FILE NAME: Cape Asbestos (CAPE)

DATE: 1989 Mar

DOC#: CAPE187

DOCUMENT DESCRIPTION: Consolidated Profit and Loss Account [Legal - Tibbs Case Exhibit 85]

Consolidated profit and loss account

Year ended 31 March 1989

Note		1989 £000	1988 £000
	Industrial	25,971	21,912
	Mining and Quarrying	3,141	2,044
	Precious Metals	24,488	22,719
	Finance	20,512	13,322
	Profit from continuing businesses	74,112	59,997
	Discontinued businesses	(1,089)	(639)
2,3,4	**Operating profit**	73,023	59,358
	Central charges	(3,912)	(4,169)
	Head office reorganisation	(1,400)	–
5	**Profit on ordinary activities before taxation**	67,711	55,189
6	Taxation on profit on ordinary activities	(17,399)	(14,812)
	Profit on ordinary activities after taxation	50,312	40,377
	Minority interests	(4,857)	(2,659)
	Profit attributable to shareholders	45,455	37,718
10	**Earnings per share 43.1p** (1988 – 35.8p)		
11	Extraordinary items	866	12,586
	Profit for the financial year	46,321	50,304
12	Dividends	(18,198)	(15,287)
29	Retained profit transferred to reserves	28,123	35,017

Operating profit includes the group share of related company profits of £26,194,000 (1988 £24,274,000).

The movements on reserves are set out in note 29 on page 38.

The information on pages 22 to 44 forms part of these accounts.

Consolidated balance sheet

31 March 1989

Note		1989 £000	1989 £000	1988 £000	1988 £000
	Fixed assets				
13	Intangible assets		–		5,957
13	Tangible assets		115,072		109,024
14	Investments Valuation £318,593,000 (1988–£236,094,000)		139,681		116,080
			254,753		231,061
	Current assets				
16	Stocks	78,966		83,495	
17	Debtors	97,209		104,834	
15	Finance leases	292		9,919	
18	Investments at valuation	6,011		11,003	
19	Cash and bank deposits	202,566		187,737	
		385,044		396,988	
	Creditors: due within one year				
20	Creditors	(104,206)		(111,451)	
21	Taxation	(19,283)		(16,623)	
22	Short term borrowings	(11,758)		(18,499)	
		(135,247)		(146,573)	
	Net current assets		249,797		250,415
	Total assets less current liabilities		504,550		481,476
	Creditors: due after one year				
25	Long term borrowings		(56,600)		(54,903)
26	Other long term creditors		(738)		(737)
27	**Provisions for liabilities and charges**		(31,078)		(37,481)
			416,134		388,355
	Capital and reserves				
28	Called up share capital		2,110		2,109
29	Share premium account		12,698		12,543
29	Revaluation reserves		43,278		30,434
29	Other reserves		122,706		174,919
29	Profit and loss account		207,668		146,171
	Total capital and reserves		388,460		366,175
	Minority interests		27,674		22,179
			416,134		388,355

Approved by the board of directors on 20 June 1989
R K A Wakeling J W Herbert Directors

The information on pages 22 to 44 forms part of these accounts.

Balance sheet

31 March 1989

Note		1989 £000	1989 £000	1988 £000	1988 £000
	Fixed assets				
14(ii)	Investment in subsidiaries at cost		**224,966**		66,128
	Current assets				
	Corporation tax recoverable	**18,169**		12,913	
26	Amounts due from subsidiaries	**203,388**		54,658	
	Debtor due after one year	**1,200**		–	
	Cash at bank	**7**		6	
		222,764		67,577	
	Creditors: due within one year				
	Proposed final dividend	**(13,187)**		(10,806)	
	Other creditors	**(577)**		(573)	
		(13,764)		(11,379)	
	Net current assets		**209,000**		56,198
	Total assets less current liabilities		**433,966**		122,326
	Creditors: due after one year				
25	Long term borrowings		**(44,379)**		(39,682)
26	Amounts due to subsidiaries		**(367,414)**		(61,796)
			22,173		20,848
	Capital and reserves				
28	Called up share capital		**2,110**		2,109
29	Share premium account		**715**		560
29	Profit and loss account		**19,348**		18,179
			22,173		20,848

Approved by the board of directors on 20 June 1989
R K A Wakeling J W Herbert Directors

The information on pages 22 to 44 forms part of these accounts.

Source and application of funds

Year ended 31 March 1989

Note		1989 £000	1989 £000	1983 £000	1983 £000
	Operating cash flow				
	Profit before interest and taxation		52,980		46,478
	Share of retained profits of related companies		(18,019)		(17,325)
	Provisions against current asset investments		(1,359)		1,359
	Operating cash flow from revenue sources		33,602		30,512
30(i)	Working capital	2,419		9,036	
	Fixed assets				
	Purchases for normal replacements and enhancements	(16,293)		(16,093)	
	Book value of disposals	4,988		3,727	
	Depreciation	15,829		17,523	
		4,524		5,157	
	Net securities realisations at cost	6,614	13,557	5,170	19,363
	Operating cash flow		47,159		49,875
	Taxation	(12,185)		(8,806)	
	Interest	14,067		8,733	
	Dividends	(15,817)	(13,935)	(13,955)	(14,028)
	Cash flow after taxation and service of capital		33,224		35,847
	Capital receipts less new investment				
30(ii)	Extraordinary items before taxation and other items	(16,915)		21,283	
30(iii)	Acquisition/disposal of subsidiaries	2,183		4,114	
30(iv)	Fixed assets	(8,246)		7,528	
	Decrease in finance leases	9,627	(13,351)	10,110	43,035
	Net cash inflow		19,873		78,882
	Represented by				
30(v)	Increase in liquid funds		21,570		66,282
30(vi)	(Increase)/decrease in long term borrowings		(1,697)		12,600
			19,873		78,882

The information on pages 22 to 44 forms part of these accounts.

CHARTER

Contents

Registered office
40 Holborn Viaduct
London EC1P 1AJ
Telephone 01 353 1545
Fax 01 583 2950
Telex 929582

Important dates

Annual general meeting – Tuesday 15 August
Final dividend paid – Thursday 17 August
Interim dividend and half yearly report published – Wednesday 13 December
Interim dividend paid – Thursday 11 January

CHARTER

Charter Consolidated P.L.C.

Annual Report for the year ended 31 March 1989

Highlights	1989 £ million	1988 £ million
Turnover	**1,009.6**	946.3
Profit before taxation	**67.7**	55.2
Attributable earnings	**45.5**	37.7
Extraordinary items	**0.9**	12.6
Earnings per share	**43.1p**	35.8p
Dividends per share	**17.25p**	14.5p
Net assets Including appreciation of investments	**567.4**	486.2
Net assets per share	**538p**	461p

Board of directors

Chairman:	Sir Michael Edwardes
Deputy chairman:	D J Davies
Executive directors:	R K A Wakeling (acting chief executive)
	J W Herbert (industry)
Non-executive directors:	P C D Burnell
	D E Cook, TD
	Sir Robert Hunt, CBE
	J C L Keswick
	A W Lea
	J Ogilvie Thompson
Alternate Director:	M J Statham
Secretary:	P M Thwaite

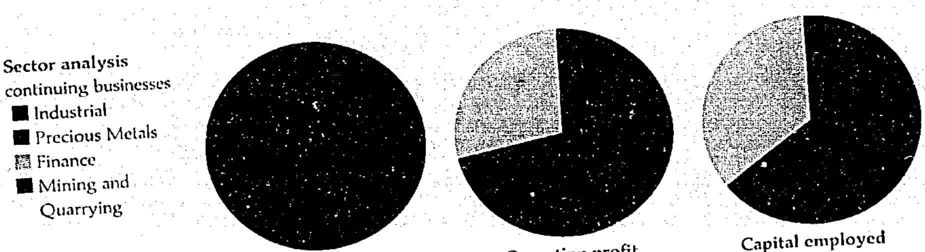
The Charter Group

Charter is the parent company of a British group engaged in engineering, building materials and services, mining and quarrying, and investment. Charter has important interests in the marketing, refining and fabrication of precious metals and the manufacture of automotive and industrial catalysts.

Charter's strategy is to develop as a major industrial group in specialist markets, with emphasis on market leadership and the ownership of competitive technology. Charter's companies are leaders in their fields and the intention is to develop these businesses, by organic growth and by acquisition, in order to maximise return on capital and to achieve annual real growth in earnings.

The group employs 9,733 people worldwide.

Sector analysis
continuing businesses



Turnover

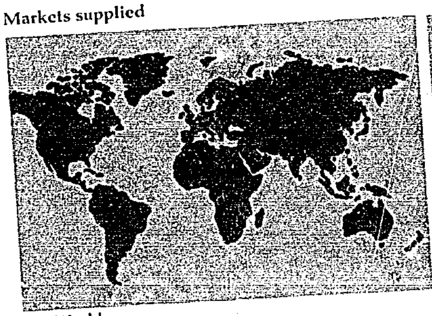
Operating profit

Capital employed (net of borrowings)

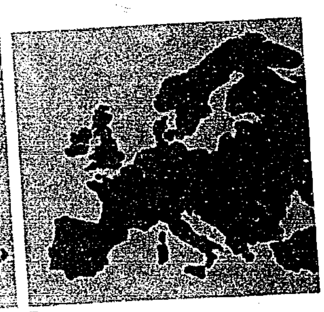
Geographical analysis
Operating profit by area of origin – £000

UK	53,373	73%
Rest of Europe	4,516	6%
North America	8,535	12%
Rest of the world	6,599	9%
Total	73,023	100%

Markets supplied



The World



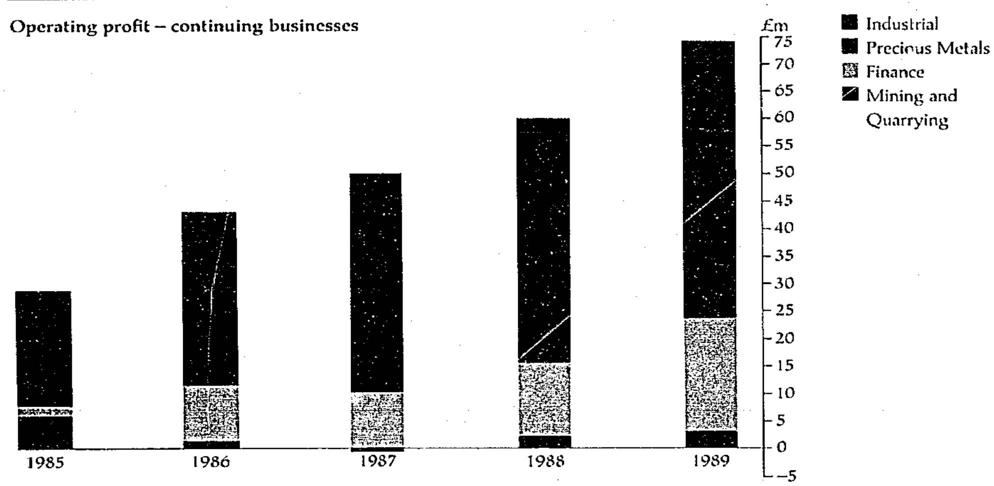
Europe

Five year financial record

Profit and loss account	1989 £000	1988 £000	1987 £000	1986 £000	1985 £000
Turnover (note 1)	1,009,560	946,323	802,618	887,879	1,175,575
Operating profit (note 1)	73,023	59,358	46,227	33,488	21,546
Central charges	(5,312)	(4,169)	(4,198)	(4,812)	(5,026)
Profit before taxation	67,711	55,189	42,029	28,676	16,520
Taxation	(17,399)	(14,812)	(10,241)	(8,936)	(7,474)
Minority interests	(4,857)	(2,659)	(620)	36	1,496
Earnings attributable	45,455	37,718	31,168	19,776	10,542
Extraordinary items	866	12,586	1,191	(9,191)	(52,874)
Dividends	(18,198)	(15,287)	(13,682)	(12,095)	(11,568)
Retained profits/(losses)	28,123	35,017	18,677	(1,510)	(53,900)
Earnings per share	43.1p	35.8p	29.6p	18.8p	10.0p
Dividends per share	17.25p	14.50p	13.00p	11.50p	11.00p
Balance sheet					
Fixed assets	115,072	114,981	111,502	128,374	142,254
Investments at valuation	318,593	236,094	310,417	204,642	150,209
Current assets	385,044	396,988	376,106	353,934	417,915
Creditors and provisions	(155,305)	(166,292)	(164,413)	(183,274)	(215,976)
Capital employed	663,404	581,771	633,612	503,676	494,402
Borrowings	(68,358)	(73,402)	(91,089)	(94,752)	(118,048)
Minority interests	(27,674)	(22,179)	(21,080)	(24,386)	(30,856)
Net assets	567,372	486,190	521,443	384,538	345,498
Net assets per share	538p	461p	495p	366p	329p
Shareholders' funds	388,460	366,176	314,089	298,202	307,820
Appreciation of investments (note 2)	178,912	120,014	207,354	86,336	37,678
Net assets	567,372	486,190	521,443	384,538	345,498

Notes
1 Turnover and operating profit include related companies.
2 No account has been taken of any taxation liability which would arise on the realisation of fixed asset investments (see note (i) to note 14 on the accounts on page 31).

