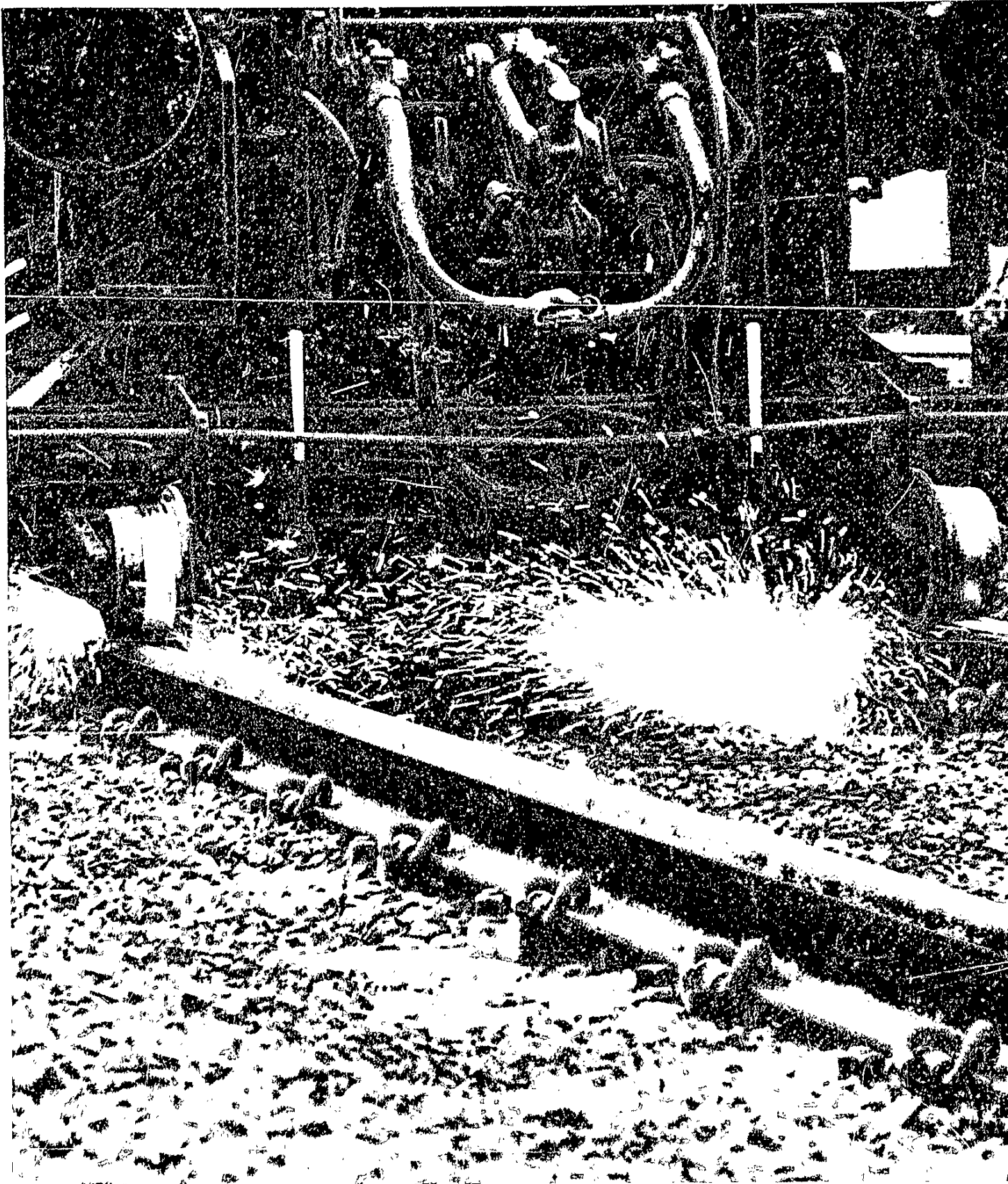


CHARTER

Annual report 1981



831757/153

Charter Consolidated Limited

Annual report and accounts for
the year ended 31 March 1981

Chairman

Dr A. Spinks, CBE, FRS

Deputy chairman

*Sir Philip Oppenheimer

Chief executive

*J. N. Clarke

Directors

P. C. D. Burnell

J. E. H. Collins, MBE, DSC

J. O. Hambro, MC

*G. A. Higham

M. B. Hofmeyr

*F. J. A. Howard

H. F. Oppenheimer

*A. J. W. Owston

B. W. Pain

G. W. H. Rely

*J. G. Richardson

A. T. B. Shand

M. W. Thomas

J. Ogilvie Thompson

Alternate directors

R. J. Armitage

J. V. Cleasby

A. E. Oppenheimer

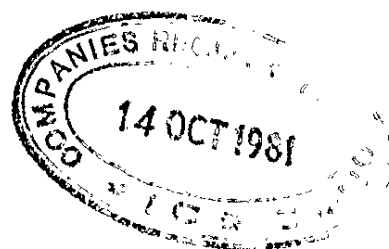
W. W. Rhodes

M. J. Statham

Secretary

D. S. Booth

*executive directors



FINANCIAL SUMMARY

	1981 £ million	1980 £ million
Profit before taxation	53.7	52.3
Attributable earnings	33.2	27.9
Extraordinary items – profits	49.3	57.0
Net assets (including appreciation of investments)	497.0	324.3
Earnings per share	31.7p	26.6p
Dividends per share	10.0p	8.35p
Net assets per share	473p	309p

NOTE

The results for 1980 cover the restructuring which occurred during that year and are not directly comparable with 1981. Similarly the figures taken from the balance sheet at 31 March 1980 reflect the reduction of capital of £53.3 million under which shareholders received, in respect of each Charter share, one quarter of a share in Minerals and Resources Corporation Limited worth at the time of the offer 55p per Charter share.

ANALYSIS OF CHARTER'S ISSUED EQUITY SHARE CAPITAL AT 31 MARCH 1981

GEOGRAPHICAL

	Percentage	Number of Registered Shareholders
United Kingdom	56.31 *	23,375
Rest of Europe	6.45 *	1,601
Bermuda	35.77	4
North America	0.54 †	130
South Africa	0.77	1,183
Elsewhere	0.16	269
	<u>100.00</u>	<u>26,562</u>

CATEGORY

	Percentage of Registered Shares	Number of Registered Shareholders
Individuals	13.70	23,730
Insurance companies	8.42	198
Banks and nominee companies	20.65	1,021
Other limited companies	46.77	598
Pension funds and trustees	10.04	521
Others	0.42	494
	<u>100.00</u>	<u>26,562</u>

*includes estimate of number of shares represented by share warrants to bearer

†includes shares registered in the United Kingdom in the names of banks issuing American Depositary Receipts

Statement by the chairman and the chief executive

Results

Charter's profits for the year to 31 March 1981 before tax and extraordinary items were £53.7 million. Earnings after tax and minority interests were £33.2 million, an increase of £5.3 million over the previous year. The results are not comparable with those of the year to 31 March 1980 in which the group was restructured under a scheme of arrangement which became effective in December 1979 with a reduction in capital of approximately £53 million.

While the overall performance was satisfactory the operating profits of our industrial subsidiaries, especially Cape Industries, were increasingly affected during the year by the economic recession in the United Kingdom. Cape incurred a loss in the automotive products division of £3.4 million. The division has been completely restructured, involving plant closures and substantial redundancies, and this has been successful in restoring operations at least to a breakeven position. Despite difficult trading conditions the building and insulation division reported an increase in sales and profits.

The trading profit of the MKR group, which manufactures drink cooling and dispensing equipment for the brewery industry, was affected by reduced order levels from its major customers. Our other industrial subsidiaries all reported increased profits, a most creditable performance.

Capital expenditure by the industrial subsidiaries, including the purchase by Cape of Newalls Insulation, amounted to £34 million during the year, and they have continued to improve manufacturing facilities and to develop new products.

Charter's income from investments was £17.7 million, compared with £18.4 million last year. Dividend income from Johnson Matthey, Anderson Strathclyde, and Anglo American Corporation Zimbabwe, following the lifting of exchange controls, replaced the dividends from investments sold under the scheme of arrangement. The loss of income from Selection Trust was more than compensated for by interest on gilt-edged securities in which part of the sale proceeds was placed pending longer term reinvestment.

The portfolio investment department achieved very good results for the year on its managed funds and these together with profits on the disposal of part of our interest in Ferranti produced a surplus of £8.1 million on realization of investments.

Charter's share of the retained profits of associated companies rose from £13.5 million to £15.4 million, reflecting the increased profits of Johnson Matthey and the exclusion of Cleveland Potash. Anderson Strathclyde has been included as an associate for the first time.

The surplus on the sale of our interest in Selection Trust, which after full provision for taxation amounted to £47.8 million, is included in extraordinary items. The provision for taxation has been reduced by the ability to offset losses provided for in prior years in relation to Botswana RST. After providing for the cost of plant closures and reorganizations at Cape, a credit arising in Malaysia Mining Corporation, and a small net provision against investments less tax relief, the overall surplus for the year included in extraordinary items was £49.3 million.

The annual report contains for the first time a statement of the earnings of the company on a current cost basis which attempts to reflect more meaningfully than historical cost the effects of inflation on financial results. The standard accounting practice is not necessarily appropriate

for a company such as Charter with its wide range of industrial, investment, and mining interests but we have nonetheless produced accounts on this basis which show that the group profit before tax would be £37.0 million, compared with £53.7 million in historical cost terms. It is a matter of regret that the government has not yet been able to accept that the taxation of companies should also be placed on a basis which fully reflects the effects of inflation.

