track fastenings, mine roof bolting systems, galvanizing, etc.	7.5	684
Heating and catering equipment	9.7	272
Coal mining	0.5	15
	100.0	6,566

Geographical analysis of turnover and trading profit

	Turnover £000s	Trading profit £000s
United Kingdom	64,869	5,102
Rest of Europe	15,548	404
Australasia and South-east Asia	7,123	39
Africa and Middle East	6,755	867
North and South America	4,484	154
	98,779	6,566

Exports

The aggregate value of goods exported by the group's United Kingdom manufacturing subsidiaries during the year was £12,107,000.

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 10,371 during the year. The aggregate amount of the remuneration paid to such employees during the year was £24,752,000.

Political and charitable contributions

Contributions for political purposes during the year amounted to £26,000, consisting of a payment of £25,000 to The City and Industrial Liaison Council and a payment of £1,000 to British United Industrialists, both of which were made through a subsidiary company.

Contributions for charitable purposes made by the company and its subsidiaries during the year totalled £42,000.

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.

MM. les actionnaires sont informés qu'ils peuvent se procurer un exemplaire en français de ce rapport en s'adressant soit au Secrétaire

CHARTER CONSOLIDATED LIMITED
40 Holborn Viaduct, London EC1P 1AJ

soit à
CHARTER FRANCE 9 rue de Vienne, 75008 Paris

soit au
CREDIT LYONNAIS 19 boulevard des Italiens, 75002 Paris

soit à la
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 above-mentioned 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.

Offices

United Kingdom

40 Holborn Viaduct, London EC1P 1AJ (*registered*)
7 Rolls Buildings, Fetter Lane, London EC4A 1HX
Charter House, Park Street, Ashford, Kent TN24 8EQ

South Africa

44 Main Street, Johannesburg 2001

Canada

PO Box 28, Toronto-Dominion Centre, Toronto,
Ontario M5K 1B8

Australia

26th Floor, 500 Collins Street, Melbourne, Victoria 3000

France

9 rue de Vienne, 75008 Paris

Portugal

244 Avenida da Liberdade, Lisbon 2

Rhodesia

70 Jameson Avenue Central, Salisbury C4

Registrars

United Kingdom

Charter Consolidated Services Limited
PO Box 102, Charter House, Park Street, Ashford,
Kent TN24 8EQ

South Africa

Consolidated Share Registrars Limited
62 Marshall Street, Johannesburg 2001

Rhodesia

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

Statement by the Chairman Mr S. Spiro MC

The year was marked by continued high rates of inflation accompanied by a reduction in industrial activity and a notable decline in commodity prices, particularly for base metals. In these circumstances it is gratifying that Charter's profits before tax and extraordinary items were the highest ever achieved at £27,936,000. Earnings after taxation amounted to £17,206,000, equivalent to 16.42p per share, compared with 15.16p last year.

Investment income increased by almost exactly one third to £17,699,000, reflecting the continued growth in earnings from Charter's overseas interests in gold, diamonds, tin, and other minerals, both direct and indirectly through other mining finance houses.

Our industrial companies achieved a substantially greater turnover during the year, but under the counter-inflation legislation were unable to recover in full the effect of cost increases, so that the previous level of profits could not be maintained. A further effect of inflation is the continual increase in the working capital requirements of the industrial companies which is reflected in higher borrowings and interest costs.

The charge for prospecting was £2,163,000. The greater part of the increase over last year's figure of £919,000 arose from Charter's share of the cost of the exploration well sunk on block 210/19 in the North Sea.

Apart from the gold mining sector, stock market prices were very depressed in 1974, and in these circumstances the achievement of a profit of

£2,124,000 on realizations is considered satisfactory.

Market prices have since recovered somewhat, and at 31 March 1975 the value of our net assets was £302,020,000, equivalent to 288p per share, compared with £361,833,000, equivalent to 345p at 31 March 1974.

A substantial improvement in profits was achieved by our associated companies, and the retained earnings attributable to Charter, after taking into account dividends declared, increased from £3,109,000 to £5,965,000.

An agreement was reached with the Mauritanian government whereby Société Minière de Mauritanie (SOMIMA) was taken over entirely by the Mauritanian state mining organization, and SOMIMA has ceased to be an associated company. Charter, in conjunction with the Mauritanian government and other shareholders, was obliged to meet its liabilities as guarantor of certain of SOMIMA's loans, at a cost of £8.7 million, and in addition to accept as a loss loans totalling £2.7 million made to SOMIMA between September 1974 and January 1975. These amounts, representing the remaining balance of Charter's investment in SOMIMA, have been written off in the accounts for the year under extraordinary items.

The net deficit from extraordinary items amounted to £8,333,000 after making the appropriate provision in respect of the fall in the exchange rate of sterling and taking credit for the surplus from extraordinary items of associated companies.