Operating profit – continuing businesses



Chairman's statement

I am pleased to report that the Charter group has achieved further progress in the year to 31 March 1989. Profits before taxation rose 23 per cent to £67.7 million and earnings per share grew by 20 per cent to 43.1 pence. We propose an increased final dividend of 12.5p per share to give a total of 17.25p for the year, compared with 14.5p for the previous year.

Charter has made good progress in addressing the strategic and operational issues facing the group. Our stategic review has already led to the disposal of the Shand Construction group announced in March 1989 and our 50 per cent shareholding in Cleveland Potash Limited in July 1989. Both businesses had little prospect of yielding worthwhile returns for the Charter group. These divestments and other minor disposals in progress will help to simplify the group's structure and enable the management to concentrate on the group's important business areas.

The group is now organised in four main business areas:–

- the Industrial division, comprising the engineering and building products and services businesses,
- the Mining and Quarrying division,
- Precious Metals, comprising Charter's stake in Johnson Matthey, and
- the Finance division, comprising the securities trading business, the group's property and other investments, and treasury operations.

This new organisation is intended to clarify management responsibilities and give sharper strategic focus.

All four divisions produced higher profits in the year to 31 March 1989. The strongest performances came from the Finance and Industrial divisions whose profits were up 54 per cent and 19 per cent respectively, whereas the improvement from Precious Metals was a relatively modest 8 per cent.

For 1989/90 substantially higher capital expenditure programmes totalling £32 million are planned in the Industrial division, especially at Pandrol and Cape Industries, and in the Mining and Quarrying division, mainly at Penryn Granite. The enhanced rate of capital expenditure is intended to stimulate greater profit growth in the future. Charter has a strong balance sheet and substantial financial resources and we will be looking to expand the group by acquisitions as well as by organic growth.

Radical measures are in hand to streamline the mining equipment operations of Anderson Strathclyde so that they will reflect more closely current market conditions and prospects. Its management has very recently been strengthened by the appointment of a new chief executive and a new finance director. A group chief executive has also been appointed at Cape.

We have nearly completed the reorganisation of Charter's head office. The ongoing establishment has been reduced to about 45 employees, compared with 120 a year ago. This action has already led to a substantial reduction in overhead costs and greater efficiency at the head office.

During the year, six directors resigned from the Charter Board, namely: Jocelyn Hambro, the former chairman, Neil Clarke, the former deputy chairman and chief executive, Anthony Owston, Gavin Relly, Nicky Oppenheimer and Anthony Oppenheimer. The Board has expressed its appreciation to all of them for their valuable contribution to the company over many years.

I became a director and non-executive chairman of Charter in November 1988. David Davies joined the Board and was elected deputy chairman and chairman of the executive committee. In addition, Chips Keswick and Tony Lea joined the Board as non-executive directors. Charter is pleased to welcome these three new directors, all of whom bring great experience of finance, industry and commerce to the company.

There are 9,733 people employed in the Charter group worldwide. On behalf of the shareholders and the Board, we thank them for their effort and commitment without which Charter's improving profit performance would not be possible.

Given Charter's strong management and financial resources, we are confident about the prospects for realising Charter's potential and for achieving continued earnings growth for our shareholders.

Michael Edwardes

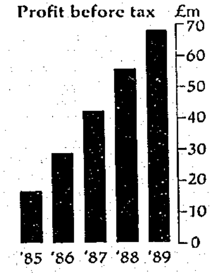
Chairman

Review of results

Charter's profits before tax increased by 23 per cent to £67.7 million in the year to 31 March 1989. This good performance reflects the following contributions from Charter's operating divisions:–

	Operating Profit £m	Increase
Industrial division	26.0	up 19%
Mining and Quarrying division	3.1	up 54%
Precious Metals (Johnson Matthey)	24.5	up 8%
Finance division	20.5	up 54%

Profit before tax £m

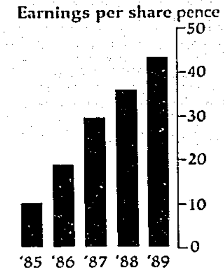


Earnings attributable to shareholders rose by 20 per cent to £45.5 million and earnings per share increased to 43.1 pence compared with 35.8 pence in the previous year.

Head office reorganisation

The improvement in the group's results has been achieved in spite of the once-off costs of the head office reorganisation amounting to £1.4 million which have been taken as a charge against profits. As part of the reorganisation, Charter has withdrawn from the activity of providing financial and administrative services for overseas client companies and the employees formerly engaged in this activity have ceased to be employed by the Charter group. The reorganisation will enable a substantial reduction in head office costs in 1989/90.

Earnings per share pence



Interests in related and subsidiary companies

During the year the Charter group increased its shareholding in Johnson Matthey to 38.7 per cent at 31 March 1989.

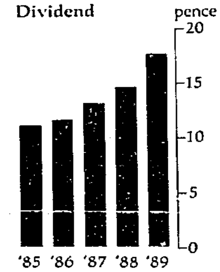
In March 1989, Charter disposed of its construction subsidiaries, Shand Construction Ltd., Morrison Construction Group Ltd., and Biggs Wall & Co. Ltd., to the management of Morrisons. In a separate transaction, Charter also sold Shand Engineering Ltd. In July 1989, Charter disposed of its 50% shareholding in Cleveland Potash Ltd. to a company within the Anglo American group.

In December 1988, Shand Mining Inc. acquired Delphi Limestone Co., a dolomite quarry in Indiana USA with net assets of US$4.9 million.

Extraordinary items

The results include an extraordinary profit of £0.9 million which is a net figure calculated after charging substantial reorganisation costs in subsidiary companies, and taking in extraordinary profits/losses on the disposal of subsidiaries and other investments. The figure also includes Charter's £4.8 million share of Johnson Matthey's extraordinary profit for the year. Last year's extraordinary profit of £12.6 million included the profit on the sale of the group's interest in Malaysia Mining Corporation.

Dividend pence



Dividends

The directors have decided to recommend an increased final dividend of 12.5 pence which with the interim dividend of 4.75 pence paid in January 1989 makes a total for the year of 17.25 pence per share, compared with last year's 14.5 pence. After providing £18.2 million for payment of these dividends, retained profit of £28.1 million was transferred to reserves.

Review of operations

Industrial

Summary of results £m	Turnover 1989	1988	Operating profit/(loss) 1989	1988	Capital employed 1989	1988
Mining equipment – Anderson Strathclyde	96.1	98.0	5.8	5.4	39.9	44.6
Mining equipment – National Mine Service	34.9	34.6	2.3	1.3	9.1	11.3
Anderson Strathclyde PLC	131.0	132.6	8.1	6.7	49.0	55.9
Building products – Cape	80.4	67.5	11.0	9.1	27.9	31.1
Industrial services – Cape	78.9	79.0	2.5	1.6	12.7	10.6
Compensation for industrial disease	–	–	(1.2)	(1.3)	(2.9)	(2.8)
Cape Industries PLC	159.3	146.5	12.3	9.4	37.7	38.9
Rail track equipment – Pandrol	41.8	38.0	4.7	4.6	15.4	12.7
Licensed trade equipment – MKR	18.9	16.1	0.9	1.2	8.4	6.4
	351.0	333.2	26.0	21.9	110.5	113.9
Discontinued businesses	68.4	111.3	0.1	(0.8)	7.5	7.2
Total	419.4	444.5	26.1	21.1	118.0	121.1

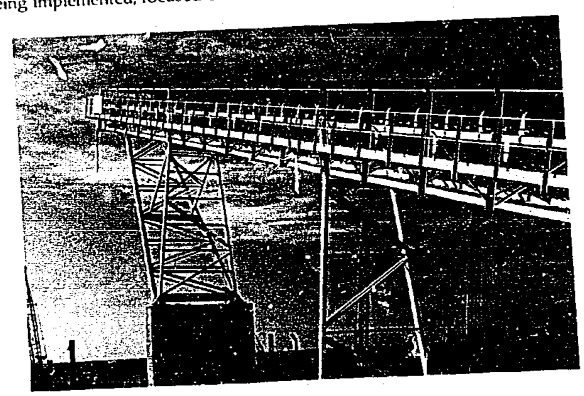
Anderson Strathclyde is one of the world's major suppliers of underground mining equipment. The main products are power loaders, used to cut coal from the longwall face and roadheaders, which drive the tunnels for mine development.

Anderson Strathclyde PLC

Turnover at Anderson Strathclyde and its wholly-owned subsidiaries was slightly down at £96.1 million, while operating profits increased by £0.4 million to £5.8 million.

Demand for coal face equipment from British Coal was strong in the final quarter which compensated for the lower sales during the first half of the year. The successful introduction of the Electra 1000 at the Chicago Mining Equipment Show in the USA contributed to the increase in export sales.

Anderson Strathclyde continues to take action to deal with the reduced demand in the world market for coal mining equipment. A new chief executive and a new finance director have been appointed. A comprehensive review of manufacturing strategy is in progress, and changes are already being implemented, focused on the main mining equipment businesses.



The spoil removal conveyor for the Channel Tunnel, supplied by Anderson Strathclyde.

The 1989/90 financial year is expected to be a period of fundamental change for Anderson Strathclyde. Several peripheral businesses are being divested and management in key areas of the business is being strengthened further.

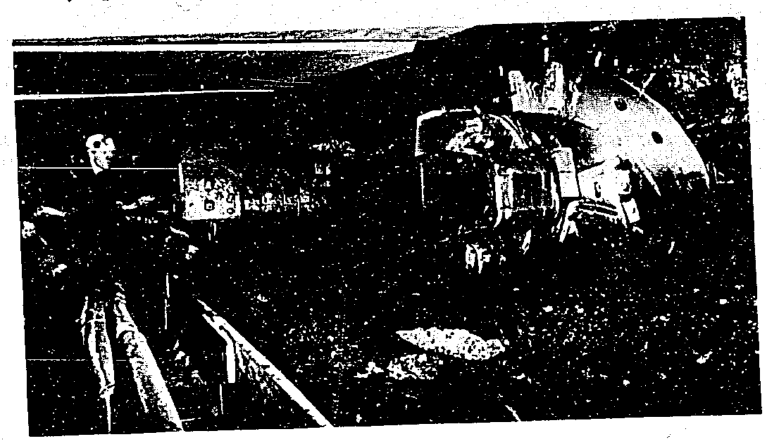
National Mine Service Company

National Mine Service Company, a 51.2% subsidiary of Anderson Strathclyde, supplies and services a wide range of mining products throughout North America.

Although sales in the year at £34.9 million were only marginally higher than last year, profits rose by 77% to £2.3 million compared with £1.3 million in 1987/88.

The benefits came from overhead cost reductions in both the Hydraulic and Distribution Divisions with most of the expense of these reductions having been borne last year. In addition the Hydraulics Division continued to secure more profitable business in the hydraulic repair market, moving into roof support repairs and securing repair contracts with the US steel industry.

The improved trading position and disposal of the remaining assets from the Mining Machinery Division enabled NMS to repay all of its borrowings leaving the company virtually ungeared at the year end.



The all electric Electra 1000 power loader shearing a coal face in the USA.

Review of operations

Industrial

Cape Industries PLC

The 1988/89 financial year has seen Cape Industries maintain its growth trend with a fourth year of increased profit. Operating profits at £12.3 million were 30 per cent up on last year's £9.4 million.

The contributions from both divisions were significantly better than last year. Towards the end of the year Cape appointed a group chief executive to be responsible for the overall management of the Cape group.

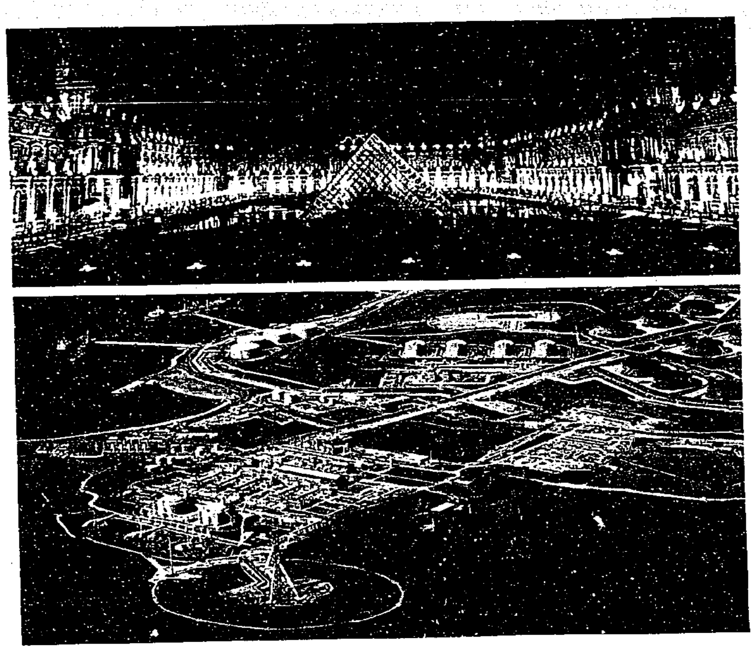
Cape Building Products is the market leader in the UK for the manufacture of high performance fire protection boards. It also manufactures insulation materials and external cladding for all sectors of the construction industry world wide.