New investment

Our cash resources have been strengthened by the sale of our interest in Selection Trust which has allowed the company to invest substantial amounts during the past twelve months, and in total we have invested or agreed to invest over £70 million.

Cape purchased Newalls Insulation in October 1980. The two modern glass fibre plants at Washington complement Cape's existing range of products. Charter both subscribed to and underwrote the rights issue made by Cape to finance the greater part of the cost of this acquisition. We also undertook to subscribe for our proportion of the rights issue made by Johnson Matthey in January 1981.

The investment in railway track products and services has been increased by Pandrol's acquisition of Speno Rail Services in the United States on a joint venture basis with the Speno International group, who are leaders in rail grinding technology. Speno provides railway track reprofiling services in North America.

Charter's interest in the coal mining equipment industry has been substantially increased by the acquisition of 28.4 per cent of Anderson Strathclyde and we supported the rights issue of that company to raise further funds to finance its development. In August we purchased Perard Investment Holdings which is a manufacturer of cable handling and chainless haulage equipment for use in longwall coal mining. The company is currently developing a range of conveyor-mounted tunnelling equipment for the coal mining industry.

In February we completed negotiations for the purchase of Alexander Shand (Holdings) from British Petroleum for a consideration of approximately £25 million. Shand is a major opencast coal contractor to the National Coal Board and through the acquisition of the small Fulton mine in Indiana, also from British Petroleum, it is planned to expand into opencast mining in the United States. Shand's other activities include civil engineering, building, and quarrying; and current investment plans include the manufacture of building materials at a new plant in Malaysia. We look forward to supporting the Shand management in the company's development and welcome Mr A. T. B. Shand as a member of the Charter board.

Since the end of the financial year we have agreed terms with the board of Beralt Tin and Wolfram to make an offer to Beralt's public shareholders to acquire their shares. Beralt owns 80 per cent of the Portuguese company which operates the wolfram mine at Panasqueira and the small mine and ferro-tungsten plant at Borralha. If successful the offer will leave Charter owning three quarters, and Union Carbide Corporation one quarter, of Beralt. Charter has supplied management and technical services for many years to Beralt and has been responsible for the progressive improvement of mining facilities. Union Carbide has wide experience of processing tungsten concentrates and we believe that jointly we will be able to proceed with the further development of the mines and the possible future investment in processing facilities. In June this year we realized a

substantial surplus on the sale of our interest in Haw Par Brothers International for approximately £13 million.

Future plans

At 31 March 1981, the net assets attributable to shareholders of the Charter group, taking investments at market or directors' valuation, were £497 million, so that with interest-bearing debt of £42 million the total capital employed in the group (including the interest of outside shareholders in subsidiaries) was £563 million. Despite the activity of the past year, we are not fully invested and with our strong financial position, substantial liquid resources, and very low debt we plan to continue to build up our industrial and mining interests into a series of coherent divisions which link our central financial strength with skilled and decentralized operational management. Implementation of this policy, if properly considered, will take time and has to be seen against a background in which our industrial companies, together with many others in the United Kingdom, have had to take vigorous action to reduce costs in the face of the very sharp fall in demand typical of the current recession. There is little sign as yet of an upturn in demand in the United Kingdom and this emphasizes the importance we place on being invested in industries which serve and can compete in world markets. In spite of the uncertain short term outlook we remain confident that our industrial and mining interests represent a base on which to build further and profitable growth.

Auditors

We are conscious of the need to contain central administrative costs and to this end we consulted our joint auditors on their role. Both Coopers & Lybrand and Deloitte Haskins & Sells recommended that in our circumstances it would be more efficient to have sole auditors. We invited both firms to submit proposals for this and after full consideration the board decided to ask Coopers & Lybrand to undertake the sole audit from 1 April 1981. We are most grateful to Deloitte for their excellent service and professional advice over 16 years.

Directors

Mr M. W. Thomas, who has been a director of the company since 1973, has indicated that he will be retiring at this year's annual general meeting. Michael Ward Thomas has been a valued member of our board and we shall miss his sound judgement and advice.

Mr B. W. Pain, who was appointed a director in January 1967, retired from the executive committee in April 1981 but will remain on the board until the end of the year. Beville Pain has played a leading part in the management of the affairs of the company since it was formed in 1965 and has brought a wide range of skills and experience to bear on all aspects of our business. We wish him a long and happy retirement.

We are very pleased to be able to take this opportunity to thank the management and staff throughout the group for their loyalty and hard work during the past year. The board has decided to recommend to an extraordinary general meeting, notice of which accompanies this report, that a profit sharing scheme for Charter employees, based on the 1978 Finance Act, should be introduced. We believe that it is in the interest of Charter and its shareholders that by the ownership of shares our staff should be encouraged to identify with the performance of the company. We also intend to implement the executive share option scheme, which was introduced in 1973. We hope that the profit sharing scheme will be approved by shareholders and will prove to be attractive to employees.

A. SPINKS
chairman

J. N. CLARKE
chief executive

London, 23 June 1981

Review of interests and operations

The percentage figure after each company name refers to its share of the group's total turnover.

INDUSTRIAL

Cape Industries Limited (67.3%)

The group manufactures fire protection, insulation and building products, friction materials, and other automotive components. It provides industrial and domestic insulation contracting and related building services and is engaged in the distribution of automotive components.

The group had a difficult trading year during which the effects of the recession became more widespread. Although the value of sales increased from £204 million in 1979 to £219 million, volumes declined in most markets, particularly in the automotive industry. Net profit before tax and extraordinary items fell to £6.7 million from £12.5 million in the previous year.



Glass fibre production at the Washington (Tyne and Wear) factory of Cape Insulation

Despite generally depressed conditions in the construction industry the building and insulation division increased trading profits from £12.1 million to £12.8 million. Sales of fireproof building materials were particularly encouraging and the new range of non-asbestos products was well received in both home

and export markets. *Engineering & Technology* Award for Technological Achievement.

The insulation market suffered a considerable downturn as unfavourable trading conditions were made worse by a reduction in the financial assistance offered to the public by the government. Cape continues to believe that the market for insulation material will expand and the acquisition in October of Newall Insulation Company, which was financed in part by means of a rights issue which raised approximately £9.2 million, strengthens the company's position in this sector. Newall make a range of insulation products complementary to those made by Cape Insulation and the merging of the two businesses is well advanced.

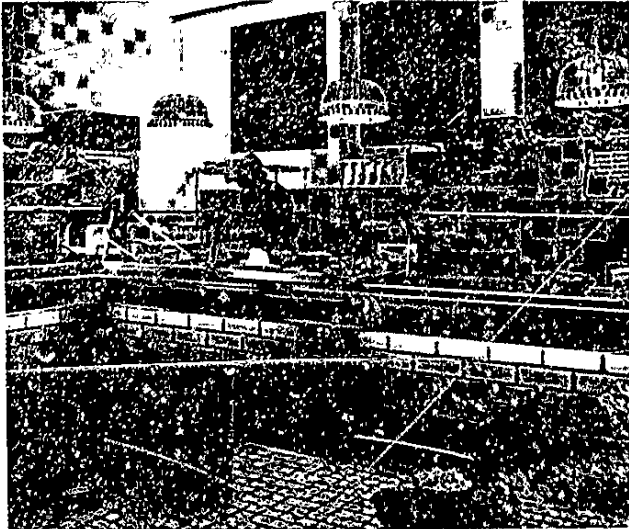
Cape's British contracting company, which is concerned with thermal insulation, had another excellent year and continues as the leader in its field, but problems were experienced with international contracts in Holland and South Africa which are not expected to recur.

The automotive industry has been particularly seriously affected by the recession and Cape's automotive division made a loss of £3.4 million, compared with a profit of £1.2 million in 1979. The fall in demand meant that the division had to be restructured to bring resources into line with expected future sales, and the cost of this was heavy both in human and in financial terms. Some activities have been discontinued, the organization simplified, and numbers employed reduced by 25 per cent, at a cost, charged to extraordinary items, of £3.2 million.

Prospects for the current year are uncertain and it seems likely that the group's markets will show little or no growth. The reorganization that has taken place puts the company in a strong position to take advantage of an increase in demand as the recession comes to an end.

Heatrae-Sadia Holdings Limited (100%)

The principal activity of the group is the manufacture of space and water heating equipment for industrial, commercial, and domestic use and of commercial catering and refrigeration equipment. Sales totalled £19.9 million in 1980, compared with £17.6 million in the previous year, and trading profits were marginally higher at £1.1 million. Allowing for the acquisition of Oliver Tom's Catering Equipment during the year, these results indicate a performance similar to that of 1979. This was encouraging in view of depressed home market conditions, which were partly compensated for by increased export sales. Further export business, assisted by a new assembly operation in Singapore, is expected in 1981, but there are no signs of revival in the home market. Heatrae has continued with new product development, particularly in the instantaneous shower and bar catering markets.



A new public restaurant, designed in conjunction with Debenhams and installed at their Chester store by Oliver Tom's Catering Equipment

MKR Holdings Limited (100%)

The group manufactures drink cooling and dispensing equipment, contract furniture, and, through one of its subsidiaries, precision engineering components. The recession is severely affecting its major customers, the brewery, distillery, and catering industries, with brewery production declining during 1980 by four per cent.

