

Introduction to the IAS financial statements

The South African mining industry has been well served by the method of accounting employed by it over the last century. This method, known as the appropriation method of accounting, closely resembles cash flow accounting. It is based on the premise that mines have a finite life. Accordingly, no charge is made for amortisation of mining assets nor is any account taken of depletion of ore reserves. The principle is adopted that shareholders' funds are invested in a wasting asset and the cost of mining assets over and above the initial capital is provided out of profits earned. Profits are appropriated to fund expenditure on mining assets to the extent that this expenditure exceeds capital funds while remaining funds are available for distribution to shareholders. In addition, certain liabilities are treated on a pay-as-you-go basis. The application of this accounting method is the generally accepted standard for the deep-level gold mining industry in South Africa. The financial statements prepared on the appropriation method are consequently used for the statutory requirements of the South African Companies Act and for the Johannesburg Stock Exchange reporting purposes.

The international accounting community has developed a set of standards which are applied on a broad and common front and which require that costs be matched to revenues, a process which would not be possible under the appropriation method. In order to provide additional information to international investors on a basis comparable to that used generally in the broader investment community, including extractive industries, this company has decided that an illustrative application of International Accounting Standards (referred to as the IAS financial statements) be presented. To assist international investors, a translation of convenience into the currency of the United States of America is provided for the IAS financial statements. These translations are based on average rates of exchange for income statement items and at those ruling at the year end for the balance sheet. The cash-flow statement has been translated at average rates to give effect to a transaction-based conversion. Translation differences are accounted for in the statement of shareholders' equity.

The following are the key differences between the two forms of reporting:

- Capital expenditure is charged to income by way of appropriation in the statutory annual financial statements and by way of amortisation and depreciation in the IAS financial statements;
- No provision is made for deferred taxation in the statutory annual financial statements as the immediate write-off for taxation purposes of mining assets is considered to be a non-reversible taxation benefit. In terms of IAS, this is regarded as a temporary difference and requires the raising of a deferred taxation liability;
- Future liabilities of which the amount is uncertain such as rehabilitation and future employee medical care liabilities accounted for in the statutory annual financial statements based on the pay-as-you-go approach are charged to the income statement and carried in the balance sheet in the IAS financial statements; and
- In the statutory annual financial statements, gold in process is appropriated for out of capital on the establishment of the production pipeline, while in the IAS financial statements such material is treated as inventory on an estimated cost basis.

Reconciliations between the two sets of financial statements are shown on page 92.

Auditors' report

Report of the Independent Auditors to the members of AngloGold Limited on the IAS financial statements

We have audited the IAS annual financial statements and group financial statements of AngloGold Limited as set out on pages 71 to 92 for the year ended 31 December 1998.

These IAS financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on the IAS financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion the IAS annual financial statements and group financial statements fairly present, in all material respects, the financial position of the company and the group at 31 December 1998, and the results of their operations and cash flows for the year then ended in accordance with International Accounting Standards and in the manner required by the South African Companies Act.

We have also reported separately on the statutory annual financial statements and group financial statements of AngloGold Limited for the same period, prepared in accordance with accounting principles generally accepted in South Africa.

Ernst & Young
Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg
12 March 1999

Accounting policies

The IAS financial statements are prepared on the historical cost basis. The group's accounting policies set out below are consistent in all material respects with those applied in the previous financial year. The policies adopted comply with the standards issued by the International Accounting Standards (IAS) Committee.

1. Consolidation

The group financial statements incorporate the financial statements of the company, its subsidiaries and its proportionate interest in joint ventures.

The method adopted for the combination of the scheme companies on the formation of the AngloGold group is the uniting of interest method for accounting for mergers in terms of International Accounting Standard No. 22 – Business Combinations. The surplus arising on merger accounting between the nominal share capital and share premium issued by the company and the nominal value of the share capital and share premium of the scheme companies acquired has been reflected as the merger adjustment and set-off against shareholders' equity.