Cape Building Products Ltd.

The Building Products Division had a very successful year benefiting from consistent high demand from the industrial and commercial building sector for its fire protection products. The Division's turnover grew by 19 per cent to £80.4 million and exports continued to show improvement, up some 24 per cent on last year.

The External Cladding business in the UK won several contracts from local authorities for its products which are used to arrest deterioration and enhance the appearance of concrete structures and highrise blocks. Cape will be manufacturing these products on mainland Europe later in the year having commenced construction of a new factory at Longwy in Northern France.

Cape Durasteel achieved a significant increase in turnover and profit compared with last year and continues to be actively involved in developing heavy duty fire protection products.



Top: Cape's fire protection board was used in the construction of two-hour fire resistant ducts for Le Louvre, Paris.
Right: Cape Scaffolding has won a three year contract to provide maintenance services for B.P.'s oil terminal at Sullom Voe.

Cape Industrial Services Ltd.

Cape Industrial Services operates worldwide in the installation of thermal insulation and maintenance services, for power generation and petro-chemical industries and general insulation of large civil engineering structures.

Cape Industrial Services Division made a further substantial move forward in profits which at £2.5 million were 56 per cent up on last year.

The consistent improvements in profits over the last three years have been achieved largely through Cape's ability to weld together able and well motivated teams while at the same time reducing central overhead costs.

In the UK this is evidenced by the continued growth of Cape Contracts and Cape Scaffolding in spite of increasingly fierce competition.

Cape Scaffolding has won a major contract to provide maintenance services to BP's oil terminal at Sullom Voe over the next three years.

Cape Contracts International's operations in Kuwait and Australia performed well and further growth is expected in Australia and the Far East next year. Cape has strengthened its marketing effort in the Far East for both Industrial Services and Building Products by setting up bases in Hong Kong and Singapore.

MKR Holdings Ltd

The MKR group is a leader in the design, manufacture and marketing of drink and food cooling equipment, spirit measures, and furniture for the licensed and catering trades.

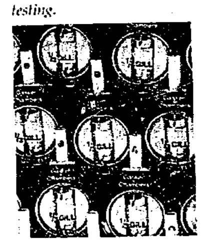
Results for 1988/89 were mixed; sales increased by 17 per cent to £18.9 million from £16.1 million last year, but overall the MKR group's operating profit declined to £0.9 million from £1.2 million last year.

MK's refrigeration business suffered a reduction in gross margins due to increases in component costs and higher operating expenses incurred to meet abnormally high demand in the middle of the year. Although the market remains very competitive, management changes and other measures implemented in the last quarter have rectified the costs situation. The outlook for this year on sales is optimistic and MK enters the new year with a strong order book.

Morgan Furniture has rebuilt its sales force during the year and continues to show improvement.

Gaskell & Chambers achieved a significant increase in sales which rose by 49 per cent over last year, and profits were more than double the previous year's level. The strength of Gaskell & Chambers has come from its development of two new spirit measures. These were ready and approved well before the new Weights and Measures legislation took effect on 4 April 1989, giving the company an advantage in the market place and a significant increase in market share.

Left: Final assembly of refrigerated drinks cabinets at MK's factory in Leicester.
Below: Optic™ Pearl spirit measures awaiting final testing.



Review of operations

Industrial

Pandrol supplies over 50% of the world market with resilient rail fastenings. It designs, manufactures and markets a wide range of rail equipment to a growing market worldwide, including mining, industrial, urban and high speed railways.

Pandrol International Ltd.

Group turnover increased by 10 per cent to £41.8 million and operating profit increased to £4.7 million.

Business from British Rail was steady and it continues to be a major customer, accounting for some 30 per cent of UK production. However, Pandrol derives more than 80 per cent of its profits from its overseas businesses.

A contract from Taiwan contributed substantially to the growth in exports from the UK. Operations in both the USA and Italy showed continued growth and have become major contributors to group profit. Pandrol is now established in Japan and is well placed to supply fastenings to the new mini Shin Kansen project on the East Japan Railway.

Speno, the rail maintenance business in North America, had a much improved year.

The Pandrol group is looking to take full advantage of growth opportunities, particularly the continuing requirement for high quality track for rapid transit systems throughout the world and the new single market in Europe.

Pandrol acquired 67 per cent of Usines et Boulonneries Avaux SA (UBA) in June, Pandrol's second factory on mainland Europe. UBA is a manufacturer of rail products based in Belgium. This acquisition is consistent with Pandrol's strategy to broaden its international representation.

Right: The condition of wooden sleepers being determined on the track with Pandrol's Pandlogger. Far right: The Flying Scotsman in Australia where a new fastening product is being developed. Below: Pandrol clips on the East Japan Railway.

Mining and quarrying

Summary of results £m	Turnover 1989	Turnover 1988	Operating profit/(loss) 1989	Operating profit/(loss) 1988	Capital employed 1989	Capital employed 1988
Coal – SMI	**28.7**	30.1	**2.4**	2.5	**18.5**	18.0
Quarries – Penryn Granite	**12.5**	8.7	**0.9**	0.7	**2.2**	2.9
Wolfram – Beralt	**7.1**	5.6	**0.1**	(0.9)	**9.2**	9.0
Prospecting	**–**	–	**(0.3)**	(0.3)	**(0.1)**	–
	48.3	44.4	**3.1**	2.0	**29.8**	29.9
Discontinued businesses	**0.2**	0.2	**(1.2)**	0.2	**–**	1.0
Total	**48.5**	44.6	**1.9**	2.2	**29.8**	30.9

Shand Mining Inc.

Coal production advanced to 2.7 million tons of coal. Operating profits were only slightly down at £2.4 million in spite of lower coal prices which reduced turnover to £28.7 million.

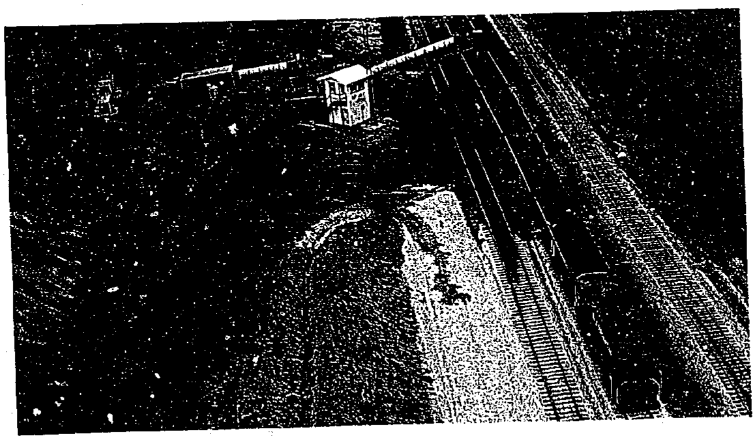
Faced with a further weakening of US coal prices, SMI has followed a policy of cutting central overheads and of diversifying away from its original contract coal mining business.

A rationalisation of SMI's central establishment was implemented in March 1989 resulting in the closure of its office in Carmel, Indianapolis, and the transfer of the company's headquarters to its operating base at Washington, Indiana. This is expected to make a significant reduction to SMI's cost base.

In October 1988, SMI brought a new open cast coal mine at Rio Grande into production. In becoming the owner of the reserves at Rio Grande, SMI has expanded beyond its usual activity of contract-mining coal for other reserve owners. Rio Grande is strategically situated at the northern extremity of the Indiana coal-fields giving it a local price advantage over its competitors.

A new dolomite quarry, Delphi Limestone, was acquired in December 1988 and will gradually reduce SMI's dependence on coal. With 600 million tons of high quality reserves, the business is expected to make an increasing contribution to the company's profits as production and sales are built up.

SMI supplies coal to several major power generating companies from its opencast and underground mines in Indiana, USA. Its dolomite quarry has extensive high quality reserves and is also located in Indiana.



SMI's coal loading facility at Switz City, Indiana, USA.

Review of operations

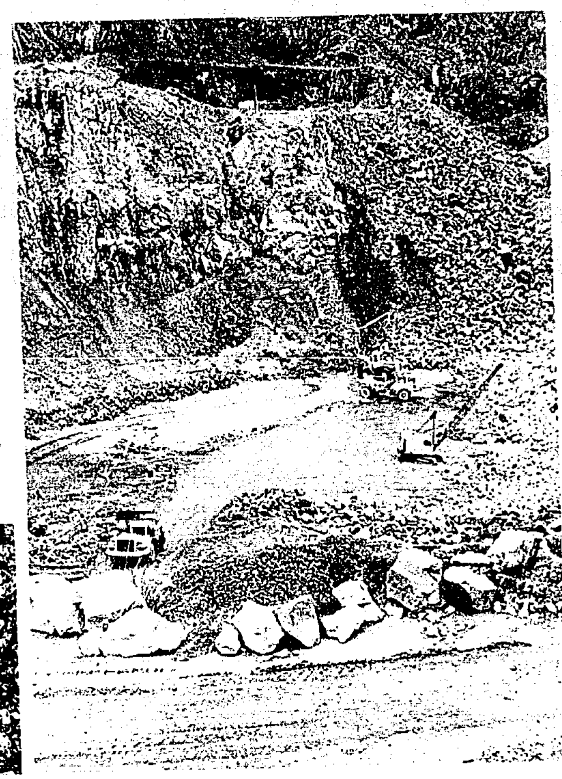
Mining and quarrying

Penryn Granite is the leading supplier in Cornwall of an extensive range of high quality building and construction materials from its local quarries. It also has a quarry at Mansfield, Derbyshire, serving the Midlands market.

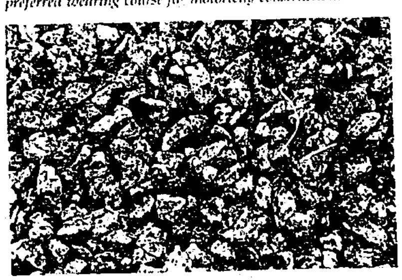
Penryn Granite Ltd.

Turnover at Penryn Granite was up by 43% at £12.5 million and operating profits rose by over 36% to £0.9 million. The results reflect buoyant market conditions and Penryn's success in meeting increased demand for construction materials.

Penryn Granite has acquired new premises and restructured its management team to prepare for further expansion. This will be based on the large capital works programme planned for Cornwall, the potential for servicing markets outside Cornwall by ship from the port of Newlyn and the acquisition of businesses with quarry products carrying high added value. The first stage of this expansion was completed in June 1989 when Penryn Granite purchased Ken Abrahams (Concrete) Ltd. which supplies ready-mix concrete throughout Cornwall.



Right: Penlee, Penryn Granite's quarry which is linked by conveyor to its ship loading dock at Newlyn, Cornwall. Below: "Silver Grey" Cornish granite aggregate, the preferred wearing course for motorway construction.



Beralt Tin & Wolfram, (Portugal) S.A.R.L.

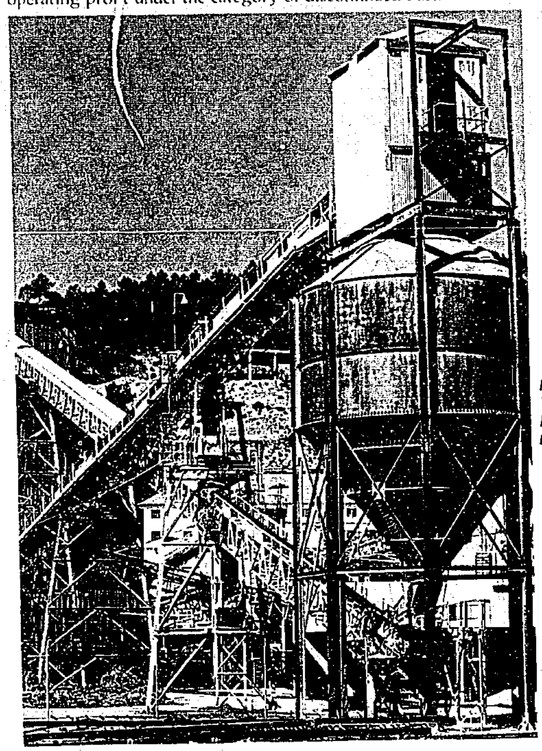
Panasqueira, Beralt's wolfram mine in Portugal, is the only mine producing tungsten concentrate within the European Community. The concentrate has a very high degree of purity, making it ideal for special industrial applications.