Although the group's sales increased from £19.6 million to £21.6 million, the sales of the main subsidiary, especially M.K. Refrigeration, suffered as a result of the reduction in brewery demand. Trading margins were eroded and group trading profits fell from £1.9 million to £740,000. As a result, the group was obliged to reduce the scale of its operations, which resulted in some redundancies.

The immediate outlook for the trade is uncertain, although the group expects that its programme of product development will enable it to return to satisfactory levels of profitability when the economy recovers.

Pandrol International Limited (100%)

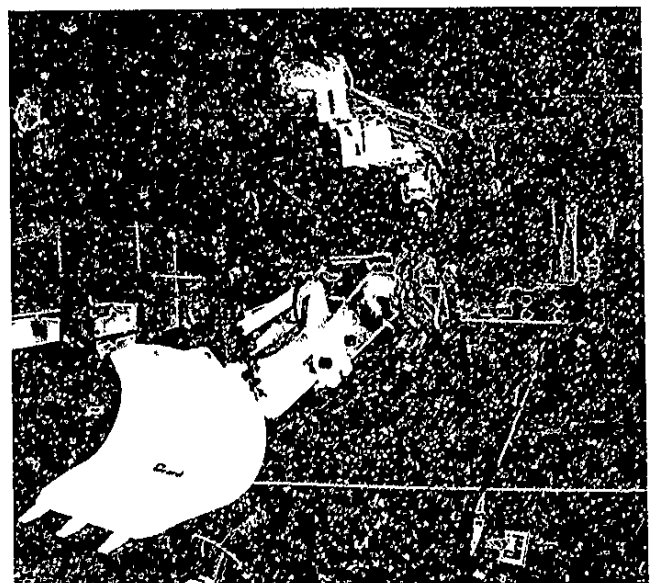
The Pandrol group's main business is the manufacture of railway track fastenings and assemblies. Group sales from its British, Australian, Brazilian, Canadian, and United States operations totalled £20.6 million in 1980, compared with £19.2 million in the previous year, and included sales in the United Kingdom of £4.1 million and exports from the United Kingdom of £5.9 million. Group trading profit increased from £2.1 million to £3.0 million, with an increased contribution from the overseas plants, whilst further productivity improvements were achieved in Britain.

Pandrol is continuing to extend its interest in track related business and it acquired in February 1981 a 50 per cent interest in Speno Rail Services, which provides railway track reprofiling and ballast cleaning services in the United States and Canada and which reported gross revenue of US\$12.5 million in 1980. Pandrol is also setting up a rail fastening plant in Belgium in 1981.

Trading conditions in 1981 are expected to be more difficult than last year, but the longer term outlook is encouraging due to an increasing acceptance of the product range.

Perard Investment Holdings Limited (100%)

Perard was acquired by Charter in August 1980 to expand its interest in longwall mining equipment systems. Its main products are chainless haulage and cable handling equipment, of which it is the major supplier to the National Coal Board. It is also engaged in the development of conveyor-mounted tunnelling machines and self-advancing auxiliary equipment. Following acquisition, its financial year was extended to 16 months to 31 December 1980 during which it made sales of £8.1 million and trading profits of £1.1 million. These results included significant contributions from cable handling sales to China, and these are not expected to recur in the immediate future. Perard intends to increase its export sales to protect itself against the current difficulties in the home market.



Perard TDR 6L Trunkheader conveyor-mounted tunnelling machine

Torque Tension Limited (100%)

The main customer for Torque Tension's hydraulic drilling equipment and strata support systems, the National Coal Board, experienced difficult cash flow

Balance sheet

31 March 1981
Charter Consolidated Limited

	Note	1981		1980	
		£000	£000	£000	£000
Subsidiary companies					
Shares at cost or valuation		93,779		93,779	
<i>Add:</i>					
Amounts due from subsidiaries		—		63	
		<u>93,779</u>		<u>93,842</u>	
<i>Deduct:</i>					
Amounts due to subsidiaries		<u>80,374</u>		<u>85,068</u>	
			13,405		8,774
Current asset					
Bank balances			4		2
Deferred asset					
Advance corporation tax	8		<u>2,969</u>		<u>2,249</u>
			<u>16,378</u>		<u>11,025</u>
Financed by:					
Share capital	17		2,103		2,103
Share premium account	18		143		82
Reserves	19		<u>3,630</u>		<u>2,420</u>
Total capital and reserves			5,876		4,605
Current liabilities					
Deposit account		1,710		—	
Creditors		59		88	
Taxation		1,805		1,085	
Proposed final dividend		<u>6,928</u>		<u>5,247</u>	
			10,502		6,420
			<u>16,378</u>		<u>11,025</u>

Approved by the board of directors on 23 June 1981

J. N. CLARKE }
F. J. A. HOWARD } Directors

J. N. Clarke
F. J. A. Howard

Source and application of funds

Year ended 31 March 1981

Charter Consolidated Limited and its subsidiary companies

	Note	1981 £000	1980 £000
SOURCE OF FUNDS			
Profit before taxation		53,741	52,349
Extraordinary items:			
before interest of outside shareholders and before taxation of £28,465,000 (1980 relief – £9,450,000)		75,803	(6,744)
as a result of restructuring of the Charter group before taxation of £24,192,000		—	78,421
		129,544	124,026
<i>Adjustments for items not involving movements of funds</i>			
Depreciation		8,798	8,073
Provisions against mining projects, investments, and closure costs		5,813	5,756
Share of retained profits of associated companies		(20,803)	(10,590)
		(6,192)	3,239
Funds generated		123,352	127,265
Disposal of fixed assets		2,203	15,836
Proceeds of rights issue received by Cape Industries Limited from outside shareholders		3,000	—
Increase in government grants		589	265
		5,798	16,101
		129,150	143,366
APPLICATION OF FUNDS			
Purchase of fixed assets		29,388	18,492
Investments (including United Kingdom government securities £31,967,000)	21(i)	35,097	5,943
Alexander Shand group of companies		24,926	—
Transfer of investments and cash		—	53,347
Premium on acquisition of subsidiaries		1,726	334
Decrease in long term indebtedness		1,968	4,510
Taxation paid		23,801	8,375
Unsecured 6½ per cent DM loan bonds	21(ii)	19,002	8,822
Increase in working capital and other items	21(iii)	2,628	5,737
Dividends paid		8,816	9,384
		147,352	114,994
Decrease in liquid funds		(18,202)	28,372
Decrease in short term loans, deposits, and cash		(5,918)	19,465
Decrease in associated companies' and other deposits		1,126	(5,783)
Increase in bank loans and overdrafts		(13,410)	14,695
		(18,202)	28,372

The accounting policies on pages 16 and 17 and the notes on pages 22 to 30 form part of these accounts.
Notes on source and application of funds are in note 21 on page 30.

Notes on the accounts

1. Operating profit of industrial subsidiaries and administration and technical expenditure

	1981 £000	1980 £000
(i) Turnover of the industrial subsidiaries	288,610	266,379
(ii) Expenses charged:		
Auditors' remuneration	569	474
Directors' emoluments (see note 5)	354	328
Depreciation of fixed assets (see note 12)	8,608	8,073
Hire of plant and equipment	1,421	1,250
Charge in respect of depreciation of assets held under finance leases	226	231
Credits:		
Capital expenditure grants	394	618
Rents receivable	385	422
(iii) Administration and technical expenditure:		
Expenditure	11,812	11,518
Deduct: Recovered from companies outside the group	7,308	7,917
	4,504	3,601

2. Income from investments

	1981 £000	1980 £000
(i) Associated companies	6,680	3,840
Other investments	10,994	14,582
	17,674	18,422
(ii) Arising from:		
Listed investments	13,906	15,710
Unlisted investments	3,768	2,712
	17,674	18,422
(iii) Includes franked investment income	9,988	6,202

3. Associated companies

	1981 £000	1980 £000
Principal associated companies are listed on pages 34 and 35.		
Group share of retained profits of associated companies (1980 includes losses):		
Share of profits before taxation	20,683	17,718
Deduct: Dividends declared from these profits	5,267	4,255
Group share of retained profits before taxation	15,416	13,463
Taxation	(7,197)	(8,627)
	8,219	4,836
Extraordinary items (see note 10):		
Retained profits relating to the disposal of an associated company	(164)	(3,056)
Other items mainly arising from the surplus on disposal of long term investments by associated companies	5,551	195
	13,606	1,975

NOTE

Associated companies' deferred taxation has not been adjusted to reflect the group's accounting policy because of different taxation systems and accounting standards applicable to certain overseas associated companies.

4. Interest payable on borrowings by the group

	1981 £000	1980 £000
Loans repayable after more than five years	936	1,055
Loans repayable within five years	295	1,576
Amounts deposited with the group	1,290	943
Bank loans and overdrafts	3,353	3,416
	<u>5,874</u>	<u>6,990</u>

5. Directors' emoluments

	1981 £000	1980 £000
Directors of the parent company:		
Fees	26	16
Salaries and other remuneration, including pension contributions	393	311
Ex gratia payment to former director	10	10
Pension contribution for a former director	—	58
Pension payable to the widow of a former director	3	3
	<u>432</u>	<u>398</u>
<i>Deduct: Fees received from other companies and refunded to the group</i>	<u>78</u>	<u>70</u>
	<u>354</u>	<u>328</u>
Amounts paid to directors:		
Chairman	£25,000	£40,000
Highest paid director	£49,544	—
Others: £40,001-£45,000	2	—
£35,001-£40,000	2	—
£30,001-£35,000	1	4
£20,001-£25,000	—	1
£15,001-£20,000	1	1
£10,001-£15,000	1	1
up to £5,000	8	14

NOTE

11 directors have agreed to waive emoluments due to them from Charter Consolidated Limited and its subsidiary companies. Fees waived by these directors during the year amounted to £34,000 (1980: 13 directors - £23,000).

