

APPENDIX 1.1  
(referred to in paragraph 1.1)

**Conduct of the inquiry**

1. On 24 October 1988 the Department of Trade and Industry sent to the Commission the following terms of reference:

Whereas it appears to the Secretary of State that it is or may be the fact that—

- (i) a merger situation qualifying for investigation, as defined in section 64(8) of the Fair Trading Act 1973 ('the Act'), has been created, or
- (ii) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of such a merger situation,

in that—

- (a) enterprises carried on by or under the control of Consolidated Gold Fields plc (incorporated in the United Kingdom) have within the six months preceding the date of this reference ceased to be distinct, or will cease to be distinct, from enterprises carried on by or under the control of Minorco Société Anonyme (incorporated in Luxembourg), and
- (b) the value of the assets taken over exceeds £30 million:

Now, therefore, the Secretary of State, in exercise of his powers under sections 64, 69(2) and 75 of the Act, hereby refers the matter to the Monopolies and Mergers Commission ('the Commission') for investigation and report within a period of three months beginning with the date of this reference.

In relation to the question whether a merger situation qualifying for investigation has been or will be created, the Commission shall exclude from consideration one of paragraphs (a) and (b) of section 64(1) of the Act if they find the other satisfied.

24 October 1988

(signed) HANS LIESNER  
A Deputy Secretary  
Department of Trade and Industry

2. On 28 October 1988 the Chairman of the Commission, acting under paragraphs 10 and 12 of Schedule 3 of the Fair Trading Act 1973, directed that the functions of the Commission in relation to the reference should be discharged through a group consisting of six members of the Commission. He appointed Mr D G Richards, being one of those members, to act as Chairman of the Group. The composition of the Group is indicated in the list of members which prefaces this report.<sup>1</sup>

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<sup>1</sup>Mr R Young was appointed to the Group on 28 October, but resigned for personal reasons on 9 December. Mr N L Salmon was appointed in his place on 14 December.

3. Notices inviting interested parties to submit evidence to the Commission were placed in:

*Financial Times*  
*The Independent*  
*The Times*

*Metal Bulletin*  
*Mining International*

4. In addition we sought evidence and views from Government departments; the Confederation of British Industry; the Trades Union Congress; producers, processors and users of the minerals and metals with which Gold Fields is concerned; and some trade and professional associations. Evidence was received from a number of these parties and from other sources. It is summarised in Chapter 5.

5. We received written submissions from Minorco SA (Minorco), and Consolidated Gold Fields plc (Gold Fields), and held three hearings with each. We also received representations from Gold Fields' associated companies in the United States, Newmont Mining Corporation and Peabody Holding Company Inc.

6. In the course of our inquiry, Minorco submitted arguments directed to showing that, for the purpose of section 75(5) of the Act, it had abandoned its proposal to make arrangements such as are mentioned in our terms of reference. We considered this submission and representations from Gold Fields, but it did not appear to us that the proposal had been abandoned. We therefore went on with our inquiry.

7. We held several other hearings with enterprises active in the minerals and metals industries.

8. Some of the evidence obtained in the course of our inquiry was of a confidential nature; our report contains only such information as we consider necessary for an understanding of our conclusions.

9. We should like to place on record our thanks to all those who helped us in our inquiry, and particularly to the representatives of Minorco and Gold Fields.

APPENDIX 2.1  
(referred to in paragraph 2.6)