Beralt achieved an operating profit of £0.1 million. However, the market price of tungsten, though improved, has not reached a level at which Beralt can make a satisfactory return from its mining activities at Panasqueira. The outlook for the world tungsten market continues to depend on the exporting policies of the official marketing agencies in China. These policies have had the effect of undermining tungsten prices at a time of growing worldwide demand. It remains to be seen whether the civil unrest in China will disrupt Chinese tungsten output and exports.

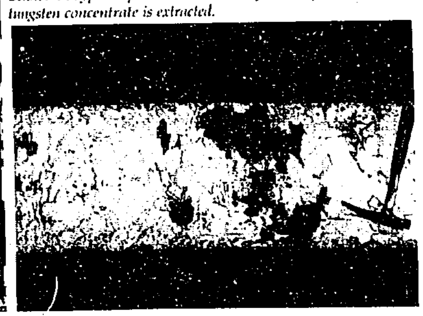
The improved result was also due to tight control of costs and increased revenue from by-products. Beralt continues to explore ways of improving productivity. Projects under consideration include a major rationalisation of the treatment plant incorporating new technology and a greater use of mechanisation underground. The economic viability of a vertical shaft, to provide access to the next development level, is being assessed.

Exploration: Aracena

The Spanish authorities have finally rejected on environmental grounds our application to proceed with the silver heap-leaching project near Aracena and it has been decided to abandon the project. The costs arising from aborting this project have been charged against group operating profit under the category of discontinued businesses.



Left: The heavy media separation plant at Panasqueira, Beralt Tin & Wolfram's tungsten mine in Portugal.
Below: A typical quartz vein with wolframite, from which tungsten concentrate is extracted.



Review of operations

Precious Metals

Johnson Matthey is a specialist in advanced materials and precious metals technology, with principal activities in the manufacture of exhaust catalysts and pollution control systems, speciality chemicals and pharmaceutical compounds, pigments, ceramic colours and transfers, and in the refining, marketing and fabrication of precious metals.

Johnson Matthey Public Limited Company

Summary of results	Turnover		Operating profit		Capital employed (Share of net assets)	
£m	**1989**	1988	**1989**	1988	**1989**	1988
Johnson Matthey (Charter's share)	**541.6**	457.3	**24.5**	22.7	**124.0**	100.3

Charter's 38.7 per cent interest in Johnson Matthey had a market valuation of £258 million at 31 March 1989.

Johnson Matthey reported a further improvement in profits for the year to 31 March 1989. Operating profit rose from £63.0 million last year to £67.6 million, an increase of 7%. Earnings after tax grew by 15%, from £45.0 million to £51.9 million largely as a result of a lower taxation charge. Johnson Matthey also benefited from an extraordinary credit of £12.3 million, which included the settlement with Arthur Young, the company's former auditors, and property sales more than offsetting rationalisation costs.

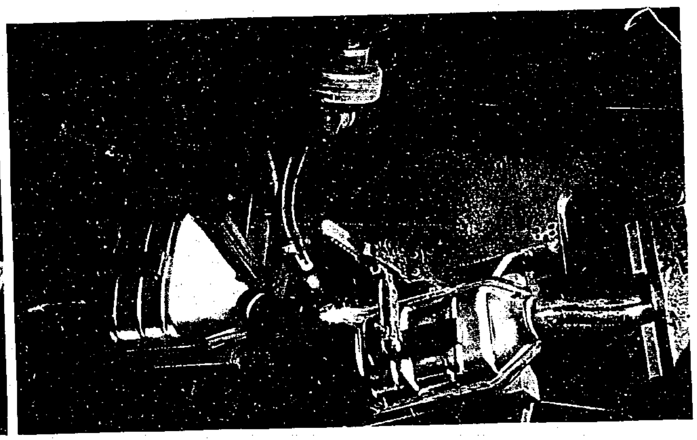
Johnson Matthey's largest division, Materials Technology, reported operating profits 3% lower at £23.5 million. This was mainly due to pressure on margins in the European market for platinum group metals, as well as lower precious metal prices.

The Catalytic Systems Division increased operating profits by 20% to £18.7 million as sales of autocatalysts reached record levels in North America. Prospects for growth in the European autocatalyst market improved with the strong move by the European Parliament towards the adoption of more stringent vehicle emission standards. Johnson Matthey's new plant in Brussels is nearly complete and will be available to meet the resulting growth in European demand for autocatalysts.

Operating profit in Johnson Matthey's Precious Metals Division rose 2% to £23.0 million. Although demand for platinum group metals was strong and Johnson Matthey's refineries were kept busy, the sterling prices of precious metals were lower than the previous year.

The Colours and Printing Division increased its operating profits by 8% to £10.6 million. Growth was constrained by lack of production capacity. The division is expanding its facilities and further growth opportunities are being developed.

Right: An autocatalyst being robot welded into a car's exhaust system. Below: The range of platinum bars made for investors.



Finance division

Summary of results £m	1989	1988
Investment income	3.4	1.4
Securities trading	2.4	3.2
Interest net	14.7	8.7
Total	20.5	13.3

Investment income

Investment income of £3.4 million includes net rents received of £0.4 million from Charter's investment properties, of which the most important is Charter's large office building in Ashford which is now fully let to third party tenants. The figure also includes increased income from BRST Botswana, together with dividends and other income received from Charter's investments in Minorco, Amzim and Covenant.

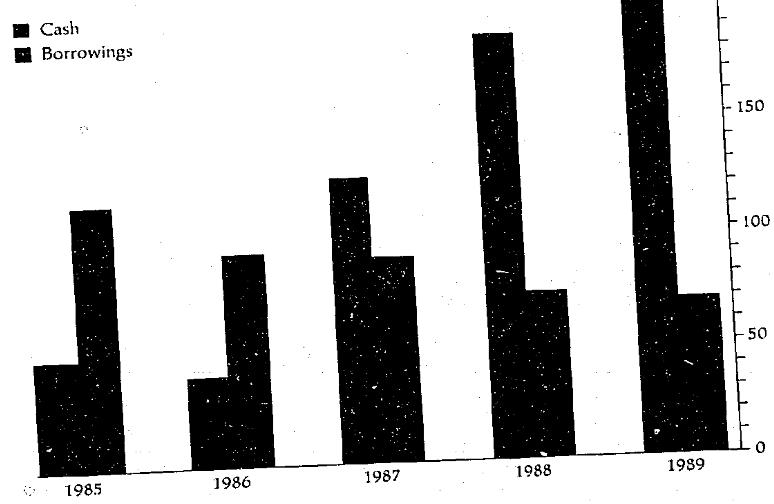
Securities trading

After a flat first half, the securities trading business finished the year strongly, assisted by the stock market rally in January 1989. Profits for the full year were £2.4 million.

Interest income

The Charter group had a net cash inflow of £20 million during the year. Cash balances at 31 March, 1989 were £203 million and exceeded debt by £134 million. Charter benefited from high UK interest rates, particularly in the second half of the year, and generated net interest income of £14.7 million in the full year.

Cash and borrowings



Statutory and other information

A list of the current directors of the company appears on page 1.

Mr J O Hambro, Mr G W H Relly, Mr A E Oppenheimer and Mr N F Oppenheimer resigned from the Board on 7 November 1988 and Mr A J W Owston resigned from the Board on 30 November 1988. Mr J N Clarke resigned from the Board on 31 March 1989.

Sir Michael Edwardes joined the Board and was appointed non-executive chairman on 7 November 1988. Mr A W Lea and Mr J C L Keswick joined the Board also on 7 November 1988. Mr D J Davies joined the Board on 13 December 1988 and was appointed deputy chairman and chairman of the executive committee. In accordance with the company's articles of association Sir Michael Edwardes, Mr D J Davies, Mr A W Lea and Mr J C L Keswick hold office only until the forthcoming annual general meeting, but offer themselves for re-appointment.

Mr P C D Burnell retires by rotation and offers himself for re-appointment.

The interests of the directors in the shares of the company and a subsidiary are shown on page 45.

Mr R K A Wakeling and Mr J W Herbert have service contracts which are subject to termination by the company on not less than two years' notice, and by the individuals on not less than six months' notice.

No director had any interest in any contract with the companies of the group at any time during the year, other than service contracts.

Authority to allot shares

Shareholders are being invited to authorise the directors to allot equity securities for cash other than to existing shareholders up to an amount equal to 5 per cent of the issued share capital of the company at 31 March 1989, the level permitted by the current guidelines of the investment committees of the Association of British Insurers and National Association of Pension Funds. A resolution to this effect, which will be proposed as a special resolution, is set out in the notice of meeting.

Employees

Charter's policy is to encourage effective communication and consultation between employees and management. Subsidiary companies develop their own consultative and communication procedures as part of their employment practices.

Charter and its subsidiary companies give full consideration to applications for employment made by disabled people, having regard to their aptitudes and abilities. Should employees become disabled during employment they would be considered for any necessary retraining and available work within their capabilities. For the purposes of training, career development, and promotion, disabled employees are treated in the same way as other employees.

Charitable and political contributions

During the year the company and its subsidiaries made charitable contributions of £82,000 and, in accordance with the authority given by shareholders in August 1986, a political contribution in the United Kingdom of £20,000 to the Conservative Board of Finance.

Tangible fixed assets

The book value of the tangible fixed assets increased during the year from £109 million to £115 million. Details, including revaluation of properties, are shown in note 13 on the accounts on page 29.

Likely future developments and research and development

Likely future developments and activities in the field of research and development are referred to in the earlier section of this report.

Substantial shareholding

On 8 June 1989 Minorco held 37,860,075 shares of 2p each representing 35.9 per cent of the share capital of the company. Anglo American Corporation of South Africa Limited and De Beers Consolidated Mines Limited were deemed under section 203(2)(b) of the Companies Act 1985 to be interested in that shareholding.

Profit sharing scheme

It is proposed to amend the profit sharing scheme to allow employees to participate after one year's service instead of two to encourage the involvement of a greater number of existing employees and prospective employees with the performance of the company.

The following ordinary resolution is to be proposed at the forthcoming annual general meeting to enable this amendment to be made:—

"That the schedule to the trust deed dated 17 August 1981 constituting the profit sharing scheme be amended (subject to such further amendments, if any, as may be necessary to obtain the approval thereto of the Board of Inland Revenue) as follows:

> by deleting the words "two years" in the definition of "Qualifying Employee" in paragraph 1 and substituting "one year".

A copy of the trust deed and rules constituting the profit sharing scheme may be inspected at the registered office of the company during usual business hours until the date of the annual general meeting and at the meeting.

Your directors recommend you to support this amendment by voting in favour of the resolution. They intend to vote in favour in respect of their own shareholdings.

Taxation

For capital gains tax purposes, the market price of the company's shares on 6 April 1965 adjusted for the effect of restructuring the group in 1979 was:
Registered shares – 68.73p
Shares represented by renounceable letters of allotment – 69.60p
Share warrants to bearer – 69.17p

For capital gains tax purposes the market value of the company's registered and bearer shares on 31 March 1982 was 214.25p.

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

by order of the board
P M Thwaite, Secretary, 20 June 1989

Report of the auditors

To the members of Charter Consolidated P.L.C.

We have audited the accounts on pages 18 to 44 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31 March 1989 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

COOPERS & LYBRAND, Chartered Accountants — London, 20 June 1989

Consolidated profit and loss account

Year ended 31 March 1989

Note		1989 £000	1988 £000
	Industrial	25,971	21,912
	Mining and Quarrying	3,141	2,044
	Precious Metals	24,488	22,719
	Finance	20,512	13,322
	Profit from continuing businesses	74,112	59,997
	Discontinued businesses	(1,089)	(639)
2,3,4	**Operating profit**	73,023	59,358
	Central charges	(3,912)	(4,169)
	Head office reorganisation	(1,400)	–
5	**Profit on ordinary activities before taxation**	67,711	55,189
6	Taxation on profit on ordinary activities	(17,399)	(14,812)
	Profit on ordinary activities after taxation	50,312	40,377
	Minority interests	(4,857)	(2,659)
	Profit attributable to shareholders	45,455	37,718
10	**Earnings per share 43.1p** (1988 – 35.8p)		
11	Extraordinary items	866	12,586
	Profit for the financial year	46,321	50,304
12	Dividends	(18,198)	(15,287)
29	**Retained profit transferred to reserves**	28,123	35,017

Operating profit includes the group share of related company profits of £26,194,000 (1988 £24,274,000).

The movements on reserves are set out in note 29 on page 38.

The information on pages 22 to 44 forms part of these accounts.