6. Earnings per share

Earnings per share attributable to Charter is calculated on earnings of £33,234,000 (1980 - £27,938,000) and on 104,972,867 shares (1980 - 104,930,304 shares) as if the 29,550 partly paid shares which became fully paid during the financial year had been fully paid for the whole year and the 13,013 shares subject to restricted rights which ceased to be restricted during the financial year had been free of restriction for the whole year.

7. Dividends paid and proposed

	1981 £000	1980 £000
Interim dividend of 3.4p per share (1980 - 3p) paid on 9 January 1981	3,569	3,146
Special dividend of 0.35p per share paid on 3 January 1980	—	367
Proposed final dividend of 6.6p per share (1980 - 5p) payable on or about 13 August 1981	6,928	5,247
	<u>10,497</u>	<u>8,760</u>

8. Taxation	(1) Charge in consolidated profit and loss account	1981 £000	1980 £000
	GROUP COMPANIES on profit for the year		
	United Kingdom:		
	Corporation tax at 52 per cent	7,912	12,501
	Deferred taxation	705	(1,312)
	Double taxation relief	(3,024)	(5,567)
	Advance corporation tax written off by subsidiary	1,344	1,124
	Taxation at 30 per cent on franked investment income	2,997	1,861
		<u>9,934</u>	<u>8,607</u>
	Overseas:		
	Taxation	2,313	4,118
	Deferred taxation	(171)	77
		<u>12,076</u>	<u>12,802</u>
	Adjustments in respect of previous years	(552)	(677)
	ASSOCIATED COMPANIES (see note 3)	7,197	8,627
		<u>18,721</u>	<u>20,752</u>

NOTE

The taxation charge for the year excludes £9,765,000 (1980 – £6,318,000) not expected to be payable in the foreseeable future resulting from accelerated capital allowances, stock appreciation relief, and other timing differences. Stock appreciation relief has been calculated on the basis of the proposals outlined in the 1981 Finance Bill.

(2) The provision made in the accounts for deferred taxation and the full potential liability are set out below:

	1981		1980	
	PROVISION MADE £000	FULL POTENTIAL LIABILITY £000	PROVISION MADE £000	FULL POTENTIAL LIABILITY £000
Excess of the book value of assets qualifying for taxation allowances over their written down value for taxation purposes	285	22,576	141	14,564
Taxation on capital gains on property revaluation	—	2,120	22	2,150
Taxation on capital gains on assets sold and rolled over against the acquisition of new assets	—	1,082	—	1,125
Taxation relief relating to provision for compensation for industrial disease	—	(546)	—	(910)
Stock appreciation relief relating to industrial subsidiaries (see note (iii) below)	—	15,711	192	13,871
Taxation relief on prospecting expenditure not yet claimed	—	(243)	(44)	(152)
Taxation on accrued interest receivable	513	513	—	—
Difference between book and taxation value of investments (see note (ii) below)	(4,317)	(14,477)	(4,341)	(18,844)
Taxation on trading losses of industrial subsidiaries, carried forward	—	(11,503)	—	(4,070)
Advance corporation tax (see note (iv) below)	(2,969)	(7,993)	(3,388)	(7,095)
	<u>(6,488)</u>	<u>7,240</u>	<u>(7,418)</u>	<u>639</u>

NOTES

- No account has been taken of potential or deferred taxation relief on provisions of £5,490,000 raised in 1980 in respect of Cleveland Potash Limited for certain guarantees and Charter's maximum liability for closure costs.
- The amount of £4,317,000 included in respect of the difference between book and taxation value of investments relates mainly to the profits arising on certain inter-group transactions, eliminated on consolidation, and deferred until such time as the profits are realized outside the group.
- When the proposals contained in the 1981 Finance Bill are enacted, a potential liability for stock appreciation relief will exist only in certain limited circumstances.
- Advance corporation tax recoverable includes £2,969,000 (1980 – £2,249,000) shown as a deferred asset in the parent company's balance sheet.

9. Prospecting expenditure Prospecting expenditure of £531,000 is stated after recovery of an amount of £351,000 incurred in previous years.

10. Extraordinary items	1981 £000	1980 £000
Surplus on disposal of long term investments net of taxation of £31,393,000 (see note (i) below)	47,970	1,453
Surplus on disposal of investments less scheme expenses following the restructuring of the Charter group	—	54,229
Investments and guarantees		
(i) Tax relief on amounts written off in this and prior years	3,532	6,788
(ii) Provisions, net of amounts no longer required (see note (iv) below)	(3,414)	(5,748)
Rationalization and closure costs and losses relating to Cape Industries Limited	(6,083)	(294)
Canadian taxation payable on reorganization of the Canadian interests	(684)	—
Discount on purchase of loan bonds	399	251
Sundry	67	61
Associated companies (see note (ii) below)	5,551	195
	<u>47,338</u>	<u>56,935</u>
Interest of outside shareholders	1,998	95
	<u>49,336</u>	<u>57,030</u>

NOTES

- (i) Includes surplus of £47.8 million on the disposal of Charter's 25.7 per cent interest in Selection Trust Limited to The British Petroleum Company Limited group. The amount of £47.8 million is after deduction of taxation of £31.3 million which may be reduced when available losses are agreed.
- (ii) Associated companies' extraordinary items mainly comprise Charter's share of the surplus on the disposal of long term investments of these companies.
- (iii) The comparative figures for 1980 have been restated to exclude a loss of £2,479,000 arising from currency translation, the net effect of which is now dealt with through reserves (see policy 2(iii) and the movements on reserves on page 18).
- (iv) Includes provision of £3,377,000 against net guarantee liabilities.

11. Alexander Shand group of companies

On 25 February 1981 agreement was reached with The British Petroleum Company Limited group (BP) for the acquisition by Charter of the Alexander Shand (Holdings) Limited group (Shand) at a cost of £24.8 million. The agreement was conditional upon the receipt of certain consents and at the time £11.0 million was deposited with BP in accordance with this agreement. Following the receipt of the consents the purchase of Shand was completed on 28 April 1981 and a sum of £13.9 million has been provided by Charter and included in creditors as at 31 March 1981 to reflect the further consideration (and expenses) payable in accordance with the purchase agreement.

Any premium between the purchase price and Shand's net assets at the date of acquisition, as presently calculated, will not be significant and will be dealt with through reserves in accordance with accounting policy 1(iii). The purchase price is subject to adjustment upwards or downwards by amounts not exceeding £3.5 million and £2.7 million respectively, dependent on the level of Shand's opencast coal production in the United Kingdom over the period 1981/85.

12. Fixed assets

	FREEHOLD PROPERTIES £000	LEASED PROPERTIES £000	SHORT LEASEHOLD PROPERTIES £000	PLANT AND FURNITURE £000	TOTAL £000
COST OR VALUATION					
At 31 March 1980	32,621	3,312	1,914	63,651	101,258
Currency realignment	(199)	—	(27)	(1,264)	(1,660)
Additions at cost	2,742	210	303	13,286	17,143
Acquisition of subsidiaries	3,714	—	26	9,858	13,398
Disposals	(155)	(104)	(779)	(5,596)	(6,424)
At 31 March 1981	38,213	3,218	2,046	80,333	123,815
DEPRECIATION					
At 31 March 1980	3,413	435	405	28,765	33,022
Currency realignment	(42)	—	(3)	(531)	(576)
Charge to profit and loss account	631	61	83	7,523	8,608
Charge to extraordinary items	9	(9)	—	190	190
Acquisition of subsidiaries	42	—	2	1,103	1,153
Disposals	(20)	(6)	(32)	(4,051)	(4,121)
At 31 March 1981	4,033	482	455	33,206	38,276
NET BOOK AMOUNTS					
At 31 March 1981	34,180	2,736	1,591	47,027	85,539
At 31 March 1980	29,208	2,877	1,509	34,886	68,336

NOTES

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

At cost	20,922	2,097	1,235	39,100	104,435
At valuation - 1972	118	—	—	—	118
1974	263	778	—	231	1,277
1975	13,728	200	790	—	14,808
1976	1,122	32	—	7	1,162
1978	1,159	—	—	—	1,159
1979	865	—	—	—	865
	38,213	3,218	2,046	80,333	123,815

(ii) Freehold properties at valuation include an amount of £357,000 relating to land and factory premises acquired by the Belgian subsidiary of Cope Industries Limited and financed by secured loans. The legal title to the factory premises does not rest in the company concerned until the final instalments on the loans have been paid.