Raw materials

The action of the principal oil producing countries in imposing a massive increase in the price and being prepared to sustain national policies if necessary by the restriction of supplies has undoubtedly influenced thinking and attitudes to raw materials generally. A tendency is growing for natural resources to be regarded as available primarily to serve national aspirations and needs, with little consideration for the contribution of those who provide the skills and capital and assume the risks in discovering and developing new sources of supply.

The terms on which mining concessions are granted or new developments permitted have become more onerous, not only in the developing countries but in the industrialized nations as well. Mining companies in some important instances have been obliged to accept unilateral modifications, or even abrogation, of agreements freely entered into soon after the finance has been provided and fully expended and the project has come on stream.

It is the business of mining companies to seek rewards for their skills and capital by assuming a risk element in new ventures, but inflationary pressures have increased costs to such an extent that pre-production expenditure may in many cases involve raising funds in excess of half a billion dollars for a single project.

The raising of finance in these circumstances and on these scales presents considerable problems, particularly at a time when there has been a serious deterioration in financial markets as a result of the combination of inflation and recession, currency instability, and the disturbance caused by the massive transfer of funds to the oil producing countries.

There has already been a sharp falling off in exploration expenditure and new development

which, if allowed to continue unchecked, is likely to cause potentially serious supply shortages in the industrialized, consuming countries, and we particularly welcome in this context the initiative taken by the European Economic Community in drawing attention to the political, social, and financial problems involved. The pricing of commodities, and the means of achieving the greater stability which is much to be desired in the interests of producer and consumer alike, has been receiving consideration at international level and in particular at the recent Commonwealth prime ministers' conference.

The decline in economic activity throughout the industrialized countries led to a substantial drop in the prices of base metals, with the exception of tin and wolfram. The price of copper was seriously affected by the downturn in demand, falling from a peak of £1,400 per metric ton in April 1974 to the present critically low levels of £500-£550 per metric ton. With the reduction in the purchasing power of money and the lower value of sterling against other currencies, the effective drop is even greater than these figures suggest.

A marked run-down of inventories by consumers has taken place which has had an important influence on the price. This is a process which cannot continue indefinitely and is subject to reversal when the appropriate changes in economic conditions occur. Anti-recessionary measures are being taken in a number of countries, primarily to combat unemployment, and there is thus reason to expect an improvement in industrial activity in the foreseeable future. The current price of copper is below the cost at many existing mines and well below the cost at which new production can be brought in. The persistence of these price levels is not only likely to bring about supply shortages in the next decade but would have a most harmful effect on the economies of producing countries.

Associated resources companies

In addition to its direct mining interests, Charter participates in projects indirectly through shareholdings in associated companies of the Anglo American Corporation group for which personnel of both Charter and Anglo American provide services. During the year a number of important new business interests have in this way been acquired.

A major expansion and diversification scheme was carried out by Minerals and Resources Corporation (MINORCO), the main investments of which were formerly centred on the Zambian copper mining industry, by the acquisition, in exchange for shares, of a stake now amounting to more than 30 per cent in Engelhard Minerals & Chemicals. Engelhard, in which the Anglo American group has long held an interest, has recently shown a remarkable rate of growth, with earnings rising from some \$36 million in 1972 to \$110 million in 1974.

MINORCO, of which Charter holds 20 per cent, has now built up a well balanced range of investments in mineral resources and is well placed to develop further as an international raw materials company. It has a promising interest in oil through Trend Exploration which has achieved a marked success in discovering and establishing a new oil field in Indonesia. Production there is being expanded considerably and sales are expected this year to reach 100,000 barrels per day.

We have a further indirect interest in Trend, through Anglo American Corporation of Canada (AMCAN) in which Charter's stake is just under 25 per cent.

MINORCO and AMCAN have together acquired a joint participation amounting to some 30 per cent in a well established United States copper

enterprise, Inspiration Consolidated Copper Company, having a fully integrated operation in Arizona including mines, smelter, and refinery, also with toll treatment facilities, and a rod fabricating plant. It has substantial reserves of copper capable of further development. AMCAN and Hudson Bay Mining and Smelting, in conjunction with the Mexican government and Mexican private interests, are proceeding with the development of the La Verde copper deposit in Mexico which has reserves estimated at 80 million tons grading 0.7 per cent.

Through Anglo American Corporation do Brasil, Charter has an interest in the oldest gold mining operation in Brazil, Mineracao Morro Velho, where production is to be significantly increased.

These new interests represent further diversification and in due course should contribute to the growth and development of Charter.

Société Minière de Tenke-Fungurume

Considerable progress has been made with design engineering and construction work on the Tenke-Fungurume project in which Charter is participating in an international consortium including the government of Zaire. Inflation has made a severe impact on costs, and after allowing for contingencies the total capital cost up to the commencement of the production phase is now estimated at \$660 million. Negotiations for the raising of the third party loans have proceeded well, but with the complicated nature of the international project finance and the economic constraints generally affecting markets it has necessarily taken a long time.