Consolidated balance sheet

31 March 1989

Note		1989 £000	1989 £000	1988 £000	1988 £000
	Fixed assets				
13	Intangible assets		–		5,957
13	Tangible assets		115,072		109,024
14	Investments				
	Valuation £318,593,000 (1988–£236,094,000)		139,681		116,080
			254,753		231,061
	Current assets				
16	Stocks	78,966		83,495	
17	Debtors	97,209		104,834	
15	Finance leases	292		9,919	
18	Investments at valuation	6,011		11,003	
19	Cash and bank deposits	202,566		187,737	
		385,044		396,988	
	Creditors: due within one year				
20	Creditors	(104,206)		(111,451)	
21	Taxation	(19,283)		(16,623)	
22	Short term borrowings	(11,758)		(18,499)	
		(135,247)		(146,573)	
	Net current assets		249,797		250,415
	Total assets less current liabilities		504,550		481,476
	Creditors: due after one year				
25	Long term borrowings		(56,600)		(54,903)
26	Other long term creditors		(738)		(737)
27	**Provisions for liabilities and charges**		(31,078)		(37,481)
			416,134		388,355
	Capital and reserves				
28	Called up share capital		2,110		2,109
29	Share premium account		12,698		12,543
29	Revaluation reserves		43,278		30,434
29	Other reserves		122,706		174,919
29	Profit and loss account		207,668		146,171
	Total capital and reserves		388,460		366,176
	Minority interests		27,674		22,179
			416,134		388,355

Approved by the board of directors on 20 June 1989
R K A Wakeling J W Herbert Directors

The information on pages 22 to 44 forms part of these accounts.

Balance sheet

31 March 1989

Note		1989 £000	1989 £000	1988 £000	1988 £000
	Fixed assets				
14(ii)	Investment in subsidiaries at cost		224,966		66,128
	Current assets				
	Corporation tax recoverable	18,169		12,913	
26	Amounts due from subsidiaries	203,388		54,658	
	Debtor due after one year	1,200		–	
	Cash at bank	7		6	
		222,764		67,577	
	Creditors: due within one year				
	Proposed final dividend	(13,187)		(10,806)	
	Other creditors	(577)		(573)	
		(13,764)		(11,379)	
	Net current assets		209,000		56,198
	Total assets less current liabilities		433,966		122,326
	Creditors: due after one year				
25	Long term borrowings		(44,379)		(39,682)
26	Amounts due to subsidiaries		(367,414)		(61,796)
			22,173		20,848
	Capital and reserves				
28	Called up share capital		2,110		2,109
29	Share premium account		715		560
29	Profit and loss account		19,348		18,179
			22,173		20,848

Approved by the board of directors on 20 June 1989
R K A Wakeling J W Herbert Directors

The information on pages 22 to 44 forms part of these accounts.

Source and application of funds

Year ended 31 March 1989

Note		1989 £000	1989 £000	1988 £000	1988 £000
	Operating cash flow				
	Profit before interest and taxation		52,980		46,478
	Share of retained profits of related companies		(18,019)		(17,325)
	Provisions against current asset investments		(1,359)		1,359
	Operating cash flow from revenue sources		33,602		30,512
30(i)	Working capital	2,419		9,036	
	Fixed assets				
	Purchases for normal replacements and enhancements	(16,293)		(16,093)	
	Book value of disposals	4,988		3,727	
	Depreciation	15,829		17,523	
		4,524		5,157	
	Net securities realisations at cost	6,614	13,557	5,170	19,363
			47,159		49,875
	Operating cash flow				
	Taxation	(12,185)		(8,806)	
	Interest	14,067		8,733	
	Dividends	(15,817)	(13,935)	(13,955)	(14,028)
	Cash flow after taxation and service of capital		33,224		35,847
	Capital receipts less new investment				
30(ii)	Extraordinary items before taxation and other items	(16,915)		21,283	
30(iii)	Acquisition/disposal of subsidiaries	2,183		4,114	
30(iv)	Fixed assets	(8,246)		7,528	
	Decrease in finance leases	9,627	(13,351)	10,110	43,035
	Net cash inflow		19,873		78,882
	Represented by				
30(v)	Increase in liquid funds		21,570		66,282
30(vi)	(Increase)/decrease in long term borrowings		(1,697)		12,600
			19,873		78,882

The information on pages 22 to 44 forms part of these accounts.

Notes on the accounts

1 Accounting policies

Basis of consolidation

(i) The accounts are prepared on the historical cost basis of accounting, except for certain fixed and current assets included at valuation.

(ii) The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to their effective dates of acquisition or disposal. The premium or discount between the purchase consideration and the fair value of net assets acquired is dealt with through reserves, while the difference between sale consideration and book value of net assets at the date of disposal is shown as an extraordinary item.

Foreign currencies

Foreign currency assets and liabilities of United Kingdom companies and of overseas subsidiary and related companies are translated into sterling at the rates of exchange ruling at the dates of their respective balance sheets. Profits and losses of overseas subsidiary and related companies are translated into sterling at the average rates of exchange during the year.

The differences arising from the translation of net equity interests in overseas subsidiary and related companies and of foreign currency borrowings used to finance these interests are dealt with through reserves. All other exchange differences are dealt with in the profit and loss account.

Income from investments

(i) Income from investments, including where applicable the imputed tax credit, is accounted for on a received basis with the exception that income from related companies and listed fixed interest stocks and bonds is accounted for on a receivable basis.

(ii) No account is taken of investment income which is held in the country of origin pending approval for remittance from that country.

Investments

(i) Current asset investments comprise portfolio investments which are included in the balance sheet at market value or directors' valuation. The aggregate net surplus on valuation over cost, less the related deferred taxation provision, is dealt with through the revaluation reserves, except that any net aggregate deficit is taken to profit and loss account.

(ii) Fixed asset investments are included at cost less provision for any permanent loss in value.

(iii) Profits less losses arising on disposal of current asset investments are included in operating profit as profits from trading in securities. Profits and losses from the disposal of fixed asset investments and provisions for permanent loss in value are dealt with as extraordinary items in the profit and loss account.

Turnover

Turnover is the invoiced value of sales and services and excludes sales turnover taxes.

Depreciation

Fixed assets are written off evenly over their expected useful lives, with the exception that no depreciation is provided on investment properties and non-mineral-bearing freehold land.

Depreciation and amortisation are normally provided as follows:
Freehold buildings – 2 per cent per annum
Leasehold property – the period of the lease or 2 per cent per annum for leases in excess of 50 years
Plant, furniture, and fittings – 10 to 33 per cent per annum
Mining properties, leases, and rights – on a depletion basis comparing production with total mineral reserves.

Technical development expenditure

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

Deferred taxation

Provision is made for deferred taxation on the liability method to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Stocks and work in progress

Stocks and work in progress, including short term contract work, are valued at the lower of cost and net realisable value. Contract values are reduced by foreseeable losses and progress payments received and receivable. Cost includes expenditure which is incurred in the normal course of business in bringing the product or service to its present location and condition. Net realisable value is the estimated selling price less all costs to be incurred.

Accounting policies continued

Prospecting, exploration, and development expenditure

(i) Development of existing mines:
(a) General development expenditure is charged against operating profits.
(b) Expenditure on development of long term infrastructure for future mining is capitalised as a fixed asset under mining properties, leases, and rights.

(ii) General prospecting and exploration:
(a) Expenditure during the initial stages of exploration is written off in full to the profit and loss account.
(b) Further expenditure on prospects showing development potential is carried forward as an asset in the balance sheet pending the determination of commercial reserves. Should the exploration work be unsuccessful, such costs are written off in the profit and loss account.

(iii) Development of new mines:
When it is decided to develop a prospect into a mine, the relevant expenditure under (ii)(b) above is transferred to fixed assets.

Related companies

The group accounts for related companies as follows:

(i) The share of profits in related companies are accounted for in operating profit (see note 3 on the accounts).

Interests in related companies are included in the consolidated balance sheet as fixed asset investments and are stated at the group share of their net assets.

(ii) The accounts used to calculate the share of retained profits of related companies are normally the latest audited accounts available to the group.

Leases

(i) Leased plant and machinery:
Where assets are financed under leasing agreements that give rights approximating to ownership, the amount representing the outright purchase price of such assets (less capital expenditure grants) is capitalised under the heading of tangible fixed assets, and the corresponding leasing commitments are shown as obligations to the lessor. The relevant assets are depreciated in accordance with the group's depreciation policy. Net finance charges, calculated on the reducing balance method, are included in interest costs.

(ii) Operating leases:
The annual rentals of operating leases are charged to the profit and loss account.

Notes on the accounts

2 Operating profit and administration expenses

	1989 £000	1988 £000
Turnover (including share of related companies)	1,009,560	946,323
Less: Related companies	(545,127)	(460,353)
Turnover of subsidiaries	464,433	485,970
Cost of sales	(373,798)	(403,965)
Gross profit of subsidiaries	90,635	82,005
Selling and distribution costs	(21,500)	(18,999)
Research and development expenditure	(10,498)	(9,997)
Administration expenses	(38,013)	(35,726)
Less: Expenditure relating to central activities and securities trading	5,773	4,712
	(32,240)	(31,014)
Share of profits of operating related companies	26,114	24,041
Finance division	20,512	13,322
Operating profit	73,023	59,358

3 Related companies and investment income

(a) Share of results of related companies

	1989 £000	1988 £000
Profit on ordinary activities before taxation		
Precious metals	24,488	22,719
Rail track equipment	1,626	1,322
Operating related companies	26,114	24,041
Investment related companies	80	233
	26,194	24,274
Taxation	(5,229)	(6,396)
Profit after taxation	20,965	17,878
Extraordinary items	4,847	(294)
	25,812	17,584

Note
Investment income from related companies totalled £8,138,000 (1988 £6,949,000) of which £7,156,000 (1988 £6,090,000) was receivable from a listed company.

(b) Income from investments

	Securities trading 1989 £000	Investment income 1989 £000	Total 1989 £000	Total 1988 £000
Listed	441	1,054	1,495	1,596
Unlisted	8	1,968	1,976	138
	449	3,022	3,471	1,734
Investment related companies (see note (a))	–	80	80	233
Investment properties	–	334	334	105
	449	3,436	3,885	2,072

4 Interest

	1989 £000	1988 £000
Receivable (see note below)	22,884	17,073
Payable:		
Loans repayable after more than five years	(3,472)	(3,560)
Loans wholly repayable within five years	(3,933)	(4,170)
Finance leases	(484)	(368)
Amounts deposited with the group	(264)	(264)
	(8,153)	(8,362)
	14,731	8,711

Note
Interest receivable includes income from finance leases of **£169,000** (1988 £1,604,000).

5 Profit on ordinary activities before taxation

Profit is stated after charging or crediting the following items:

	1989 £000	1988 £000
Charges:		
Auditors' remuneration	676	774
Directors' emoluments (see note 9)	808	406
Depreciation of intangible fixed assets (see note 13 (vii))	—	802
Depreciation of tangible fixed assets	15,829	16,721
Operating lease rentals		
– hire of plant and machinery	10,929	12,876
– other operating leases	1,812	2,087
Credits:		
Rents receivable	1,218	971

6 Taxation on profit on ordinary activities

	1989 £000	1988 £000
Group subsidiary companies on profit for the year		
United Kingdom:		
Corporation tax at 35 per cent	14,410	11,784
Deferred taxation	(2,760)	(4,362)
Double taxation relief	(1,572)	(692)
Taxation on franked investment income	92	90
	10,170	6,820
Overseas:		
Taxation	3,570	2,623
Deferred taxation	(78)	(143)
	13,662	9,300
Adjustments in respect of previous years	(1,492)	(884)
Related companies	5,229	6,396
	17,399	14,812

Notes on the accounts

7 Employees (including executive directors)

	1989 £000	1988 £000
Aggregate amounts payable:		
Wages and salaries	126,676	129,784
Social security costs	12,872	12,988
Other pension costs (see note 8)	4,779	6,653
	144,327	149,425

	1989	1988
Average number of persons employed by the group:		
– By business sector		
Industrial	9,944	10,982
Mining	1,260	1,205
Corporate	147	182
	11,351	12,369
– Geographically		
United Kingdom	7,680	9,055
Overseas	3,671	3,314
	11,351	12,369

8 Pension funding

Pension schemes for head office employees and employees of the United Kingdom operating subsidiaries are administered by trustees, and the assets of the schemes are invested independently of the finances of the group. The schemes are funded by annual contributions over the period of employment at rates based on advice from the actuaries to the schemes; these provide for future pension entitlements in respect of past service, based on regular actuarial valuations. The actuaries have confirmed that at the last valuation dates of the respective schemes they were adequately funded to meet the benefits provided under the rules of such schemes. Pensions for employees of overseas subsidiaries are provided in accordance with local requirements and practices.

The group's profit before tax benefited from a reduction in employers' pension contributions, **£2,121,000** (1988 £1,060,000) in subsidiary companies plus **£1,022,000** (1988 £nil) representing Charter's share of Johnson Matthey's pension credit.