(iii) Capital expenditure of subsidiaries:

	1981 £000	1980 £000
Committed	1,751	1,565
Authorized but not committed	1,663	1,674
	3,414	3,239

13. Stocks and work in progress

	1981 £000	1980 £000
Contract work in progress	72,233	67,954
Deduct: Progress payments received and receivable	(67,241)	(61,822)
Raw materials and consumable stores	5,142	6,132
Work in progress	19,037	16,127
Finished goods	3,846	5,839
	28,165	28,726
	55,197	55,824

14. Investments

	AT COST, LESS AMOUNTS WRITTEN OFF		AT MARKET VALUE OR DIRECTORS' VALUATION	
	1981 £000	1980 £000	1981 £000	1980 £000
ASSOCIATED COMPANIES				
Listed in Great Britain	56,987	31,740	108,093	39,580
Listed outside Great Britain	89	89	255	205
Unlisted	57,076 16,937	31,829 17,051	108,348 41,319	39,785 27,773
	74,013	48,880	149,667	67,558
Group share of retained profits less losses (see note 19)	7,281	(1,881)		
	81,294	46,999		
OTHER INVESTMENTS				
Listed in Great Britain	73,798	66,211	202,972	143,472
Listed outside Great Britain	22,147	18,825	29,381	18,343
Unlisted	95,945 8,988	85,036 10,676	232,353 10,451	161,815 12,802
	104,933	95,712	242,804	174,617
TOTAL INVESTMENTS				
Listed in Great Britain	142,087	103,497	311,065	183,052
Listed outside Great Britain	22,318	18,999	29,636	18,548
Unlisted, including advances	164,405 21,822	122,496 20,215	340,701 51,770	201,600 40,575
	186,227	142,711	392,471	242,175

NOTES

- (i) Other investments listed in Great Britain at 31 March 1981 include United Kingdom government securities of £31,967,000 at cost (market value £31,492,000), being the reinvestment of part of the proceeds on disposal of Charter's interest in Selection Trust Limited.
- (ii) The greater part of the investments is of a long term nature but in the event of their realization at market or directors' valuation there would be a taxation liability of approximately £60 million.
- (iii) Other investments (unlisted) include the 50 per cent interest of Pandrol International Limited in Speno Rail Services Inc. acquired in February 1981, at a cost of £4,230,000.

15. Creditors

Creditors include:

- (i) an amount of £1,632,000 (1980 – £2,313,000) representing the balance of provisions established by Cape Industries Limited in earlier years for compensation payments for industrial disease. The directors of Cape Industries Limited consider, in the light of present experience, that the provision is sufficient to meet all or substantially all claims lodged and outstanding at 31 December 1980 (the year end of Cape Industries Limited).

Due to the difficulty in determining the amount of future claims the directors of Cape Industries Limited have decided that that company should provide only for the estimated aggregate amount of claims lodged and outstanding at 31 December 1980 and to charge any additional provision required in the future to the operating profit of the year. Had this new procedure been in operation for the year ended 31 December 1980, its effect would have been to reduce the Charter group's current year's operating profits of industrial subsidiaries by approximately £950,000 (1980 approximately £600,000).

The directors of Charter have reviewed the level of provisions and new procedures referred to in this note with Cape Industries Limited and are satisfied with the treatment.

- (ii) an amount of £4,979,000 (1980 – £8,721,000) in respect of payments received and receivable in advance for contract work in progress of Cape Industries Limited.
- (iii) amounts of £8,789,000 (1980 – £5,931,000) in respect of provisions for closure costs and guarantees.

16. Contingent liabilities and outstanding commitments

	1981 £000	1980 £000
For amounts not called on investments	557	300
In respect of guarantees of £6,347,000 less counter-guarantees £1,337,000 (company net - £13,322,000; 1980 - £12,969,000)	5,010	8,124
In respect of underwriting participations and options granted	146	69
Bills receivable discounted	452	493
Finance leases for acquisition of plant and machinery	2,070	1,457
Other items	143	759
	<u>8,378</u>	<u>11,202</u>

Certain companies in the Cape Industries Limited group continue to be named, along with other asbestos fibre and asbestos product suppliers, as defendants in legal actions in the United States claiming damages as a result of the use of their products. Charter, in its capacity as the holding company of Cape Industries Limited, has also been named as a defendant in one such action and as a third party defendant in other such actions. The Cape Industries Limited group has retained obligations in respect of claims made or which may be made within a limited period against the companies disposed of under the sale of its mining division. The directors believe, in the light of legal advice received, that the outcome of these actions and the obligations retained are unlikely to have any material effect on Charter's financial position, and accordingly no provision in respect of this has been made.

17. Share capital

	31 March 1981		31 March 1980	
	Shares of 2p each	£	Shares of 2p each	£
Authorized:	135,000,000	2,700,000	134,085,626	2,681,713
Issued:				
Fully paid shares	104,972,867	2,099,457	104,930,304	2,098,606
Fully paid shares with restricted rights (see note (i) below)	82,751	1,655	95,764	1,915
Partly paid shares (1p paid up - see note (ii) below)	187,900	1,879	217,450	2,174
Total of issued share capital		<u>2,102,991</u>		<u>2,102,695</u>

NOTES

- (i) The fully paid shares with restricted rights were allotted 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 such time as those partly paid shares become fully paid. During the year 29,550 partly paid shares were fully paid up and as a result 18,013 fully paid shares with restricted rights became free of restriction (see report of the directors).
- (ii) Under the share incentive scheme adopted in 1970 and the share option scheme designed to supersede it in 1973 the directors can at their discretion issue to senior employees up to a further 2,642,088 partly paid shares under the former scheme or options to subscribe for up to 2,873,500 shares.

18. Share premium account

	GROUP £000	COMPANY £000
Balances at 31 March 1980	12,064	82
Premium on shares issued by the company	61	61
Balances at 31 March 1981	<u>12,125</u>	<u>143</u>

19. Reserves

	GROUP £000	COMPANY £000	SUBSIDIARY COMPANIES £000	ASSOCIATED COMPANIES £000
Reserves at 31 March 1980	210,642	2,420	210,103	(1,881)
Retained profit for the year	72,073	1,210	57,257	13,606
Net effect of translation of currencies (see note (iii) to note 10)	(633)	—	(6)	(627)
Premium on purchase of shares in subsidiary companies	(1,726)	—	(1,726)	—
Goodwill written off in the accounts of associated companies	(5,682)	—	—	(5,682)
Surplus on revaluation of an associated company's properties	1,865	—	—	1,865
Reserves at 31 March 1981	276,539	3,630	265,628	7,281

NOTE

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

20. Long term indebtedness

	1981 £000	1980 £000
Debenture stocks (secured) issued by		
(i) Charter Consolidated Investments Limited		
4½ per cent first debenture stock 1978/83	500	500
4 per cent second debenture stock 1978/83	500	500
(ii) Cape Industries Limited		
7½ per cent debenture stock 1986/89	2,000	2,000
6½ per cent debenture stock 1986/89	600	600
7½ per cent unsecured loan stock 1986/91 issued by Cape Industries Limited	3,459	3,459
7½ per cent guaranteed bonds of FF53,000,000 1987 issued by Charter Consolidated Overseas N.V. (see note (ii) below)	4,753	6,996
	11,812	14,055
Bank loans (secured) (see note (iii) below)	1,404	1,895
Bank loans (unsecured) 1982/88 (see note (iii) below)	5,677	7,176
	18,893	23,126

NOTES

(i) Repayments are due as follows:	BANK LOANS £000	OTHER BORROWINGS £000	TOTAL £000
Between one and two years	280	—	280
Between two and five years	4,154	1,000	5,154
Over five years	2,647	10,812	13,459
	7,081	11,812	18,893

(ii) The FF53,000,000 7½ per cent guaranteed bonds 1987 are listed on The Stock Exchange in London. Charter Consolidated Limited has guaranteed the bonds as regards repayment of principal, including premium if any, and payment of interest.

(iii) Bank loans are repayable in the following currencies:	1981 £000	1980 £000
Sterling	—	140
Belgian francs	3,673	5,129
US dollars	499	631
Swedish kronor	1,557	1,899
French francs	710	787
Dutch guilders	196	355
Deutsche marks	204	130
Irish punts	242	—
	7,081	9,071

21. Source and application of funds

	1981 £000	1980 £000
(i) Investments		
Long term – purchases	32,955	15,357
– book value of realizations	(30,964)	(1,027)
– net book value of realizations under scheme of arrangement	—	(13,150)
	<u>1,991</u>	<u>1,180</u>
Portfolio – net purchases at book value (including United Kingdom government securities £31,967,000)	33,106	4,763
	<u>35,097</u>	<u>5,943</u>
Realizations less purchases of investments contributed £49,979,000 (1980 – £29,330,000) to the source of funds		
(ii) Unsecured 6½ per cent DM loan bonds		
Balance at 31 March 1980	19,002	27,824
Repaid on 1 April 1980	19,002	8,822
	<u>—</u>	<u>19,002</u>
(iii) Analysis of working capital		
Increase in stocks and work in progress	1,373	2,020
Increase in debtors	8,819	9,949
Increase in creditors	(10,435)	(7,233)
Other items	2,871	1,051
	<u>2,628</u>	<u>5,787</u>
(iv) Net assets on acquisition of subsidiaries		
Fixed assets	12,245	29
Goodwill	1,726	334
Stocks	4,699	—
Debtors	1,938	96
Creditors	(1,816)	(402)
Taxation	614	259
Government grants	(9)	—
Cash	917	255
Other items	14	6
Investments	—	16,773
	<u>20,328</u>	<u>17,350</u>
(v) Reduction of net assets on the rationalization of divisions of Cape Industries Limited		
Fixed assets	355	
Stocks	1,006	
Debtors	605	
Cash	79	
Creditors (including taxation)	(220)	
	<u>1,825</u>	