In the meantime, in order to achieve the earliest possible production date, estimated to be in the second quarter of 1978, work has continued and has been financed by shareholders directly or

under guarantee. Some \$110 million has been spent to date.

The project is fortunate in having very large reserves of copper with a grade of 5.7 per cent. This places it in the category of one of the richest unexploited deposits in the world. Although it is located a long way from export outlets on the coast, and the capital cost of providing infrastructure items such as housing, roads, schools, and other services will be heavy, the high copper content of the ore should enable the mine to produce at a very competitive price. With a production target of 130,000 metric tons refined copper per annum, it is one of the few major new projects going ahead at this time.

Cleveland Potash

The construction and development phase of the Cleveland Potash project in Yorkshire has taken rather longer than was originally expected due mainly to problems in sinking the shafts through difficult ground. The very high rate of inflation combined with the delays has resulted in the cost of the project rising to £47 million. To meet the additional costs and to fund the bridging finance the company has obtained a medium term loan from Barclays Bank Limited of £18 million, in addition to overdraft facilities.

The equipping of the second shaft is virtually complete, and the availability of the full shaft system will enable production to be progressively built up over the next twelve months.

Mining plans have had to be adjusted somewhat in view of the geological conditions experienced underground, and there are indications of some irregularities in the potash seam which will call for flexibility in mining.

There may be some falling off in the demand for fertilizers resulting from higher prices occurring at a time of financial stringency, but in the

medium and long term the market for potash is likely to remain strong. Cleveland should be well placed to compete as a supplier, and at current potash prices Cleveland would produce in a year of full production a gain to the United Kingdom balance of payments of over £40 million.

Malaysia

Our tin mining interests, held mainly through the Tronoh group, performed well and with the substantially higher tin prices prevailing achieved significant increases in profits.

Recently the tin price has fallen from an average of £3,367 per metric ton in 1974 to £2,909 per metric ton at the end of April 1975, and the International Tin Council has imposed restrictions on output in an attempt to stabilize the price. Malaysia is not escaping inflation, and increasing mining costs coming at a time of lower tin prices make the outlook less favourable than it was last year: nevertheless, the operations are expected to show satisfactory profits overall this year.

The joint venture agreement between Tronoh and Perak State Development Corporation has been under consideration by the Malaysian federal authorities. Further discussions have been called for and this has caused some delay. The construction of a new, high capacity dredge to work the area adjacent to the existing Tronoh leases has had to be postponed for the time being.

Prospecting and evaluation of the very large tin bearing area held in conjunction with Selangor State Development Corporation has continued during the year. A feasibility study is now being carried out together with further work including additional prospecting, and investigations are in progress into the design of suitable dredges and stripping equipment to work the reserves.

Beral Tin and Wolfram

The Portuguese operating subsidiary of Beral Tin and Wolfram had a good year and sold more than twice as much of its principal product, wolfram, as in the preceding year, mainly because of continuing buoyancy in the wolfram market and strong demand for the company's high quality concentrate. Since production remained virtually at the same level as in 1973, some 40 per cent of sales were met from the stockpile built up in the previous two years when prices were low, thereby reducing stocks to more normal levels.

As a result of the high sales volume and improved wolfram prices, the mining company managed in a year of severely escalating costs to earn profits of over £3 million before tax, compared with a loss of £115,000 in 1973. However, the parent company in the United Kingdom is unable to declare a dividend until consent for the remittance abroad of its share of the subsidiary's dividend has been received from the Portuguese authorities.

Although the price of wolfram has for some time been reasonably steady at the higher levels, it has traditionally been subject to wide fluctuations which are harmful to both producer and consumer. The support given this year by the United Nations Conference on Trade and Development to the efforts for securing a greater measure of price stability and the elimination of undue troughs is, therefore, very welcome, but it will be of little help to any producer unless wage inflation is curbed before the margin between costs and selling prices renders mining operations uneconomic.

Société Minière de Mauritanie

From the beginning the relatively small scale operations of SOMIMA experienced a series of

difficulties, but through the determined efforts of all concerned, in particular those working under the unfavourable climatic and other conditions at the mine, the technical problems were overcome and a consistent rate of production was achieved, although this was somewhat below the original forecasts.

The high cost of treating the oxide ores, and other charges involved in the production of concentrates, combined with very large debt service charges, nevertheless meant that there was little potential for positive cash flow even when the copper price was high. The dramatic fall in the copper price that occurred in 1974, together with inflation and the massive increase in fuel oil costs, brought about a substantial deficit on operations.