Where an investment in a subsidiary or a joint venture is acquired or disposed of during the financial year, its results are included from, or to the date control became, or ceased to be effective. Where an investment in a subsidiary or a joint venture is made during the financial year, any excess of the purchase price compared with the fair value of the attributable net assets is recognised as goodwill and amortised as an expense over the lesser of its useful life or 20 years.

All intergroup transactions and balances are eliminated on consolidation. Unearned profits that arise between group entities are eliminated.

2. Associates

Associates are long-term investments in which the company holds between 20 per cent and 50 per cent of the equity and thereby has the ability to exercise significant influence over those companies' financial and operating policy decisions. The post-acquisition results of associates are incorporated in the company's financial statements, using the equity method, from the effective dates of acquisition and up to the effective dates of disposal.

The income statement includes the group's proportionate share of the results of operations, the attributable share of taxation thereon, and outside shareholders' interest in net income of associates. The equity-accounted retained earnings of associates, which are not available for distribution by way of a dividend to the company's shareholders, less any provisions, are transferred to a non-distributable reserve.

Results of associates are equity accounted from their most recent audited annual financial statements or unaudited interim statements. Any losses of associates are brought to account until the investment in and loans to such associates are written down to a nominal amount. Thereafter losses are accounted for only insofar as the group is committed to providing financial support to such associates.

Accounting policies continued

The carrying values of the investments in associates represent the cost of each investment, including unamortised goodwill, the share of post-acquisition retained earnings and any other movements in reserves. The carrying value is compared with the associate's market value or directors' valuation. Where, in the opinion of the directors, the value of an associate has been permanently impaired below its carrying value, or the market value has fallen below the carrying value over a sustained period, a provision is made for such impairment in value.

3. Mining assets

Mining assets are recorded at cost of acquisition less amortisation and amounts written off. Cost includes preproduction expenditure incurred during the development of the mine. Cost also includes interest capitalised during the construction period where such costs are financed by borrowings.

Mine development costs

Capitalised mine development cost includes expenditure incurred to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of the mine. Development costs to maintain production are deferred, where applicable, and expensed against the related production. Amortisation is first charged on new mining ventures from the date on which production reaches commercial quantities. Mine development costs are amortised using the units-of-production method based on estimated proved and probable mineral reserves.

Proved and probable reserves reflect estimated quantities of economically recoverable reserves, which can be recovered in future from known mineral deposits.

Mine infrastructure

- Plant and equipment
Plant and equipment are amortised using the lesser of their useful life or units-of-production method based on estimated proved and probable mineral reserves.
- Other

Land

Land is not depreciated.

Mineral rights, dumps and other

Mineral rights are amortised using the units-of-production method based on estimated proved and probable mineral reserves. When there is little likelihood of a mineral right being exploited, or the value of an exploitable mineral right has diminished below cost, a write down is effected. The cost of exploration programmes not anticipated to result in additions to the group's reserves are expensed when incurred.

Leased assets

Assets subject to finance leases are capitalised at cost with the related lease obligation recognised at the same value. Capitalised leases are depreciated over their estimated useful lives. Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in interest paid, and the capital repayment, which reduces the liability to the lessor.

Operating lease rentals are charged against operating profits in a systematic manner related to the period of use of the assets concerned.

4. Inventories

Inventories are valued at the lower of cost and net realisable value after appropriate provisions for redundant and slow moving items. Cost is determined on the following bases.

Gold on hand, uranium oxide and sulphuric acid are valued on an average production cost method

Gold in process is valued at the average production cost of the relevant stage of production.

Consumable stores are valued at the lower of average cost or net realisable value.

5. Environmental expenditure

Rehabilitation expenditure and related accrued liabilities, which are based on the group's environmental management plans, in compliance with the current environmental and regulatory requirements, are accrued and expended over the operating life of the mines using the units-of-production method based on estimated proved and probable mineral reserves. The carrying amount of liabilities is regularly reviewed and adjusted as appropriate for new circumstances or changes in law or technology. Expenditure on ongoing rehabilitation costs is brought to account when incurred.