9 Directors' emoluments

	1989 £000	1988 £000
Directors of the parent company:		
Fees	110	61
Salaries and other remuneration, including pension contributions	390	409
Payment made to former directors by way of compensation for loss of office	367	–
Payment by a subsidiary, on termination of employment, to a past director	–	25
Pension payable to the widow of a former director	3	3
	870	498
Deduct: Fees received from other companies and refunded to the group	(62)	(92)
Net cost to the group	808	406

	1989	1988
Amounts paid to directors:		
Chairmen–J O Hambro	£13,327	£21,997
Sir Michael Edwardes	£12,635	–
Highest paid director	£131,690	£146,113
Others: £95,001–£100,000	1	–
£85,001– £90,000	1	–
£80,001– £85,000	–	1
£75,001– £80,000	–	1
£70,001– £75,000	1	–
£65,001– £70,000	–	1
£25,001– £30,000	1	–
£20,001– £25,000	–	1
£10,001– £15,000	–	1
£5,001– £10,000	5	6
£0– £5,000	4	1

Note
Four directors have agreed to waive emoluments due to them from Charter Consolidated P.L.C. and a subsidiary company. Fees waived by these directors during the year amounted to £30,000 (1988: six directors – £32,000).

10 Earnings per share

Earnings per share is calculated on earnings of **£45,455,000** (1988 – £37,718,000) and on **105,496,066** (1988 – 105,430,059) shares as if the **13,600** (1988 – 40,500) partly paid shares which became fully paid during the year had been fully paid for the whole year; as if the **5,988** (1988 – 17,840) shares subject to restricted rights which ceased to be restricted during the year had been free of restriction for the whole year; and as if the **46,419** (1988 – 101,910) options to subscribe for fully paid shares exercised during the year had been exercised for the whole year.

Notes on the accounts

11 Extraordinary items

	1989 £000	1988 £000
Income:		
Investment disposals	1,101	25,697
Charges:		
Reorganisation and disposal costs of businesses (net)	(14,274)	(10,562)
Release of provision for legal costs for asbestos-related litigation	3,200	(8,000)
	(11,074)	(18,562)
Extraordinary items before taxation	(9,973)	7,135
Taxation	5,992	5,745
Extraordinary items after taxation and before related companies	(3,981)	12,880
Related companies:		
Precious metals	4,847	(294)
	866	12,586

12 Dividends paid and proposed

Interim dividend of **4.75p** (1988 4.25p) per share paid on 1 January 1989	5,011	4,481
Proposed final dividend of **12.50p** (1988 10.25p) per share	13,187	10,806
	18,198	15,287

13 Intangible and tangible fixed assets

	Intangible assets	Tangible assets			
	Exploration and mining rights £000	Land and buildings £000	Mining properties leases and mineral reserves £000	Plant furniture and fittings £000	Total tangible assets £000
Cost or valuation					
At 31 March 1988	12,955	55,146	6,707	139,283	201,136
Currency realignment	1,392	1,670	240	3,713	5,623
Additions at cost	–	2,430	1,452	15,544	19,426
Disposal of subsidiaries	–	112	–	(8,973)	(8,861)
Disposals	–	(6,588)	–	(8,973)	(15,561)
Written off to reserves (see note vii below)	(14,347)	–	–	–	–
Revaluations and reallocations	–	5,159	–	(17)	5,142
At 31 March 1989	–	57,929	8,399	140,577	206,905
Depreciation					
At 31 March 1988	6,998	10,867	2,344	78,901	92,112
Currency realignment	952	638	130	1,860	2,628
Charge to profit and loss account	–	728	657	14,444	15,829
Charge to extraordinary items	–	–	–	50	50
Disposal of subsidiaries	–	(597)	–	(7,614)	(8,211)
Disposals	–	(3,856)	–	(6,717)	(10,573)
Written off to reserves (see note vii below)	(7,950)	–	–	–	–
Revaluations and reallocations	–	(5)	–	3	(2)
At 31 March 1989	–	7,775	3,131	80,927	91,833
Net book amounts					
At 31 March 1989	–	50,154	5,268	59,650	115,072
At 31 March 1988	5,957	44,279	4,363	60,382	109,024

Notes

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

At cost	–	19,173	8,399	132,575	160,147
At valuation – 1964	–	–	–	188	188
1974	–	3,842	–	–	3,842
1975	–	1,621	–	–	1,621
1976	–	909	–	–	909
1978	–	–	–	51	51
1979	–	472	–	30	502
1982	–	15	–	–	15
1984	–	2,312	–	7,420	9,732
1985	–	–	–	10	10
1986	–	149	–	210	359
1987	–	4	–	1	5
1988	–	14,436	–	49	14,485
1989	–	14,996	–	43	15,039
	–	57,929	8,399	140,577	206,905

(ii) Fixed assets include the following in respect of assets held under finance leases:

Net book amounts at 31 March 1989	–	46	–	6,899	6,945
Depreciation charge for the year	–	1	–	1,677	1,678

Notes on the accounts

13 Intangible and tangible fixed assets continued

(iii) Freehold properties include investment properties valued at **£14,600,000** based on a capitalisation of rentals. The valuations were carried out on 31 March 1989 by P M Thwaite, the company secretary of Charter who also has responsibility for property management. To present a true and fair view depreciation of **£149,000** has not been charged on these properties.

(iv) Capital expenditure of subsidiaries:

	1989 £000	1988 £000
Committed	**1,343**	1,403
Authorised but not committed	**2,497**	1,343
	3,840	2,746

(v) The net book value of the group's land and buildings includes **£0.8 million** (1988 £1.1 million) for long leasehold properties and **£0.3 million** (1988 £0.6 million) for short leasehold properties.

(vi) Historical cost figures for land and buildings, namely the original cost of all land and buildings and related depreciation, are:

	1989	1988
Historical cost	**37,277**	28,238
Aggregate depreciation	**(6,214)**	(9,834)
Net book value	**31,063**	18,404

(vii) In previous years certain mining rights were capitalised as intangible assets and were amortised over their expected useful lives. It is now considered that these rights represent goodwill arising on acquisitions and accordingly the net book value at 1 April 1988 has been written off to reserves.

14 Fixed asset investments

	Related companies £000	Other investments £000	Total £000
At 31 March 1988	105,395	10,685	116,080
Share of related companies retained reserves	25,445	–	25,445
Goodwill on increased investment in a related company	(6,661)	–	(6,661)
Acquisitions	10,109	–	10,109
Disposals and provisions	(4,996)	(296)	(5,292)
At 31 March 1989	129,292	10,389	139,681

	Related companies 1989 £000	Related companies 1988 £000	Other investments 1989 £000	Other investments 1988 £000	Total 1989 £000	Total 1988 £000
At cost less provisions						
Listed in Great Britain	**123,660**	95,344	**7,262**	7,262	**130,922**	102,606
Unlisted	**5,632**	10,051	**3,127**	3,423	**8,759**	13,474
	129,292	105,395	**10,389**	10,685	**139,681**	116,080
At market or directors' valuation (see note (i) below)						
Listed in Great Britain	**255,606**	173,499	**48,118**	47,315	**303,724**	220,814
Unlisted	**11,013**	11,732	**3,856**	3,548	**14,869**	15,280
	266,619	185,231	**51,974**	50,863	**318,593**	236,094

14 Fixed asset investments continued

Notes
(i) In the event of the realisation of fixed asset investments at market or directors' valuation there would be a taxation liability of approximately **£55 million** (1988 £45 million).
(ii) Parent company balance sheet

	Cost £000	Provision for diminution in value £000	Net book amount £000
Investment in subsidiaries comprises:			
Balance at 31 March 1988	70,628	(4,500)	66,128
Disposals	(8,466)	4,500	(3,966)
Transfers from subsidiaries	162,804	–	162,804
Balance at 31 March 1989	224,966	–	224,966

In the opinion of the directors the aggregate value of the parent company's investments in subsidiaries is not less than the amount at which they are included in the balance sheet.

15 Finance leases

	1989 £000	1988 £000
Amounts falling due within one year	290	989
Amounts falling due after one year	2	8,930
	292	9,919

Notes
(i) There were no additions to assets under finance leases during the year (1988 £nil).
(ii) The aggregate lease rentals received during the year amounted to **£666,000** (1988 £3,169,000).

16 Stocks

	1989 £000	1988 £000
At cost:		
Contract work in progress	56,408	113,359
Deduct: Progress payments received and receivable	(52,073)	(104,594)
	4,335	8,765
Raw materials, components, and consumable stores	43,215	39,194
Work in progress	17,962	22,459
Finished goods including mineral concentrates	13,454	13,077
	78,966	83,495

Note:
The estimated value of total group stocks on a replacement cost basis was **£80,829,000** (1988 £85,877,000).

Notes on the accounts

17 Debtors

	1989 £000	1988 £000
Amounts falling due within one year		
Trade debtors	66,248	74,682
Amounts owed by related companies	3,744	2,955
Amounts due on sale of subsidiaries and businesses	–	2,232
Other debtors	8,509	12,652
Prepayments and accrued income	9,043	5,399
	87,544	97,920
Amounts falling due after one year		
Trade debtors	155	609
Amounts due on sale of subsidiaries and businesses	5,292	5,294
Other debtors (see note below)	1,632	900
Prepayments and accrued income	704	111
Advance corporation tax	1,882	–
	9,665	6,914
	97,209	104,834

Note:
An interest free loan of £2,192 was made to J W Herbert in April 1988. The loan was repaid in 12 equal instalments by 31 March 1989.

18 Current asset investments

	At cost less amounts written off 1989 £000	At valuation 1989 £000	At cost less amounts written off 1988 £000	At valuation 1988 £000
Listed in Great Britain	3,879	4,174	7,668	6,942
Listed outside Great Britain	1,175	1,128	3,365	3,418
	5,054	5,302	11,033	10,360
Unlisted	695	709	989	643
	5,749	6,011	12,022	11,003

19 Cash and bank deposits

Cash and bank deposits include £9,692,000 held in commercial paper (1988 £nil) and £4,994,000 in floating rate notes (1988 £nil).

20 Creditors: due within one year

	1989 £000	1988 £000
Trade creditors	38,714	54,462
Payments received on account	–	6,017
Other creditors (see note 21)	29,460	18,528
Accruals and deferred income	20,374	18,914
Deposit accounts (see note below)	2,471	2,724
Dividend payable	13,187	10,806
	104,206	111,451

Note:
Amounts deposited by related companies totalled £2,471,000 (1988 £2,426,000).

21 Taxation

	1989 £000	1988 £000
Corporation tax	16,576	11,413
Overseas tax	2,707	5,210
	19,283	16,623
Included in other creditors (see note 20): Social security and other taxation	8,862	8,458
	28,145	25,081

22 Short term borrowings

	1989 £000	1988 £000
Bank loans and overdrafts (see note below)	9,751	17,140
Obligations under finance leases	1,253	1,359
Debenture loans	754	–
	11,758	18,499

Note:
Bank loans and overdrafts include £4,443,000 (1988 £7,008,000) which is secured on assets of subsidiaries.

23 Commitments under operating leases

The group had annual commitments under operating leases expiring as follows:

	Property 1989 £000	Other 1989 £000	Property 1988 £000	Other 1988 £000
Within one year	236	201	189	859
Two to five years	358	635	588	1,256
After five years	527	–	592	2
	1,121	836	1,369	2,117

Notes on the accounts

24 Contingent liabilities

	1989 £000	1988 £000
Guarantees and other obligations of **£4,444,000** less counter-guarantees of **£1,188,000**	3,256	962
Underwriting commitments	3,355	1,190
Bills receivable discounted	451	657
Other items	282	285
	7,344	3,094

In addition the group has contingent liabilities entered into in the normal course of business from which no liability is expected to arise.

The parent company has given guarantees totalling **£8,309,000:** (1988 £11,264,000) including **£4,521,000** (1988 £1,310,000) relating to subsidiary companies' borrowings.

Note:
Charter owns, through a subsidiary, 68.8 per cent of Cape Industries PLC (Cape). Certain companies in the Cape group continue to be named, along with other asbestos fibre and asbestos product suppliers, as defendants in a significant number of legal actions in the United States. The plaintiffs in such actions are claiming substantial damages as a result of the use of their products. In addition, the Cape group has retained obligations in respect of claims made or which may be made within a limited period against companies disposed of within its former mining division. Cape has received legal advice in the United Kingdom that such actions, if brought in the United Kingdom, would be likely to fail and that, if no defence is mounted or response made to actions in the United States and so long as the normal rules governing corporate individuality apply, judgments obtained in the United States against companies within the Cape group would not be enforceable in the United Kingdom. In actions instituted in Illinois and Pennsylvania, none of which have been defended or responded to in any manner, plaintiffs have obtained against Cape group companies default judgments totalling in aggregate approximately US$63 million. Attempts to enforce the Illinois judgments against Cape in the United States have been unsuccessful but these attempts are continuing. In an action in the United Kingdom High Court, brought to enforce the judgment of a Texas court totalling approximately US$15 million and interest, judgment was given in favour of Cape and one of its subsidiaries. On 24 May 1989, the Court of Appeal dismissed an appeal against the judgment and will give its reasons at a later date. On the above basis, the directors of Cape believe in the light of legal advice they have received that the above-mentioned matters are unlikely to have a material effect on the Cape group's financial position. Having regard to this, the directors of Charter believe that such matters are unlikely to have a material effect on Charter's position, and accordingly no provision in respect of them has been made.