Consolidated current cost accounts

Charter Consolidated Limited and its subsidiary companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 1981

	Note	£ million	£ million
Profit before interest and taxation on a historical cost basis			50.6
<i>Deduct:</i> Current cost operating adjustments relating to:			
Operating profit of industrial subsidiaries	2	10.3	
Share of profit of associated companies	8	4.3	
Surplus on realization of investments	5	2.8	
Administration and technical expenditure	3	0.9	
			<u>18.3</u>
Current cost operating profit			32.3
Interest receivable (net)			3.1
Gearing	6		<u>1.6</u>
Current cost profit before taxation			37.0
Taxation			<u>18.7</u>
			18.3
Interest of outside shareholders in losses of subsidiaries			<u>0.1</u>
Current cost profit attributable to Charter	5		18.4
Earnings per share 17.5p			
Dividends paid and proposed			<u>10.5</u>
			7.9
Extraordinary items as shown in historical cost accounts		49.3	
<i>Deduct:</i> Surplus on disposal of long term investments taken directly to reserves		<u>48.0</u>	
			1.3
Retained current cost profit transferred to reserves			<u>9.2</u>

CONSOLIDATED BALANCE SHEET

31 March 1981

	Note	£ million	£ million
Fixed assets	7		126.2
Exploration and development expenditure			0.5
Investments	9		392.5
Alexander Shand group of companies			24.9
Net current assets			
Stocks and work in progress	4	56.0	
Creditors less debtors		(9.6)	
Liquid funds (net)		30.3	
Taxation		(36.0)	
Proposed final dividend		<u>(6.9)</u>	
			33.8
Deferred taxation			<u>6.5</u>
			584.4
Financed by:			
Share capital and share premium		14.2	
Reserves	10	<u>517.2</u>	
			531.4
Capital expenditure grants			2.5
Interest of outside shareholders in subsidiaries			31.6
Long term indebtedness			<u>18.9</u>
			584.4

The accounting policies on pages 16 and 17 and the notes on pages 32 and 33 form part of these accounts.

Notes on the current cost accounts

Introduction	It has become recognized in recent times that financial statements prepared under the historical cost accounting convention do not generally allow for the severe impact of inflation on business performance. Current cost accounts as expounded in Statement of Standard Accounting Practice (SSAP) no. 16 attempt to make full allowance for inflation specific to the business by taking account of the need to replace working capital and fixed assets at inflated prices, thereby reducing historical cost profits to the amount which can be distributed without undermining the capital base. Current cost accounts in their present form are appropriate to Charter's industrial and commercial business (and complete sets of such accounts have been drawn up for the companies concerned). However, SSAP 16 is not fully appropriate to the investment business, particularly strategic long term investments which form an important part of Charter's assets, because the concept of specific price increases as a result of inflation is alien to investment values, which reflect differing market factors. In addition, the full application of SSAP 16 to the mining business is questionable due to the practical difficulty of assessing the cost of a replacement mine due, <i>inter alia</i>, to the nature of the orebody and its location. Nevertheless, Charter group current cost accounts have been prepared, and the bases adopted for the various adjustments and asset valuations are explained in these notes. Clearly, however, current cost accounts must still be looked upon as experimental for most companies and in particular for a group such as Charter with major investment interests.	
1. Policies	The current cost accounts have been prepared in accordance with Statement of Standard Accounting Practice no. 16. The accounting policies adopted in the historical cost accounts set out on pages 16 and 17 have also been adopted in the current cost accounts except where indicated below. As full audited current cost results for the previous year are not available, comparative figures have not been shown. Except where indicated below, appropriate indices have been used to value assets and for averaging calculations made to assess the cost of sales and monetary working capital adjustments.	
2. Operating profit of industrial subsidiaries	Cost of sales adjustment (see note 4)	£ million
	Monetary working capital adjustment (see note 5)	
	Depreciation adjustment (see note 7)	
		10.3
3. Administration and technical expenditure	Monetary working capital adjustment (see note 5)	£ million
	Depreciation adjustment (see note 7)	
		0.9
4. Stocks and cost of sales	Stocks and work in progress are valued at the lower of current replacement cost and net realizable value. The cost of sales adjustment represents the excess of the replacement cost of goods sold at the time of sale over the historical cost.	
5. Monetary working capital adjustment	The monetary working capital adjustment on the operating profit of the industrial subsidiaries and Charter's fee earning business represents the change as a result of inflation in the amount of monetary working capital needed to support the day-to-day operations of the businesses.	
	In addition a monetary working capital adjustment has been charged against the surplus on realization of portfolio investments, representing the increase in the average capital employed which would have been necessary to take account of general price increases. If this charge had been carried forward to the extent covered by the increase in unrealized profits (in order to reflect trading performance) the revised monetary working capital adjustment would have been nil and the current cost attributable earnings £21.2 million.	

6. Gearing The gearing adjustment reduces the effect of the current cost adjustments on the profit and loss account by reflecting the benefit to shareholders of borrowings in fixed monetary terms. The gearing adjustment shown in the profit and loss account is Cape Industries Limited's gearing adjustment; excluding the assets and liabilities of Cape Industries Limited, the group was not on average in a net borrowing position and therefore no further gearing adjustment has been made.

7. Fixed assets and depreciation Fixed assets are shown at their value to the business, which is normally net current replacement cost, as follows:

	Gross £ million	Depreciation £ million	Net £ million
Freehold and leasehold property	68.2	9.0	59.2
Plant, furniture, and fittings	128.9	61.9	67.0
	<u>197.1</u>	<u>70.9</u>	<u>126.2</u>

Properties have been valued by the directors with reference to professional valuations in recent periods, cost (in the cases of recent constructions), or market rentals and appropriate yields.

The depreciation adjustment, reflecting the higher replacement costs, represents the excess of depreciation on assets at current cost values over the historical cost depreciation. Where assets are still in use but have been fully written off in the historical cost accounts, an extended lifespan has been assessed for current cost accounts purposes.

8. Associated companies In keeping with the strategic nature of the associated company holdings and their close relationship with other long term investments, associated companies have been included in the balance sheet at market or directors' valuation.

The current cost adjustment relating to the share of associated companies' profits is the estimated difference between the share of current cost and historical cost earnings before taxation. However, no adjustment has been made for the share of profits from Malaysia Mining Corporation Berhad as no current cost results are available.

Differences between increases in the market values and the share of current cost profits are included in the current cost reserve.

9. Investments For balance sheet purposes investments have been valued at directors' or market valuation, and an investment reserve has been established within the current cost reserve to hold the excess of this valuation over book (historical cost) value. Profits on the realization of the group's directly held long term investments are taken directly to reserves.

10. Reserves	£ million	£ million
Current cost reserve		
Revaluation surpluses		
Fixed assets		38.0
Investments		210.6
Stocks and work in progress		<u>3.8</u>
		252.4
Monetary working capital adjustment		4.3
Gearing adjustment		<u>(1.1)</u>
		255.6
Other reserves		
Historical cost accounts reserves at 1 April 1980	210.6	
Retained current cost profit for the year	9.2	
Surplus on disposal of long term investments	48.0	
Other movements per historical cost accounts	<u>(6.2)</u>	<u>261.6</u>
Reserves at 31 March 1981		<u>517.2</u>

NOTE

The total of the current cost adjustments included in the current cost reserve which have been passed through the profit and loss account amounts to £14.8 million.

Principal interests

Company	Country of incorporation or registration	Group interest in equity capital (per cent)	Nature of business	Accounting date for inclusion of subsidiary and associated company results
INDUSTRIAL				
Anderson Strathclyde Limited *	Scotland	28.4	Mining equipment	March
Cape Industries Limited	England	67.3	Insulation products; friction materials; automotive components; insulation contracting and fire protection	December
Elastic Rail Spike (Proprietary) Limited <i>(owned by the Pandrol International Limited group)</i>	South Africa	40	Railway track fastenings	December
Heatrae-Sadia Holdings Limited	England	100	Domestic and industrial heating equipment; commercial catering equipment; commercial refrigeration	December
Johnson, Matthey & Co. Limited *	England	28	Metal refining and industrial	March
MKR Holdings Limited	England	100	Bar cooling and drink dispensing equipment; contract furniture	December
Pandrol International Limited	England	100	Railway track fastenings	December
Perard Investment Holdings Limited	England	100	Mining equipment	December
Speno Rail Services Inc. <i>(owned by the Pandrol International Limited group)</i>	United States of America	50	Railway track maintenance	December
Torque Tension Limited	England	100	Mine roof bolting systems and drilling equipment	December
MINING				
Alexander Shand (Holdings) Limited <i>(purchase completed on 28 April 1981 - see note 11 on page 25)</i>	England	100	Coal mining and civil engineering	
Anmercosa Sales Limited	England	75	Marketing of metals	March
Beralt Tin and Wolfram Limited *	England	50	Wolfram mining in Portugal	December
Botswana RST Limited	Botswana	4.5	Nickel and copper mining	
Cleveland Potash Limited * <i>(see note 1)</i>	England	50	Potash mining	
Malaysia Mining Corporation Berhad * <i>(see note 2)</i>	Malaysia	28.6	Tin mining and marketing	January
Société Minière d'Anglade	France	40	Wolfram mining	
Tara Exploration and Development Company Limited	Canada	14.1	Zinc and lead mining in the Republic of Ireland	