Annual contributions are made to the group's Environmental Trust Fund, created in accordance with the statutory requirements, to provide for the estimated cost of pollution control and rehabilitation during and at the end of the life of the mine. Interest earned on monies paid to the trust fund is accrued on an annual basis and is set off against future liability of the group.

6. Post-retirement benefits

The costs of post-employment benefits are made up of those obligations which the group has towards current and retired employees. These obligations can be separated into the following categories, and are determined as follows:

Defined contribution plans**Retirement and provident funds**

Contributions to defined contribution plans in respect of services during a current year are recognised as an expense in that year.

Accounting policies continued

Defined benefit plans

Pension funds

The current service cost in respect of defined benefit plans is recognised as an expense in the current period. Past service costs, experience adjustments, the effect of changes in actuarial assumptions and the effects of planned amendments in respect of existing employees are recognised as an expense or income systematically over the expected remaining service period of those employees.

Post-retirement medical aid costs

The post-retirement medical aid liability in respect of existing employees is recognised as an expense systematically over the expected remaining service period of those employees, using the projected unit credit method. The liability in respect of retired employees is recognised immediately as an expense.

7. Revenue recognition

- The sale of mining products is recognised when the significant risks and rewards of ownership of the products are transferred to the buyer.
- Dividends are recognised when the right to receive payment is established.
- Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

8. Deferred taxation

Deferred taxation represents the tax effect of all temporary differences and is provided at the current mining cost formula rate using the comprehensive liability method.

9. Hedging transactions

The group enters into financial transactions to ensure a degree of price certainty and to guarantee a minimum revenue on a portion of the planned gold production of its gold mines. Financial instruments entered into in pursuit of this objective are specifically designated as hedges of the planned future production of the gold mines.

Gains and losses on gold hedging instruments that effectively establish prices for future production, are recognised in income at the earlier of any cash flow or delivery of the related hedged production.

Hedged positions below current cost of production are recognised in the period in which the loss arises.

Foreign currency derivative financial instruments are translated at contract rates. Gains and losses on these contracts are recognised in income as a component of the related gold transaction.

10. Foreign currency

Foreign currency transactions are recorded at the exchange rate ruling on the transaction date. Assets and liabilities designated in foreign currencies are translated at rates of exchange ruling at the year end and any gains and losses arising are included in earnings.

The balance sheets and income statements of foreign subsidiaries are translated on the following bases:

Foreign entities

Foreign entities do not form an integral part of the operations of the group.

Assets and liabilities (both monetary and non-monetary) are translated at the closing rate. Income statement items are translated at a weighted average rate of exchange for the period. Exchange differences are taken directly to a foreign currency translation reserve which is included with non-distributable reserves.

Foreign operations

Foreign operations form an integral part of the operations of the group.

Monetary items of these operations are translated using the closing rate of exchange. Non-monetary items are translated at the rate of exchange at the historical transaction date. Income statement items are translated at a weighted average rate of exchange for the period. All exchange differences are taken to the income statement for the period.

11. Translation into US dollars

To assist international investors, a translation of convenience into the currency of the United States of America is provided. These translations are based on average rates of exchange for income statement items and at those ruling at the year end for the balance sheet. The cash flow statement has been translated at average rates to give effect to transaction based conversion.