Charter has also been named as defendant in a number of asbestos-related actions in the United States on the basis that it is allegedly liable for the acts of Cape. Charter contests the existence of any such liability. The issue has gone to trial in three cases. In the first of these cases, tried in Pennsylvania, after an adverse lower court decision the appeal court gave judgment in Charter's favour. In the second case, in New Jersey, judgment was also given for Charter. The third case, in South Carolina, was dismissed for lack of subject matter jurisdiction, without a decision having been rendered on the issue. The directors have received legal advice that Charter should be able to continue to defend successfully the actions brought against it, but that uncertainty must exist as to the eventual outcome of the trial of any particular action. It is not practicable to estimate in any particular case the amount of damages which might ensue if liability were imposed on Charter. Based on legal advice, the directors believe that the aggregate of any such liability is unlikely to have a material effect on Charter's financial position. In these circumstances the directors have concluded that it is not appropriate to make any provision in respect of such actions.

25 Long term borrowings

	1989 £000	1988 £000
Debenture loans		
Charter Consolidated P.L.C.:		
8¼ per cent notes of US$75,000,000 due 1994	44,379	39,682
Operating subsidiaries:		
10 per cent secured loan stock 1986/91 (see note (i) below)	3,459	3,459
8 per cent unsecured loan stock 1986/91	2,403	2,403
Other loans	1,676	2,668
	51,917	48,212
Bank loans and overdrafts		
Secured	1,505	–
Unsecured	–	2,373
Other creditors		
Obligations under finance leases	3,178	4,318
Total long term borrowings (see note (ii) below)	56,600	54,903
Short term borrowings (see note 22)	11,758	18,499
Total borrowings	68,358	73,402

Notes

(i) Secured on the assets of subsidiaries.

(ii) Repayments are due as follows:	Bank loans and overdrafts £000	Other borrowings £000	Finance leases £000	Total £000
Between one and two years	1,214	2,917	1,175	5,306
Between two and five years	291	48,607	1,668	50,566
Over five years otherwise than by instalments	–	393	–	393
Over five years by instalments	–		335	335
	1,505	51,917	3,178	56,600

26 Other long term creditors

	1989 £000	1988 £000
Accruals and deferred income	–	456
Other creditors	738	281
	738	737

Parent company balance sheet:
Loans due by the parent company to subsidiaries of **£367,414,000** (1988 £61,796,000) and due to the parent company from subsidiaries of **£203,388,000** (1988 £54,658,000) are interest free and have no fixed repayment term.

27 Provisions for liabilities and charges

	Deferred taxation £000	Closure costs and guarantees £000	Other £000	Total £000
At 31 March 1988	3,892	18,134	15,455	37,481
Utilised in year	4,813	(6,844)	(4,396)	(6,427)
Provided/(released) in year – net	(8,705)	9,860	(1,131)	24
At 31 March 1989	–	21,150	9,928	31,078

Deferred taxation amounts are set out below:

	Provision made 1989 £000	Full potential 1989 £000	Provision made 1988 £000	Full potential 1988 £000
Excess of the book value of assets including finance leases qualifying for taxation allowances over their written down value for taxation purposes	5,533	4,944	11,151	11,271
Difference between book and taxation value of investments	(529)	(2,205)	–	–
Surplus on revaluation of properties	3,848	3,677	2,445	3,798
Legal costs provided for future years in respect of asbestos-related litigation	(1,219)	(1,219)	(2,841)	(2,841)
Relief for reorganisation costs	(6,091)	(6,091)	(2,917)	(2,917)
Other timing differences	972	664	(344)	1,180
Advance corporation tax (see note (iii) below)	(2,514)	(2,514)	(3,602)	(3,602)
	–	(2,744)	3,892	6,889

Notes

(i) Other provisions at 31 March 1989 include legal costs of **£3,489,000** in respect of continuing asbestos-related actions in the United States, reclamation provisions of **£1,579,000** and industrial disease compensation of **£2,857,000**.

(ii) Closure costs and guarantees include **£19,963,000** in respect of provisions made for disposal and reorganisation costs.

(iii) Advance corporation tax of **£4,396,000** (1988 £3,602,000) is included in taxation recoverable in the parent company's balance sheet.

28 Share capital

	1989 Shares of 2p each	1989 £	1988 Shares of 2p each	1988 £
Authorised:	**135,000,000**	**2,700,000**	135,000,000	2,700,000
Issued:				
Fully paid shares	**105,496,066**	**2,109,921**	105,430,059	2,108,601
Partly paid shares (1p paid) (see note (i) below)	**27,000**	**270**	40,600	406
Fully paid shares with restricted rights (see note (ii) below)	**11,889**	**237**	17,877	358
Total issued share capital		**2,110,428**		2,109,365

Notes

(i) The partly paid shares were issued under the company's share incentive scheme adopted in 197[illegible]. No further shares will be issued under that scheme.

(ii) The fully paid shares with restricted rights were alloted to the holders of the company's partly paid shares in terms of a scheme of arrangement of 22 October 1979 and are subject to the same restrictions as the partly paid shares to which they relate until those partly paid shares become fully paid. During the year **13,600** partly paid shares were fully paid up and as a result **5,988** fully paid shares with restricted rights became free of restriction.

(iii) During the year **46,419** fully paid shares of 2p each were allotted as a result of the exercise of options granted under the company's share option schemes, for which the company received an aggregate consideration of **£119,627**. On 10 August 1988 options were granted over **154,984** shares. At 31 March 1989 36 participants held options over **591,371** shares; these options are exercisable during various periods up to 9 August 1998 at prices ranging from 188p to 447p per share.

29 Reserves

Group	Share premium account £000	Revaluation reserves £000	Other reserves £000	Profit and loss account £000	Total £000
At 31 March 1988	12,543	30,434	174,919	146,171	364,067
Retained earnings for the year	–	–	–	28,123	28,123
Revaluation of investment properties less deferred tax of £1,383,000	–	2,617	–	–	2,617
Movement on current asset investments less deferred tax of £140,000	–	145	–	–	145
Discount on acquisition of subsidiaries	–	–	496	–	496
Conversion of Cape preference shares	–	(709)	(552)	(653)	(1,914)
Premium on shares issued	155	–	–	–	155
Net effect of translation of currencies	–	491	(346)	(454)	(309)
Goodwill on increased investment in a related company	–	–	(6,661)	–	(6,661)
Related companies	–	10,479	(5,143)	692	6,028
Intangible assets written off	–	–	–	(6,397)	(6,397)
Reclassification (see note (i) below)	–	(179)	(40,007)	40,186	–
At 31 March 1989	12,698	43,278	122,706	207,668	386,350

Company	Share premium account £000	Profit and loss account £000	Total £000
At 31 March 1988	560	18,179	18,739
Surplus for the year	–	1,169	1,169
Premium on shares issued	155	–	155
At 31 March 1989	715	19,348	20,063

Notes

(i) The group's other reserves at 31 March 1989 include non-distributable reserves of £14,886,000 (1988 £115,818,000). The reclassification between reserves and the reduction in the group's non-distributable reserves arise from changes in the Articles of Association of certain subsidiaries.

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

(iii) Included in the net effect of translation of currencies is a charge of £3,924,000 in relation to foreign currency borrowings.

(iv) Group reserves include share of related companies' reserves of £16,757,000 (1988 deficit of £8,662,000).

30 Source and application of funds

	1989 £000	1988 £000
(i) Analysis of working capital:		
(Increase)/decrease in stocks and work in progress	(8,258)	7,923
(Increase)/decrease in debtors	(9,206)	7,959
Increase/(decrease) in creditors	18,006	(523)
Currency variations	1,877	(6,323)
	2,419	9,036
(ii) Extraordinary and other items include:		
Cash effect of extraordinary items	(10,975)	13,495
Exchange adjustments	(5,157)	8,026
Other	(783)	(238)
	(16,915)	21,283
(iii) Net assets on acquisitions and disposals of subsidiaries:		
Fixed assets	591	(141)
Goodwill/reserve movements	472	(776)
Stocks and work in progress	11,657	218
Debtors	16,731	457
Creditors	(26,492)	(274)
Other items	(2,748)	(426)
	211	(942)
Deferred consideration	1,972	5,056
	2,183	4,114
(iv) Fixed assets:		
Acquired for expansion	(3,133)	–
Investments–purchases	(10,109)	(4,536)
–book value of realisations	4,996	12,064
	(8,246)	7,528
(v) Increase in liquid funds:		
Increase in short term loans, deposits, and cash	14,829	61,195
Decrease in short term borrowings	6,741	5,087
	21,570	66,282
(vi) (Increase)/decrease in long term borrowings:		
US dollar $8^{1}/_{4}$ per cent loan notes	(4,697)	6,901
Decrease in other long term borrowings	3,000	5,699
	(1,697)	12,600

Analysis of revenue and assets

Business sector	Turnover £000 1989	Turnover £000 1988	Operating profit £000 1989	Operating profit £000 1988
Industrial				
Mining equipment	131,003	132,653	8,114	6,717
Building products and services	159,324	146,478	12,252	9,432
Rail track equipment	41,806	37,995	4,712	4,608
Licensed trade equipment	18,874	16,065	893	1,155
	351,007	333,191	25,971	21,912
Mining and Quarrying				
Coal	28,678	30,067	2,366	2,508
Quarries	12,549	8,745	907	668
Wolfram	7,115	5,558	154	(845)
Prospecting	–	–	(286)	(287)
	48,342	44,370	3,141	2,044
Precious Metals	541,638	457,262	24,488	22,719
Finance				
Investment income	–	–	3,436	1,450
Securities trading	–	–	2,345	3,161
Interest net	–	–	14,731	8,711
	–	–	20,512	13,322
Continuing businesses	940,987	834,823	74,112	59,997
Discontinued businesses				
Industrial	68,421	111,283	147	(856)
Silver project	152	217	(1,236)	217
	68,573	111,500	(1,089)	(639)
	1,009,560	946,323	73,023	59,358

Geographical

Turnover (by markets supplied)	1989 £000	1989 Per cent	1988 £000	1988 Per cent
United Kingdom	393,885	39	396,170	42
Rest of Europe	153,487	15	135,954	14
North America	294,746	29	258,295	27
Rest of World	167,442	17	155,904	17
	1,009,560	100	946,323	100

Turnover (by area of origin)	1989 £000	1989 Per cent	1988 £000	1988 Per cent
United Kingdom	627,966	62	590,520	62
Rest of Europe	110,349	11	103,584	11
North America	208,185	21	194,845	21
Rest of World	63,060	6	57,374	6
	1,009,560	100	946,323	100

Operating profit (by area of origin)	1989 £000	1989 Per cent	1988 £000	1988 Per cent
United Kingdom	53,373	73	44,467	75
Rest of Europe	4,516	6	1,900	3
North America	8,535	12	6,950	12
Rest of World	6,599	9	6,041	10
	73,023	100	59,358	100

Capital employed	1989 £000	1989 Per cent	1988 £000	1988 Per cent
United Kingdom	443,119	67	403,194	69
Rest of Europe	60,012	9	52,620	9
North America	113,042	17	94,630	16
Rest of World	47,231	7	31,327	6
	663,404	100	581,771	100

Principal interests

Including principal subsidiary and related companies

Company	Country of incorporation or registration	Group interest in equity capital (per cent)	Nature of business
Industrial			
Anderson Strathclyde PLC*	Scotland	100	Mining equipment
National Mine Service Company *(A subsidiary of Anderson Strathclyde PLC)*	United States	51.2	Mining equipment
Cape Industries PLC – *(Note 3)*	England	68.8	Fire protection and insulation materials, external cladding and industrial contracting
MKR Holdings Limited*	England	100	Licensed trade and catering equipment
Pandrol International Limited* *(Note 2)*	England	100	Rail track equipment
Speno Rail Services Company *(Partnership 50 per cent owned by Pandrol International Limited)*	United States	50	Rail maintenance services
Mining and Quarrying			
Anmercosa Sales Limited*	England	100	Marketing of metals
Beralt Tin & Wolfram (Portugal) S.A.R.L	Portugal	60.4	Wolfram mining
Penryn Granite Limited	England	100	Quarry products
Shand Mining Inc.	United States	100	Coal mining and quarry products
Precious Metals			
Johnson Matthey Public Limited Company *(Note 5)*	England	38.7	Catalytic systems, colours and printing, materials technology, refining, fabrication and marketing of precious metals

Company	Country of incorporation or registration	Group interest in equity capital (per cent)	Nature of business
Finance, investment, and services			
Cecil Holdings Limited*	England	100	Investment
Central Mining Finance Limited*	England	100	Mining finance and investment dealing
Charter Consolidated Finance Limited*	England	100	Finance
Charter Consolidated Financial Services Limited*	England	100	Investment management
Charter Consolidated Investments Limited*	England	100	Investment
Charter Consolidated Services Limited*	England	100	Administration and technical services

*Shares held directly by Charter Consolidated P.L.C.