**Minorco: financial information**

1. Table 1 summarises the earnings of Minorco and its predecessor, Minorco Bermuda, for the five years to 30 June 1988.

TABLE 1 Minorco: earnings for the five years to 30 June 1988

	<i>US\$ million</i>				
	1984	1985	Year to 30 June 1986	1987	1988
<i>Revenues</i>					
Dividend income	52.9	48.8	54.3	60.9	61.5
Interest and other income	12.4	7.3	24.8	13.4	48.2
Exchange gains/(losses)	(0.8)	(0.6)	0.1	0.2	0.7
	64.5	55.5	79.2	74.5	110.4
<i>Administration and other expenses</i>					
	(8.1)	(7.8)	(5.5)	(5.4)	(5.0)
<i>Earnings before taxes</i>	56.4	47.7	73.7	69.1	105.4
<i>Taxes</i>	(3.3)	(2.5)	(3.1)	(3.5)	(1.5)
	53.1	45.2	70.6	65.6	103.9
<i>Earnings from operations</i>					
Share of undistributed earnings of equity accounted investments	77.6	66.0	11.1	23.2	159.6
Minority interest in subsidiaries' earnings	(1.2)	(1.1)	(1.1)	(1.1)	(1.2)
<i>Earnings before extraordinary items</i>	129.5	110.1	80.6	87.7	262.3
<i>Extraordinary items</i>	87.7	(5.4)	(8.6)	34.3	512.4
<i>Net earnings</i>	217.2	104.7	72.0	122.0	774.7
<i>Earnings per share before extraordinary items (US\$)</i>	0.76	0.65	0.47	0.51	1.54

Source: Minorco.

*Notes:*

1. Minorco became the holding company of the Minorco Group in place of Minorco Bermuda from 27 November 1987. The above table has therefore been prepared using Minorco Bermuda's consolidated earnings statements for the four years to 30 June 1987 and Minorco's for the year to 30 June 1988.

2. As from the year to 30 June 1988 Minorco has accounted on a coterminous basis for its share of the earnings of investments with financial accounting periods ending on different dates from its own (with the exception of Charter, whose financial year ends on 31 March and whose results will continue to be accounted for on a three-monthly delay basis).

The extraordinary items in the year to 30 June 1988 consisted mainly of gains on disposals of holdings in Salomon Inc and Anglo American Investment Trust Ltd.

2. Table 2 summarises Minorco's financial position at 30 June 1988.

TABLE 2 Minorco: financial position at 30 June 1988

	<i>US\$ million</i>	
<i>Net current assets</i>		
Cash and short-term investments	889.7	
Accounts receivable	17.2	
Current liabilities	(48.7)	858.2
<i>Investments and advances</i>		
Accounted for by the equity method	1,327.0	
Accounted for by the cost method	205.7	1,532.7
Other assets		2.0
Net assets		2,392.9
Minority interests in subsidiary companies		(21.1)
Shareholders' investment		2,371.8
<i>Represented by</i>		
Share capital (170.3 million shares of US\$1.40)		238.4
Reserves including retained earnings		2,133.4
Shareholder's equity		2,371.8
<i>Source: Minorco.</i>		

3. Details of investments and advances accounted for by the equity method as at 30 June 1988 are set out in Table 3.

TABLE 3 Minorco: investments and advances accounted for by the equity method as at 30 June 1988

	<i>US\$ million</i>		
	<i>Market value</i>	<i>Share of net assets</i>	<i>Book value</i>
<i>Quoted</i>			
Adobe Resources Corporation	32.8	26.7	29.1
Charter Consolidated PLC	239.9	327.6	173.4
Consolidated Gold Fields PLC	937.1	758.5	432.0
Engelhard Corporation	268.8	225.7	244.2
Inspiration Resources Corporation	278.7	220.4	222.0
	<u>1,757.3</u>	<u>1,558.9</u>	<u>1,100.7</u>
<i>Unquoted</i>			
Anglo American Corporation of South America SA		126.5	120.9
Danville Resources Inc		86.5	83.2
Eastern Investment Ltd		15.7	17.2
Western Gold Exploration and Mining Company		3.6	4.6
Other		0.4	0.4
		<u>232.7</u>	<u>226.3</u>
<b>Total</b>		1,791.6	1,327.0
<i>Source: Minorco.</i>			