Closure of the mine would, however, have involved heavy expenditure and created serious hardships, and the Mauritanian government was therefore determined to keep the mine operating while at the same time seeking a long term solution. In the circumstances Charter agreed to contribute, with the Mauritanian government, additional loan funds necessary to meet current payments.

SOMIMA has now been taken over entirely by the Mauritanian state mining organization, and Charter in conjunction with the Mauritanian government and other shareholders was obliged to meet its liabilities as a guarantor of certain of SOMIMA's loans at a cost of £8.7 million and to accept as a loss loans made during the year of £2.7 million.

A spirit of cooperation and understanding has prevailed throughout in our relationship with the Mauritanian government and we believe that the ultimate solution was the best attainable in the circumstances.

North Sea oil

In the latter half of 1974 the consortium led by Home Oil of Canada, in which Charter is a major participant, drilled its first well on block 210/19 without encountering any significant oil shows. The information gained from this well is being studied and appraised, together with other geological information available, and consideration is being given to the sinking of a further well on this block.

The rapid development of North Sea oil is of the utmost importance to the economy of the United Kingdom. The capital and other costs of obtaining this oil will be very high and the risks involved considerable. A reasonable and consistent government policy is therefore essential if the full potential of the field is to be realized.

Cape Industries

Our principal industrial subsidiary, Cape Industries, reported lower profits, although group turnover rose substantially. The decline in profits resulted from increased costs of production, pressure on margins because of price controls, higher interest charges, and, in particular, continuing problems at the amosite mine at Penge where a loss was made in 1974.

The increase in working capital during the year was a major drain on liquid resources and resulted in a sharp rise in the company's indebtedness. However, measures are now being taken to ensure that the total indebtedness is contained at reasonable levels.

Demand for most of the company's manufactured products remained strong throughout the year, and with progress being achieved in overcoming technical mining problems there was a marked improvement in profitability in the second half which has continued into the current year.

Overall, trading in the first quarter has exceeded the budget and shows an improvement over the same period last year. With the economic uncertainties, it cannot necessarily be assumed that results for the rest of the year will be as good as in the first quarter, but we believe that, given reasonable conditions, the prospects for the resumption of a growth trend are good.

Elastic Rail Spike and Heatrae

The Elastic Rail Spike and Heatrae groups suffered severely during the year from inflation and price control, in spite of achieving important working economies. Heatrae, with 85 per cent of its sales in the United Kingdom, was affected adversely by the reduced activity in the building trade.

A successful offer was made for Sadia Limited, which has a similar business to that of Heatrae, and a reorganization and rationalization of the electric water heater production of the two groups has since been carried out. It is difficult to predict how far the Heatrae/Sadia group will be able, in 1975, to reap the full advantage foreseen in the merger, which created the largest integrated electric water heater enterprise in the United Kingdom. The expanded group, however, is well placed to benefit from any revival of markets for heating equipment conforming to the needs of national energy-saving policies.

Elastic Rail Spike, which now exports 40 per cent of its production from the United Kingdom, enjoyed buoyant markets at home and abroad, but its output was somewhat limited by shortage of the special steel used in the manufacture of railway track fastenings.

The outlook for the group is encouraging, particularly in view of its emphasis on export growth and the increasing profit contribution

expected from its subsidiaries in Australia and also in Canada where the manufacture of rail fastenings began in May this year. Elastic Rail Spike is to be congratulated for the British Design Council award which it received in 1974 for technical innovation.

Outlook

Inflation in the United Kingdom is now running at a rate seldom experienced outside Latin America, and there is little indication that the measures so far taken or contemplated will be effective in dealing with this very serious problem. If inflation continues unchecked, the ability of industry in the United Kingdom to achieve the export earnings necessary to pay for our essential imports of food and raw materials will be seriously threatened. Unemployment will rise, standards of living must fall, and our whole industrial and economic structure will be imperilled.

Mining costs, and in particular the capital costs of plant and machinery, have risen substantially throughout the world, and at the same time a recessionary cycle persists and most metal prices are at depressed levels. Charter is fortunate in drawing its income from many different and diverse sources, and this in the aggregate provides some protection against the impact of adverse conditions in individual areas of activity. The very low price prevailing for copper will materially reduce our earnings from this source, but income from gold and other overseas mining interests is likely to remain strong. Earnings from our industrial interests will be influenced by the way in which the fundamental issues now confronting the United Kingdom are dealt with, but results for the beginning of this year have been somewhat better than expected.

Indications suggest that the profits overall

attributable to Charter should be maintained in the current year. Our inherently strong investment position, combined with the new developments being pursued both by ourselves and through our associated companies, provide good grounds for confidence in Charter's future growth and expansion.

Shareholders will doubtless wish to join with me in expressing our gratitude to all members of the staff for the great contribution they have made to our operations both at home and abroad. The achievements of the company are due, largely, to the loyalty and perseverance of the staff.



Chairman

London
12 June 1975