Company	Country of incorporation or registration	Group interest in equity capital (per cent)	Nature of business
Investments			
Related companies			
Covenant Industries Limited *(Note 1)*	England	50	Marketing and manufacturing of chemicals in Africa
Other investments			
Anglo American Corporation Zimbabwe Limited *(Note 4)*	Zimbabwe	33.5	Mining and industrial finance and investment
Botswana RST Limited	Botswana	4.5	Nickel and copper mining
Cleveland Potash Limited (disposed of in July 1989)	England	50	Potash mining
Minorco	Luxembourg	3.8	Investment, international mining and natural resources

Principal interests

Including principal subsidiary and related companies

Notes

1 The accounting date for inclusion of related companies' results is 31 March, with the exception of Covenant Industries for which the accounting date is 30 September. The issued share capital of Covenant Industries at 30 September 1988 was £91,824.

2 The Pandrol International group holds the following equity interests in rail track equipment companies.

	Country of incorporation	Issued share capital	Equity capital held (per cent)
Elastic Rail Spike Company (Proprietary) Limited	South Africa	R. 80,000	40
Pandrol Italia SpA	Italy	Lira 1,200 million	50
Pandrol Daewon Limited	Korea	Won 500 million	50

3 If all the outstanding 518,789 8.4 per cent cumulative convertible redeemable preference shares of Cape Industries PLC were converted into ordinary shares and the holders of share options exercised their rights to subscribe for ordinary shares in full, Charter's equity interest would be reduced to 65.5 per cent. Charter holds 100 per cent of the 3½ per cent cumulative preference shares of Cape Industries.

4 No account is taken of the group share of the results of Anglo American Corporation Zimbabwe (AMZIM) as Charter is not in a position to exercise significant influence over the affairs of that company. The issued share capital and reserves of AMZIM at 30 June 1988 were Z$56.7 million and Z$232.5 million respectively, totalling Z$289.0 million and its profit after taxation for the year to that date was Z$18.7 million.

5 Charter holds a warrant to subscribe for a further 1,000,000 ordinary shares in Johnson Matthey. If all the outstanding convertible preference shares were converted into ordinary shares, and all the holders of share warrants (including Charter) and share options exercised their rights to subscribe for ordinary shares in full, Charter's equity interest would be reduced to 37.0 per cent. The issued ordinary share capital, convertible preference share capital and debt securities of Johnson Matthey at 31 March 1989 were £175,322,882, £2,022,819 and £7,500,000.

6 The accounts of the following companies are not audited by Coopers & Lybrand:
Beralt Tin & Wolfram (Portugal) S.A.R.L.
Cape Industries PLC group companies
Johnson Matthey Public Limited Company
National Mine Service Company.

7 The principal country of operation is the same as the country of incorporation or registration except where indicated under the nature of business.

Share ownership

Analysis of Charter's share capital at 31 March 1989

Category	Percentage	Number
Individuals	8.9	12,908
Insurance companies	2.8	36
Pension funds and trustees	5.9	110
Banks and nominee companies	77.3	1,083
Others (including bearer shares of 0.5%)	5.1	395
	100.0	14,532

Geographical	Percentage	Number
United Kingdom	58.8	13,031
Rest of Europe	39.4	937
Rest of World	1.3	564
Registered	99.5	14,532
Bearer	0.5	
	100.0	

	Charter			
	At 31 March 1989		At 1 April 1988	
Interests of directors	Fully paid shares of 2p each	Options to subscribe for fully paid shares[1]	Fully paid shares of 2p each	Options to subscribe for fully paid shares[1]
P C D Burnell	100	nil	100	nil
D E Cook	500	nil	nil	nil
D J Davies	nil	nil	–	–
Sir Michael Edwardes	nil	nil	–	–
J W Herbert	773	54,464	100	42,302
Sir Robert Hunt	1,000	nil	1,000	nil
J C L Keswick	nil	nil	–	–
A W Lea	nil	nil	–	–
M J Statham	1,603[2]	6,759	1,300[2]	8,604
J Ogilvie Thompson	100[3]	nil	100[3]	nil
R K A Wakeling	150	28,940	150	16,778

Notes
[1] granted under share option scheme adopted on 9 August 1983
[2] includes shares appropriated under profit sharing scheme adopted on 11 August 1981
[3] non-beneficial

At 31 March 1989 Mr J W Herbert had a beneficial interest in 1,000 ordinary shares of 25p each in Cape Industries PLC (1 April 1988: 1,100 shares).

There was no change in the interests of the current directors between 31 March 1989 and 7 June 1989, being one month prior to the date of the notice of annual general meeting.

The Board of directors

Sir Michael Edwardes
Chairman (58)
Sir Michael Edwardes was appointed chairman of Charter in 1988. One time chairman of British Leyland, Mercury, ICL, Dunlop and Chloride, he is currently chief executive of Minorco and a director of R K Carvill and other companies.

D J Davies
Deputy chairman (49)
Mr Davies was appointed deputy chairman of Charter in 1988. He was formerly chief executive and deputy chairman of Hill Samuel Group, managing director of Hongkong Land and vice chairman and finance director of MEPC. He is currently chairman of Imry Merchant Developers and a director of TSB Group and Johnson Matthey as well as other companies in the USA, Canada, Hong Kong and Singapore.

P C D Burnell
Non-executive director (48)
Mr Burnell joined Charter from The Central Mining & Investment Corporation in the merger which formed Charter in 1965. He was appointed a director in 1975 and was formerly responsible for Charter's mining operations. He is a director of Anglo American Corporation of South America and is industrial adviser to the Midland Bank.

D E Cook, TD
Non-executive director (57)
Mr Cook joined Charter as a non-executive director in 1988. He is currently deputy chairman of Pilkington and a director of Powell Duffryn, having formerly been a director of Rowntree.

J W Herbert
Executive director (46)
Mr Herbert joined Charter from the General Electric Company as a director in 1985. He was formerly a director of Jaguar Rover Triumph. He is responsible for Charter's industrial interests and is a director of other group companies.

Sir Robert Hunt, CBE
Non-executive director (71)
Sir Robert Hunt joined Charter as a non-executive director in 1983. He was formerly chairman and chief executive of Dowty Group and deputy chairman of Rover Group.

J C L Keswick
Non-executive director (49)
Mr Keswick joined Charter as a non-executive director in 1988. He is chairman of Hambros Bank and a director of Persimmon and other companies.

A W Lea
Non-executive director (40)
Mr Lea joined Charter as a non-executive director in 1988. He is group financial director of Minorco. He was formerly a director of Anglo American Corporation of South Africa.

J Ogilvie Thompson
Non-executive director (55)
Mr Ogilvie Thompson joined Charter as a non-executive director in 1976. He is chairman of De Beers Consolidated Mines and of Minorco. He is deputy chairman and an executive director of Anglo American Corporation of South Africa and a director of many other Anglo American group companies.

R K A Wakeling
Executive director (42)
Mr Wakeling joined Charter in 1980 as finance director. He became acting chief executive of Charter in 1988. He was formerly group treasurer of The BOC Group and finance director of John Brown. He is a director of other group companies and Johnson Matthey.

Main operating subsidiaries and related companies

Anderson Strathclyde PLC
Anderson House,
47 Broad Street,
Glasgow G40 2QW
Chairman: J W Herbert
Chief Executive: A B MacLaughlan

Beralt Tin & Wolfram (Portugal) S.A.R.L.
Avenida da Liberdade 244-8
1200 Lisbon
Portugal
Chairman: E M A F Ferreira
General Manager: A Correia de Sa

Cape Industries PLC
Cape House
Exchange Road
Watford WD1 7EG
Chairman: J W Herbert
Chief Executive: M J Farebrother

Johnson Matthey Public Limited Company
(related company)
New Garden House
78 Hatton Garden
London EC1N 8JP
Chairman: J N Clarke
Chief Executive: C E Anderson

M K R Holdings Ltd.
Cornwall Road
Fairfield Industrial Estate
South Wigston
Leicester LE8 2XH
Chairman: J W Herbert
Managing Director: J B Andrew

Pandrol International Ltd.
1 Vincent Square
London SW1P 2PN
Chairman: J W Herbert
Managing Director: J A Pool

Penryn Granite Ltd.
15-17 Fairmantle Street
Truro
Cornwall TR1 2EH
Chairman: R P B Hebblethwaite
Managing Director: J A Lakeman

Shand Mining Inc.
2103 West Cosby Road
P.O. Box 740
Washington
Indiana 47501
U.S.A.
Chairman: R K A Wakeling
President: F O Clayton

Management

Accounts	R H T Dawkins
Business development	C H Parker
Financial control	K R Krancioch
Investment	M J Statham
	B J Crean
Metal sales	J Carter
Mining and quarrying	R P B Hebblethwaite
Personnel	R D McVean
Public affairs	J R Sherratt
Taxation	M R Fairs
Treasury	N R Sallnow-Smith

Notice of meeting

Notice is hereby given that the twenty-fourth annual general meeting of members of Charter Consolidated P.L.C. will be held in the Caxton Suite at The London International Press Centre, 76 Shoe Lane, London EC4A 3JB (New Street Square entrance), on Tuesday 15 August 1989 at 12 noon for the following purposes:

1. To receive and consider the accounts and the report of the directors for the year to 31 March 1989.
2. To declare a final dividend.
3. To reappoint as directors Sir Michael Edwardes, Mr P C D Burnell, Mr D J Davies, Mr J C L Keswick and Mr A W Lea.
4. To reappoint Coopers & Lybrand as auditors and authorise the board to fix their remuneration.
5. To consider the following resolution which will be proposed as a special resolution:

   That the articles of association of the company be and are hereby amended by the deletion of the first sentence of article 77 and the substitution therefor of the following sentence:

   "Each of the directors (other than a director holding any salaried office or employment under the Company or any subsidiaries of the Company, shall be entitled to remuneration at the rate of £10,000 per annum or otherwise at a rate to be determined by the directors up to a maximum of £15,000 per annum or such other amount as the Company may by Ordinary Resolution determine."
6. To consider an ordinary resolution amending the company's profit sharing scheme (see page 17).
7. To consider the following resolution which will be proposed as a special resolution:

   "THAT

   (i) the directors of the company, having by ordinary resolution passed on 5 August 1986 been generally authorised to allot the unissued shares of the company pursuant to section 80 of the Companies Act 1985, be hereby empowered, pursuant to section 95(1) of the said Act, from the date of the passing of this resolution until the conclusion of the next annual general meeting, to allot and to make offers or agreements to allot equity securities of the company pursuant to that authority as if section 89(1) of the said Act did not apply—

   (a) in connection with an offer of such equity securities by way of rights to shareholders in proportion to their existing shareholdings but subject to such modifications as the directors deem necessary or expedient in relation to fractional entitlements and legal or practical problems under the laws of, or the requirements of, any stock exchange or recognised regulatory body in, any territory, and

   (b) otherwise than under paragraph (a) above, up to an aggregate nominal amount of £105,496 (being 5 per cent of the issued share capital of the company at 31 March 1989);

   (ii) the above-mentioned authority given pursuant to section 80 of the said Act shall be varied to, and the power conferred by this special resolution shall, allow and enable the directors to make offers or agreements which would or might require the making of allotments after the expiry of the said authority and of the said power; and

   (iii) words and expressions defined in or for the purpose of section 94 of the Companies Act 1985 shall bear the same meanings herein."

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

by order of the board
P M Thwaite
Secretary

Registered office:
40 Holborn Viaduct
London EC1P 1AJ

7 July 1989

Notes

1 Forms of proxy must reach the company's registrars, Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL, not less than 48 hours before the meeting.

2 Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the meeting must comply with the relevant conditions governing share warrants to bearer.

3 Copies of directors' service contracts will be available for inspection by members at the registered office of the company during normal business hours on any working day (Saturdays and Bank Holidays excepted) from the date of this notice and will, on the day of the Annual General Meeting, be available for inspection at the Caxton Suite, The London International Press Centre, 76 Shoe Lane, London EC4A 3JB from 11.45 a.m. until the conclusion of the meeting.

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SEP 1989

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