Company	Country of incorporation or registration	Group interest in equity capital (per cent)	Nature of business	Accounting date for inclusion of subsidiary and associated company results
OTHER INVESTMENTS				
Anglo American Corporation Zimbabwe Limited	Zimbabwe	33.5	Mining and industrial finance and investment	
The Argus Printing and Publishing Company Limited	South Africa	10	Printing and publishing	
Covenant Industries Limited *	England	33.9	Marketing and manufacture of chemicals in Africa	September
Euranglo Limited *	South Africa	25	Investment	March
Haw Par Brothers International Limited (disposed of on 16 June 1981)	Singapore	11.4	General trading; insurance; shipping; investment	
Minerals and Resources Corporation Limited	Bermuda	9.9	International mining finance and investment	
The Rio Tinto-Zinc Corporation Limited	England	4.3	International mining and industrial	
Tinnabruich Pty Limited	Australia	37	Investment	

*associated companies at 31 March 1981

NOTES

1. Charter does not account for its share of the losses of Cleveland Potash Limited as Charter's obligation to finance such losses is restricted to specific provisions made in previous years. The group holds 50 per cent of the 10 per cent redeemable participating preference shares of Cleveland Potash Limited.
2. Charter's share of the profits of Malaysia Mining Corporation Berhad is based on unaudited accounts for the year to 31 January 1981.
3. A list of the company's principal subsidiary companies is set out on pages 36 and 37.
4. Except where indicated in the nature of business, the principal country of operation is the same as the country of incorporation or registration.

Principal subsidiary companies

Company	Nature of business	Percentage of ownership	Country of incorporation
INDUSTRIAL AND COMMERCIAL			
CAPE INDUSTRIES GROUP			
Cape Industries Limited	Industrial	67.3	England
Cape Industries group subsidiaries (100 per cent owned):			
Cape Boards and Panels Limited	Manufacture of insulation board products for building and ship construction		England
Cape Contracts Limited	Industrial insulation and fire protection contracting in the United Kingdom		England
Cape Contracts International Limited	Industrial insulation and fire protection contracting overseas		England
Cape Distribution Limited	Distribution of automotive components		England
Cape Insulation Limited	Manufacture of insulation products		England
Cape Scaffolding Limited	Scaffolding contracting		England
Cape Universal Claddings Limited	Manufacture of cladding materials and other building products		England
Don International Limited	Manufacture of friction materials		England
Don International S.A.	Manufacture of friction materials		Belgium
HEATRAE-SADIA GROUP			
Heatrae-Sadia Holdings Limited	Industrial holding company	100	England
Heatrae-Sadia group subsidiaries (100 per cent owned):			
Heatrae Catering Equipment Limited	Commercial catering equipment		England
Heatrae-Sadia Heating Limited	Domestic and industrial heating equipment		England
Oliver Tom's Catering Equipment Limited	Catering equipment		England
Sadia Airofreeze Limited	Commercial refrigeration		England
MKR GROUP			
MKR Holdings Limited	Industrial holding company	100	England
MKR group subsidiaries (100 per cent owned):			
Gaskell & Chambers Limited	Drink dispensing equipment		England
M.K. Refrigeration Limited	Bar cooling equipment		England
Metair Limited	Air handling equipment		England
Morgan Furniture Limited	Contract furniture		England
Paterex Limited	Precision engineering		England
PANDROL GROUP			
Pandrol International Limited	Railway track fastenings	100	England
Pandrol group subsidiaries (100 per cent owned except where otherwise stated):			
Pandrol Australia Pty Limited (formerly Elastic Rail Spike Company (Australia) Pty Limited)	Railway track fastenings		Australia
Pandrol do Brazil Material Ferroviario Limitada	Railway track fastenings		Brazil
Pandrol Canada Limited (75 per cent owned)	Railway track fastenings		Canada
Pandrol Incorporated	Railway track fastenings		United States of America
Perard Investment Holdings Limited	Industrial holding company	100	England
Subsidiary (100 per cent owned):			
Perard Engineering Limited	Mining equipment		England
Torque Tension Limited	Mining equipment	100	England

Company	Nature of business	Charter group interest in equity capital (per cent)	Country of incorporation operation
FINANCE AND INVESTMENT			
Barnato (Holdings) U.K. Limited	Investment	100	England
The British South Africa Company	Investment	100	England
Cecil Investments Limited	Investment	100	England
Central Mining Finance Limited	Finance and investment	100	England
Charter Consolidated Finance Limited	Finance	100	England
Charter Consolidated Financial Services Limited	Financial services	100	England
Charter Consolidated Investments Limited *	Investment	100	England
Charter Consolidated Overseas N.V.	Finance	100	Netherlands Antilles
Commines Investments Limited	Investment	100	Liberia
Electroway Limited	Investment	100	England
Hawswick Holdings Limited	Investment	100	England
Interamic (Netherlands) B.V.	Investment	100	Netherlands
Leonora Investments Limited	Investment	100	Gibraltar
Nimbus Investments S.A.	Investment	100	Luxembourg
Raven Investments Limited	Investment	100	Gibraltar
Shafford Holdings Limited	Investment	100	England
Tande Investments Limited	Investment	100	England
MINING			
Alexander Shand (Holdings) Limited <i>(purchase completed on 28 April 1981 - see note 11 on page 25)</i>	Coal mining and civil engineering	100	England
Anmercosa Sales Limited	Marketing of metals	75	England
Charter Consolidated (Malaysia) Sendirian Berhad	Investment and management	100	Malaysia
Charter Consolidated Metals and Ores Limited	Metal dealing	100	England
Charter Consolidated (U.K. Offshore Oil Explorations) Limited	Oil exploration	100	England
SERVICES			
Charter Consolidated Services Limited *	Administration and technical	100	England

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

NOTES

1. A subsidiary holds 100 per cent of the 3½ per cent cumulative preference shares of Cape Industries Limited.
2. The accounts of Alexander Shand (Holdings) Limited, Cape Industries Limited, Charter Consolidated Overseas N.V., MKR Holdings Limited, and Perard Investment Holdings Limited are not audited by the Charter group auditors.
3. The financial years of the industrial and commercial subsidiaries and Alexander Shand (Holdings) Limited end on 31 December.

Analysis of assets and income

Geographical analysis of total assets and revenue

	Assets		Percent of assets		Percent of revenue	
	1981 £000	1980 £000	1981	1980	1981	1980
United Kingdom	315,250	182,280	58.8	49.8	69.2	40.5
Rest of Europe	23,521	26,562	4.4	7.3	4.1	5.9
North and South America	77,900	59,665	14.5	16.3	6.9	18.0
South Africa	27,863	11,570	5.2	3.2	3.2	17.5
Rest of Africa	11,007	18,935	2.0	5.2	5.2	7.3
South-east Asia	34,631	21,648	6.5	5.9	7.3	7.6
Australasia	46,338	45,090	8.6	12.3	4.1	3.2
	<u>536,510</u>	<u>365,750</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Analysis by category of investments and investment income

	Investments		Percent of investments		Percent of investment income	
	1981 £000	1980 £000	1981	1980	1981	1980
Mining—Finance	159,460	132,759	40.6	54.8	37.9	44.1
Diamonds	14,000	8,055	3.6	3.3	0.5	25.4
Gold	1,515	1,765	0.4	0.7	2.7	3.0
Tin and wolfram	24,373	18,090	6.2	7.5	9.2	9.7
Copper, potash, and other minerals	5,368	7,316	1.4	3.0	1.6	4.0
Industrial, commercial, etc.	154,804	72,628	39.4	30.0	36.5	13.0
United Kingdom government securities	31,492	—	8.0	—	10.9	—
Long term loans	1,459	1,562	0.4	0.7	0.7	0.8
	<u>392,471</u>	<u>242,175</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Analysis by product category of turnover and operating profit of industrial subsidiaries

	Turnover		Operating profit	
	1981 £000	1980 £000	1981 £000	1980 £000
Building and insulation products	163,267	136,006	12,825	12,051
Automotive and engineering products	55,491	57,070	(3,381)	1,230
Mining and sale of asbestos fibre	—	11,134	—	1,533
Heating, catering, and bar equipment	41,521	37,234	1,855	2,878
Railway track fastenings	20,590	19,189	2,951	2,009
Mining equipment	7,985	5,373	503	375
Coal mining	—	941	—	123
	<u>288,854</u>	<u>266,947</u>	<u>14,753</u>	<u>20,199</u>
Deduct: Sales between different classes of business	<u>244</u>	<u>568</u>	<u>285</u>	<u>409</u>
	<u>288,610</u>	<u>266,379</u>	<u>14,468</u>	<u>19,790</u>

NOTES

1. Listed investments are included at market value at 31 March and unlisted investments at directors' valuation at 31 March.
2. The geographical analysis takes into consideration direct interests and where possible major indirect interests in the areas concerned and is therefore only approximate. Deferred taxation is excluded.
3. The analysis of investments does not include the industrial subsidiaries.