Group income statement

for the year 1998

Figures in million

1997*	1998		Notes	1998	1997*
SA Rand		US Dollars			
12 174,6	12 282,6	Revenue	1	2 235.6	2 649.3
11 565,7	9 868,5	Cost of sales	2	1 801.5	2 514.4
608,9	2 414,1	Operating profit		434.1	134.9
375,1	228,4	Corporate administration and other expenses		42.2	80.3
–	203,5	Exploration costs		36.8	–
233,8	1 982,2	Profit from operations		355.1	54.6
33,8	94,4	Interest paid		17.1	7.2
304,4	246,4	Interest receivable		44.6	64.9
222,5	363,7	Income from associates	3	68.4	48.2
40,8	13,4	Income from other investments		2.4	8.7
56,2	(107,3)	(Loss)/profit on sale of mining assets		(9.1)	12.1
823,9	2 404,0	Profit on ordinary activities before taxation	4	444.3	181.3
(65,7)	693,5	Mining and normal taxation	5	126.8	(13.8)
74,7	–	Transfer to non-distributable reserve		–	15.9
814,9	1 710,5	Profit on ordinary activities after taxation		317.5	179.2
833	1 748	Earnings per share (cents)			
789	1 568	– Basic	6	324	183
1 136	1 550	– Headline	6	283	174
		Dividends per share (cents)	7	263	241

* Where applicable the 1997 comparative figures constitute the aggregation of the previously audited financial statements of the participating companies as if the group has been in existence since 1 January 1997.

Group statement of shareholders' equity

at 31 December 1998

Figures in million

US Dollars	Ordinary share capital	Ordinary share premium	Non- distributable reserve	Retained earnings	Total
Balance after merger adjustments as at 31 December 1997	10.0	1 088.4	–	248.5	1 346.9
Profit on ordinary activities after taxation	–	–	–	317.5	317.5
Dividends	–	–	–	(256.6)	(256.6)
Shares issued	–	0.6	–	–	0.6
Share issue expenses written off	–	(16.1)	–	–	(16.1)
Transfer to non-distributable reserve*	–	–	25.0	–	25.0
Translation adjustment	(1.7)	(185.6)	–	(70.6)	(257.9)
Balance at 31 December 1998	8.3	887.3	25.0	238.8	1 159.4

SA Rands	Ordinary share capital	Ordinary share premium	Non- distributable reserve	Retained earnings	Total
Balance after merger adjustments as at 31 December 1997	48,9	5 302,7	–	1 208,9	6 560,5
Profit on ordinary activities after taxation	–	–	–	1 710,5	1 710,5
Dividends	–	–	–	(1 515,3)	(1 515,3)
Shares issued	–	2,9	–	–	2,9
Share issue expenses written off	–	(86,8)	–	–	(86,8)
Transfers to non-distributable reserve*	–	–	147,5	–	147,5
Balance at 31 December 1998	48,9	5 218,8	147,5	1 404,1	6 819,3

* Included in the non-distributable reserve is a surplus on disposal of company shares, held by companies prior to the merger of \$24.0 (R141,4).
The balance represents a foreign currency translation reserve.

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

1997	1998		1998	1997
SA Rand			US Dollars	
		1. Revenue		
11 602,0	11 654,9	Gold – normal	2 116.4	2 527.8
309,7	348,0	– accelerated hedge	68.2	65.7
262,9	279,7	Uranium oxide and sulphuric acid	51.0	55.8
12 174,6	12 282,6		2 235.6	2 649.3
		2. Cost of sales		
		Gold		
9 388,4	8 224,4	Cash costs	1 499.1	2 045.1
309,7	348,0	Retrenchments	68.2	65.7
267,6	140,0	Rehabilitation and other non-cash costs	23.1	56.4
9 965,7	8 712,4	Production costs	1 590.4	2 167.2
923,9	744,8	Amortisation of mining assets	135.5	200.5
497,4	230,6	Inventory change	42.5	108.8
11 387,0	9 687,8		1 768.4	2 476.5
		Uranium oxide and sulphuric acid		
109,0	139,0	Production and selling costs	25.5	23.8
69,7	41,7	Inventory change	7.6	14.1
178,7	180,7		33.1	37.9
11 565,7	9 868,5	Total cost of sales	1 801.5	2 514.4
		3. Income from associates		
774,5	856,3	Gold revenue	154.8	167.8
519,0	652,4	Cost of sales	119.1	112.4
255,5	203,9	Profit from operations	35.7	55.4
33,0	(159,8)	Other operating (income) expenses	(32.7)	7.2
222,5	363,7	Profit on ordinary activities before taxation	68.4	48.2