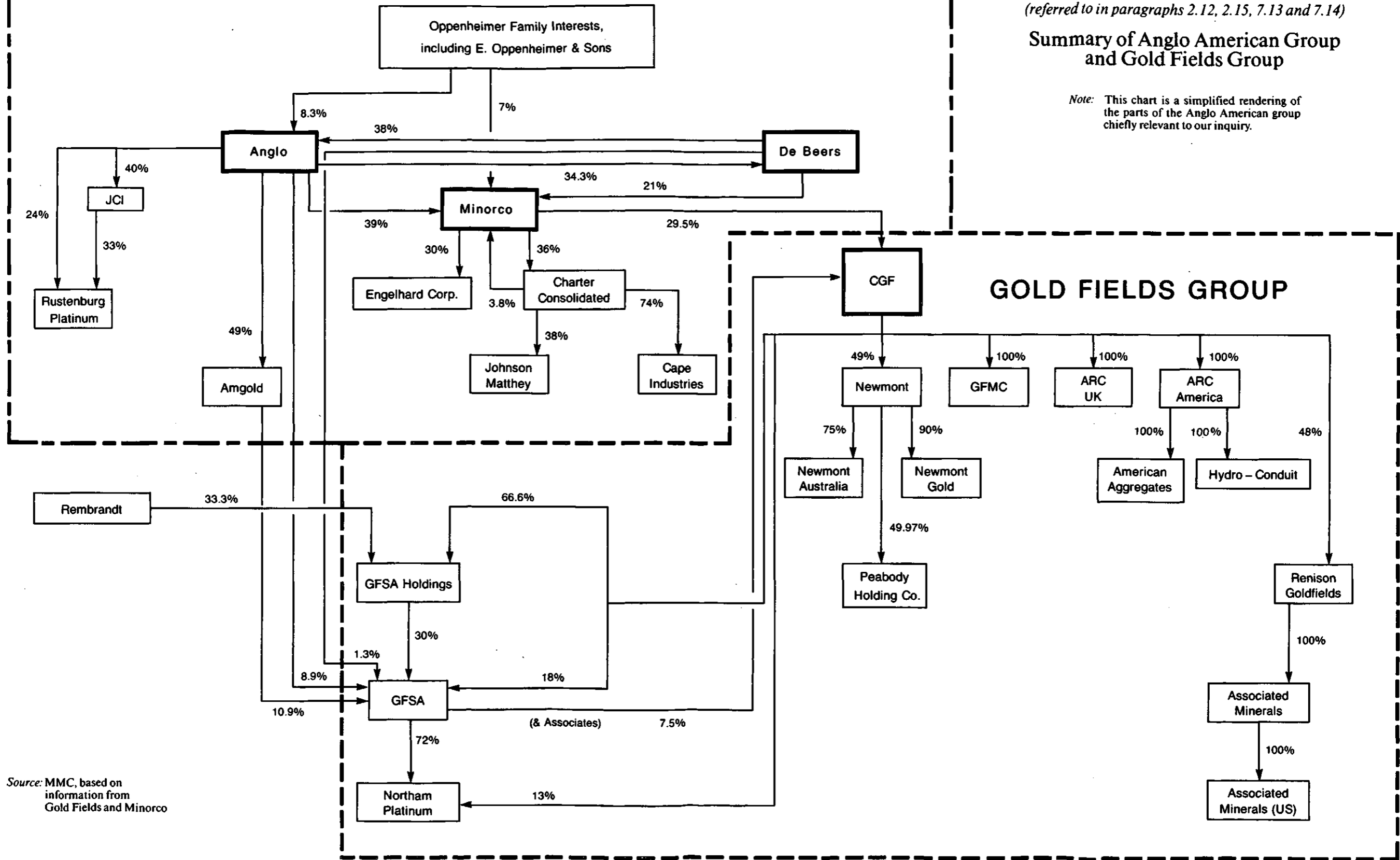
Investments accounted for by the cost method included investments with a book value of US\$132.5 million and a market value of US\$127.6 million. The total net excess of the market value of quoted investments over their book values was US\$651.7 million.

# ANGLO AMERICAN GROUP

APPENDIX 2.2  
(referred to in paragraphs 2.12, 2.15, 7.13 and 7.14)

## Summary of Anglo American Group and Gold Fields Group

Note: This chart is a simplified rendering of the parts of the Anglo American group chiefly relevant to our inquiry.