General information

Directors' interests

The following are the interests of the directors of the company who held office on 31 March 1981 as notified to the company in terms of the Companies Act 1967:

DIRECTORS	FULLY PAID SHARES OF 2p EACH	
	1 April 1980	31 March 1981
P. C. D. Burnell	100	100
J. N. Clarke	100	100
J. E. H. Collins	100	100
J. O. Hambro	1,131	1,131
	1,745*	1,745*
G. A. Higham	500	500
M. B. Hofmeyr	100*	100*
F. J. A. Howard	1,000	1,000
M. F. Oppenheimer	100*	100*
		1,000,000†
Sir Philip Oppenheimer	9,798	9,798
A. J. W. Owston	100	100
B. W. Pain	100*	100*
G. W. H. Rely	500	500
	100*	100*
J. G. Richardson	100	100
A. Spinks	500	500
M. W. Thomas	100	100
J. Ogilvie Thompson	100*	100*

ALTERNATE DIRECTORS

R. J. Armitage	nil	nil
J. V. Cleasby	nil	nil
A. E. Oppenheimer	nil	nil
M. J. Statham	nil	nil

*non-beneficial †indirect partial

Of these directors and alternate directors, the following had beneficial interests in the partly paid shares of the company issued under its share incentive scheme and in the fully paid shares of the company allotted to the holders of the partly paid shares under the scheme of arrangement of 22 October 1979 and subject to the same restrictions as the partly paid shares to which they relate. The effect of the share incentive scheme was to enable executive directors and senior employees to subscribe for shares which, after a qualifying period, could be fully paid up at a price determined at the time of subscription.

	PARTLY PAID SHARES OF 2p EACH (1p PAID 11p)		FULLY PAID SHARES OF 2p EACH WITH RESTRICTED RIGHTS	
	1 April 1980	31 March 1981	1 April 1980	31 March 1981
P. C. D. Burnell	7,500	7,500	3,304	3,304
J. N. Clarke	7,500	7,500	3,304	3,304
A. J. W. Owston	6,000	6,000	2,643	2,643
B. W. Pain	12,500	12,500	5,507	5,507
J. G. Richardson	10,000	10,000	4,405	4,405
R. J. Armitage	7,500	7,500	3,304	3,304
M. J. Statham	5,000	5,000	2,202	2,202

Mr G. A. Higham also had a beneficial interest in 250 ordinary shares of 25p each in Cape Industries Limited, a subsidiary of the company, at 1 April 1980 and in 312 ordinary shares of that company at 31 March 1981.

There has been no change notified in any of the above-mentioned interests between the end of the financial year and 6 June 1981, being one month prior to the date of the notice of annual general meeting.

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

Substantial shareholding

On 9 June 1981 Minerals and Resources Corporation Limited held an interest of 35.8 per cent in the issued share capital of the company. Anglo American Corporation of South Africa Limited and De Beers Consolidated Mines Limited were deemed to be interested in that shareholding under section 28(3)(b) of the Companies Act 1967.

Taxation

(i) Capital gains tax

The market price of the company's shares on 6 April 1965 adjusted for the effect of the restructuring of the group in 1979 was:

Registered shares - 68.73p

Shares represented by renounceable letters of allotment - 69.60p

Share warrants to bearer - 69.17p

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

Number and remuneration of employees

The average number of employees per week of the company and its subsidiaries working wholly or mainly in the United Kingdom was 12,144 during the year. The aggregate amount of the remuneration paid to such employees during the year was £14,844,842.

Political and charitable contributions

Contributions for political purposes made through a subsidiary company during the year amounted to £15,300, of which £15,000 was paid to the Conservative Board of Finance and £300 to the Ashford Conservative Association.

Contributions for charitable purposes made by the company and its subsidiaries during the year totalled £69,302.

Geographical analysis of turnover of industrial subsidiaries

	Turnover		Percent of turnover	
	1981 £000	1980 £000	1981	1980
United Kingdom	212,229	187,506	73.5	70.4
Rest of Europe	38,739	39,691	13.4	14.9
Australasia and South-east Asia	8,342	9,523	2.9	3.6
North and South America	6,187	8,336	2.2	3.1
South Africa	9,473	8,768	3.3	3.3
Rest of Africa and Middle East	13,640	12,555	4.7	4.7
	288,610	266,379	100.0	100.0

See note 2 on page 38.

Exports

The aggregate value of goods exported by the group's United Kingdom industrial subsidiaries during the year was £25,635,000 (1980 - £28,913,000).

Investments of 20 per cent or more

The following is the information required by The Stock Exchange about the major companies in which Charter's equity interest is 20 per cent or more:

ASSOCIATED COMPANIES AT 31 MARCH 1981

Anderson Strathclyde Limited

Principal country of operation: Scotland

Issued share capital at 31 March 1981: £11,854,479 in ordinary shares of 25p each

Issued loan capital: £2,403,000 7½ per cent unsecured loan stock 1986/91

Beralit Tin and Wolfram Limited

Principal country of operation: Portugal

Issued share capital at 31 December 1980: £2,868,667 in ordinary shares of 25p each

Cleveland Potash Limited

Principal country of operation: England

Issued share capital at 31 December 1980: £37,000,000 in 7,000,000 ordinary shares of £1 each and 30,000,000 10 per cent redeemable participating preference shares of £1 each

Issued loan capital: £17,749,849 25 per cent unsecured loan stock 1987 and £928,878 25 per cent unsecured loan stock 1988; Charter held 68.8 per cent of the 25 per cent unsecured loan stock 1988

Covenant Industries Limited

Principal countries of operation: Kenya, Nigeria, Tanzania, Zambia

Issued share capital at 30 September 1980: £91,824 in ordinary shares of £1 each

Johnson, Matthey & Co. Limited

Principal country of operation: England

Issued share capital at 31 March 1981: £132,920,092 in ordinary shares of £1 each and £300,000 in 3½ per cent cumulative preference shares of £1 each

Issued loan capital: £7,500,000 in £4,500,000 7½ per cent debenture stock 1990/95 and £3,000,000 5½ per cent debenture stock 1988/90

Malaysia Mining Corporation Berhad

Principal country of operation: Malaysia

Issued share capital at 31 January 1981: M\$10,000,000 in shares of M\$1 each

OTHER COMPANIES

Anglo American Corporation Zimbabwe Limited

Principal country of operation: Zimbabwe

Issued share capital at 30 June 1980: Z\$28,354,606 in shares of Z\$1 each

Reserves: Z\$38,543,000

Société Minière d'Anglade

Principal country of operation: France

Issued share capital at 31 December 1980: FF6,000,000 in shares of FF100 each

Reserves: FF1,868,731

Group directory

Chairman

Dr A. Spinks

Executive directors

J. N. Clarke
Chief executive

G. A. Higham
Industrial

F. J. A. Howard
Finance

Sir Philip Oppenheimer

A. J. W. Owston
Mining

J. G. Richardson
Administration

Managing directors of operating subsidiaries

ALEXANDER SHAND

W. W. Rhodes

CAPE INDUSTRIES

W. R. Doughty

HEATRAE-SADIA

M. W. King

MKR HOLDINGS

J. Hamilton

PANDROL INTERNATIONAL

B. Clough

PERARD

L. B. E. Cooper

TORQUE TENSION

M. R. Stokes

Officials

R. J. Armitage
MANAGER
Administration; treasury

D. S. Booth
Secretary

I. R. M. Chaston
Consulting metallurgist

J. V. Cleasby
*Consulting engineer;
head of technical
department*

B. J. Crean
Investment manager

R. H. T. Dawkins
Group chief accountant

A. V. Dunster
*Corporate finance
manager*

H. E. O. Ellison
*Public relations
consultant*

C. J. Forristal
Consulting engineer

P. A. L. Gordon
Prospecting manager

N. G. McNair Scott
MANAGER
*Business development
manager*

R. D. McVean
Personnel consultant

Dr J. F. Osten
Consulting geologist

J. A. Pool
MANAGER
*Industrial liaison
manager*

A. H. W. Purkiss
*Consulting mechanical
and electrical engineer*

L. L. C. Smets
Chief economist

M. J. Statham
Investment manager

J. S. de W. Waller
Manager, metal sales

Offices

40 Holborn Viaduct,
London EC1P 1AJ
(registered)

Charter House,
Park Street, Ashford,
Kent TN24 8EQ

44 Main Street,
Johannesburg 2001,
South Africa

8th Floor, Oriental Plaza,
Jalan Parry,
Kuala Lumpur 04-01,
Malaysia

9 rue de Vienne,
75008 Paris, France

244 Avenida da Liberdade,
1200 Lisbon, Portugal

Registrars

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

Consolidated Share
Registrars Limited,
62 Marshall Street,
Johannesburg 2001,
South Africa

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

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

Les administrateurs acceptent qu'à la place du certificat d'actions soit déposée une attestation* délivrée par une banque ou par toute autre personne habilitée à recevoir en dépôt les certificats d'actions. La banque ou la personne habilitée doit s'engager à ne remettre le certificat d'actions au déposant que contre remise de l'attestation de dépôt et d'engagement.

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

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

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

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

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

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

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

**forms are available from the abovementioned offices*

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

MM. les actionnaires sont informés qu'ils peuvent se procurer un exemplaire en français de ce rapport en s'adressant soit à Charter Consolidated Limited, 40 Holborn Viaduct, London EC1A 1J, soit à Charter France, 9 rue de Vienne, 75008 Paris, soit au Crédit Lyonnais, 19 boulevard des Italiens, 75002 Paris, soit à la Banque Rothschild, 21 rue La Fayette, 75009 Paris.