1997	1998		1998	1997
SA Rand			US Dollars	
		4. Profit on ordinary activities before taxation		
		Includes:		
40,8	13,4	Dividends received – unlisted investments	2.4	8.7
923,9	744,8	Amortisation of mining assets	135.5	200.5
2,9	4,8	Auditors' remuneration	0.9	0.7
2,1	3,7	Audit fees	0.7	0.5
0,8	1,1	Other services	0.2	0.2
19,3	15,7	Grants for educational and community development	2.9	4.2
33,8	94,4	Interest paid	17.1	7.2
8,1	68,3	Borrowings	12.3	1.6
25,7	26,1	Other loans	4.8	5.6
5 261,4	4 652,9	Total employees costs	847.5	1 146.3
4 583,0	3 982,5	Salaries and wages	720.6	1 000.2
333,5	287,1	Contribution to retirement benefits	52.3	72.7
35,2	35,3	Contributions to post-retirement medical benefits	6.4	7.7
309,7	348,0	Retrenchment payments	68.2	65.7
		The average monthly number of employees including contractors during the year was made up as follows:	93 316	134 273
		Surface	18 462	27 099
		Underground	74 854	107 174
		Exceptional items:		
56,2	(107,3)	(Loss)/profit on sale of mining assets	(9.1)	12.1
–	160,5	Surplus on disposal of investment by associate	32.4	–
(13,0)	123,5	Taxation effect of exceptional items	17.3	(2.8)
43,2	176,7		40.6	9.3

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

1997		1998	1998		1997
SA Rand			US Dollars		
		5. Mining and normal taxation			
		The taxation charge comprises:			
115,2	319,0	Mining taxation	58.4		24.4
295,3	550,6	Non-mining taxation	97.8		64.9
(514,2)	(197,0)	Deferred taxation	(33.1)		(111.3)
38,0	20,9	Share of associates taxation	3.7		8.2
(65,7)	693,5		126.8		(13.8)
		Mining tax on mining income is determined according to a formula which varies the taxation rate in accordance with the ratio of profit to revenue from mining operations. This formula also allows an initial tranche of mining income to be earned free of taxation. Non-mining income, the taxable element of which consists primarily of interest received, is taxed at the non-mining taxation rate.			
		Deferred taxation is provided at the current mining cost formula rate of 51% for mining temporary differences. Non-mining income does not give rise to temporary differences. Because the mining taxation formula imposes variable taxation rates, no reconciliation of the company's income taxation charge has been prepared.			
		The company has, in terms of taxation legislation, opted for a tax regime which does not require it to deduct Secondary Tax on Companies (STC) on dividends declared. Notwithstanding this, if any of the company's shareholders are themselves subject to STC, this legislation entitles them to deduct their dividend accruals from this company in the determination of their own STC liabilities.			
		6. Earnings per share			
		Basic			
		The calculation of basic earnings per share is based on earnings of \$317.5; R1 710,5 (1997: \$179.2; R814,9) and 97 842 263 (1997: 97 839 399) being the weighted average number of shares in issue of during the financial year			
		Diluted			
		There are no material differences between basic earnings per share and diluted earnings per share.			
		Headline			
		Headline earnings removes items of a capital nature from the calculation of earnings per share. The basic earnings have been adjusted by the following to arrive at headline earnings:			
814,9	1 710,5	Basic earnings	317.5		179.2
43,2	176,7	Less: Exceptional items as per note 4	40.6		9.3
771,7	1 533,8	Headline earnings	276.9		169.9
		7. Dividends			
		Ordinary shares			
511,8	732,5	No. 84 of 127 US cents (750 SA cents) per share declared on 17 July 1998 and paid on 18 September 1998	123.5		113.0
599,5	782,8	No. 85 of 136 US cents (800 SA cents) per share declared on 2 February 1999 and payable on 26 March 1999	133.1		123.1
1 111,3	1 515,3		256.6		236.1