Source: MMC, based on information from Gold Fields and Minorco



APPENDIX 2.3  
(referred to in paragraph 2.22)

**Gold Fields: financial information**

1. Table 1 summarises Gold Fields' profits for the five years to 30 June 1988.

TABLE 1 Gold Fields: profits for the five years to 30 June 1988

	<i>£ million</i>				
	1984	1985	Year to 30 June 1986	1987	1988
<i>Profits/(losses) from natural resource subsidiaries</i>					
ARC UK	41.1	38.9	45.6	55.1	70.7
ARC USA	10.3	15.9	19.9	24.8	27.3
Gold Fields Mining	1.3	(5.9)	6.0	26.2	48.4
Goldsworthy Iron	2.9	1.8	5.8	6.0	(3.8)
	<u>55.6</u>	<u>50.7</u>	<u>77.3</u>	<u>112.1</u>	<u>142.6</u>
<i>Share of profits from natural resource associates</i>					
Newmont Mining	6.4	9.3	16.1	84.8	39.7
Gold Fields of South Africa	45.8	44.4	38.8	37.3	34.4
Renison Goldfields					
Consolidated	2.1	9.6	13.7	15.0	14.6
Other	0.3	-	-	-	0.8
	<u>54.6</u>	<u>63.3</u>	<u>68.6</u>	<u>137.1</u>	<u>89.5</u>
Industrial profits	<u>13.6</u>	<u>7.1</u>	<u>0.7</u>	<u>-</u>	<u>-</u>
<i>Financial income</i>					
Portfolio management and property development, net of control costs	28.1	51.1	17.5	39.1	31.9
Profits on sales of operations	2.4	-	-	-	97.2
	<u>30.5</u>	<u>51.1</u>	<u>17.5</u>	<u>39.1</u>	<u>129.1</u>
Operating profit	154.3	172.2	164.1	288.3	361.2
Exploration by subsidiaries	(13.7)	(10.2)	(7.7)	(9.3)	(10.3)
Profit before interest and tax	140.6	162.0	156.4	279.0	350.9
Net interest charge	(35.6)	(47.1)	(45.5)	(34.6)	(48.5)
	<u>105.0</u>	<u>114.9</u>	<u>110.9</u>	<u>244.4</u>	<u>302.4</u>
Tax on profit on ordinary activities	(33.4)	(37.5)	(42.8)	(80.3)	(87.6)
Profit after tax	71.6	77.4	68.1	164.1	214.8
Attributable to minority interests	(0.1)	-	-	-	(2.3)
Result attributable to Gold Fields' shareholders	71.5	77.4	68.1	164.1	212.5
Extraordinary charges	-	-	(10.8)	(28.7)	-
Result after extraordinary charge	71.5	77.4	57.3	135.4	212.5
Dividends	(45.9)	(47.5)	(47.6)	(38.2)*	(60.3)*
Retention for the year	<u>25.6</u>	<u>29.9</u>	<u>9.7</u>	<u>97.2</u>	<u>152.2</u>
Earnings per share before extraordinary charges (pence)	38.2	40.7	35.1	82.2	100.2

Source: Gold Fields.

\*Excluding dividends, taken in the form of shares, of £19.5 million in 1987 and £7.9 million in 1988.

2. Gold Fields' turnover for the year to 30 June 1988 was £1,234.3 million and is analysed in Table 2.

TABLE 2 Gold Fields: turnover for the year to 30 June 1988

	<i>£ million</i>
<i>Sales by subsidiaries</i>	
ARC UK	689.9
ARC USA	211.9
Gold Fields Mining	81.1
Goldsworth Iron	22.1
<i>Share of sales by associates</i>	
Newmont Mining	138.0
Renison Goldfields Consolidated	86.0
Other	5.3
	<hr/> 1,234.3

Source: Gold Fields.

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Gold Fields' accounts contain a note to the effect that group sales do not include any amounts in respect of South Africa where income is mainly derived from a share of the profits of GFSA, whose major source of revenue is investment income, and dividends from direct holdings in gold mines. The share of sales of the South African gold and other principal mines advised by GFSA, amounting to £206.3 million, is not included in the figures above.

3. Table 3 summarises Gold Fields' financial position as at 30 June 1988.

TABLE 3 Gold Fields: consolidated financial position as at 30 June 1988

	<i>£ million</i>
<i>Fixed assets</i>	
Tangible assets	656.9
Investments	769.2
	<u>1,426.1</u>
<i>Current assets</i>	
Stocks and work in progress	96.6
Debtors, prepayments and accrued income	242.0
Investments	31.5
Cash at bank and in hand	113.7
	<u>483.8</u>
<i>Less:</i>	
Creditors falling due within one year:	
Short-term loans	29.4
Other creditors and accruals	406.5
	<u>435.9</u>
Net current assets	47.9
Total assets less current liabilities	<u>1,474.0</u>
<i>Less:</i>	
Creditors falling due after more than one year:	
Medium- and long-term loans	722.6
Other creditors	56.9
	<u>779.5</u>
Provisions for liabilities and charges	<u>38.0</u> 817.5
Net assets	<u>656.5</u>
<i>Capital and reserves:</i>	
Ordinary share capital (213.5 million shares of 25 pence)	53.4
Share premium account	442.6
Other reserves	14.2
Profit and loss account	136.6
	<u>646.8</u>
Minority interests	<u>9.7</u>
	<u>656.5</u>

Source: Gold Fields.

The excess of the stock exchange value of listed investments over their book value at 30 June 1988 was £839.7 million. Borrowings net of cash were £638.3 million (medium- and long-term loans £722.6 million and short-term loans £29.4 million, less cash £113.7 million). The medium- and long-term loans of £722.6 million included £106.2 million 6.75 per cent convertible subordinated bonds due in 2002, redeemable at the company's option at a premium until 1992 and at par thereafter, and convertible at the holder's option into fully-paid ordinary shares at £10.80 a share.

4. The tangible fixed assets of £656·9 million are analysed in Table 4.

TABLE 4 Gold Fields: tangible fixed assets at 30 June 1988

	<i>£ million</i>		
	<i>Cost</i>	<i>Depreciation</i>	<i>Net</i>
Land and buildings including mineral reserves	299·2	36·8	262·4
Plant and machinery	572·9	178·4	394·5
	872·1	215·2	656·9

Source: Gold Fields.

5. The fixed assets investments of £769·2 million are analysed in Table 5.

TABLE 5 Gold Fields: fixed assets investments at 30 June 1988

	<i>£ million</i>
<i>Share of net assets of associates</i>	
Newmont Mining	421·1
Gold Fields of South Africa	119·2
Renison Goldfields Consolidated	58·5
Other	20·6
	619·4
Loans to associates	24·5
Other fixed asset investments	125·3
	769·2

Source: Gold Fields.

APPENDIX 4.1  
(referred to in paragraph 4.50)

**Estimated market shares in aggregates and related products in Great Britain in 1987**

										<i>per cent</i>	
<i>Aggregates</i>	<i>Coated stone</i>		<i>Ready-mixed concrete</i>		<i>Concrete blocks</i>		<i>Concrete pipes</i>		<i>Concrete bricks</i>		
ARC	17	Tarmac	31	RMC	34	Celcon	17	ARC	42	ARC	26
Tarmac	15	ARC	17	ARC	14	Thermalite	15	Miltons	13	Boral-Edenhall	18
RMC	10	Tilcon	7	Pioneer	14	Tarmac	13	Johnson	8	RMC	7
Redland	6	ECC	7	Tarmac	10	ARC	11	Hume	7	Concrete Masonry	6
Tilcon	4	Redland	7	Tilcon	5	ECC	6	Stanton	7	Evered	6
ECC	3	Yeoman	3	Steetley	5	RMC	5				
Yeoman	3	RMC	3	Redland	3	Plasmor	3				
Steetley	2					Forticrete	4				
Others	40	Others	25	Others	15	Others	26	Others	23	Others	37
	100		100		100		100		100		100

Source: Gold Fields estimates.