SA Rand					US Dollars				
Land	Mineral rights, dumps and other	Mine infra-structure	Mine develop-ment	Total	Total	Mine develop-ment	Mine infra-structure	Mineral rights, dumps and other	Land
8. Mining assets									
Cost									
29,9	135,5	3 794,1	13 713,6	17 673,1	3 628.5	2 815.6	779.0	27.8	6.1
5,1	239,4	170,0	616,2	1 030,7	191.7	114.6	31.6	44.6	0.9
0,1	(1,7)	302,7	(1 911,1)	(1 610,0)	(299.5)	(355.5)	56.3	(0.3)	–
					(614.2)	(463.1)	(141.4)	(8.7)	(1.0)
35,1	373,2	4 266,8	12 418,7	17 093,8	2 906.5	2 111.6	725.5	63.4	6.0
Accumulated amortisation									
–	10,0	1 904,3	4 517,5	6 431,8	1 320.5	927.4	391.0	2.1	–
–	7,1	239,5	498,2	744,8	135.5	89.6	44.6	1.3	–
–	1,8	(33,1)	(1 022,8)	(1 054,1)	(196.1)	(190.2)	(6.2)	0.3	–
					(218.9)	(147.9)	(70.5)	(0.5)	–
–	18,9	2 110,7	3 992,9	6 122,5	1 041.0	678.9	358.9	3.2	–
35,1	354,3	2 156,1	8 425,8	10 971,3	1 865.5	1 432.7	366.6	60.2	6.0
29,9	125,5	1 889,8	9 196,1	11 241,3	2 308.0	1 888.2	388.0	25.7	6.1
1997	1998				1998				1997
9. Investments									
520,9	874,7				148.7				106.9
29,7	26,8				4.6				6.1
550,6	901,5				153.3				113.0
Associates									
Carrying value consists of:									
520,9	558,2				94.9				106.9
–	363,7				68.4				–
–	(20,9)				(3.7)				–
–	(26,3)				(4.8)				–
					(6.1)				–
520,9	874,7				148.7				106.9
1 542,4	1 281,2				217.8				316.7
Other investments									
Listed investments									
5,0	5,0				1.0				1.0
–	(5,0)				(1.0)				–
5,0	–				–				1.0
3,8	–				–				0.8

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

1997	1998		1998	1997
SA Rand			US Dollars	
		9. Investments (continued)		
		Unlisted investments		
24,7	24,7	Opening balance	5.1	5.1
–	3,8	Additions	0.6	–
–	(1,7)	Disposals	(0.3)	–
		Translation adjustment	(0.8)	–
24,7	26,8	Closing balance	4.6	5.1
89,7	107,4	Directors' valuation of unlisted investments	18.3	18.4
		Associates		Number of shares held
		Listed		
		Driefontein Consolidated Limited	43 794 572	43 007 072
		Unlisted		
		Société d'Exploitation des Mines d'Or de Sadiola S.A.	38 000	38 000
		Other		
		Listed		
		AngloGold Limited	–	594 290
		St Helena Gold Mines Limited	–	258 527
		Unlisted		
		Lansan Investment Holdings Limited	54 573	52 392
		Northern Gold Holdings Limited	350 350	350 350
		Nuclear Fuels Corporation of South Africa (Proprietary) Limited	1 229 310	946 186
		Rand Refinery Limited	196 945	200 481
		RMH Hospital Limited	457 413	454 432
		The Chamber of Mines Building Company Limited	459 582	407 140
		The Employment Bureau of Africa Limited	663 811	718 625
		The Rand Mutual Assurance Company Limited	8 984	8 474
		10. Long-term loans – unsecured		
586,9	666,6	Loans to associated companies	113.3	120.5
		The loan is denominated in US Dollars and interest accrues at libor plus 2% per annum. The loan is repayable in eight equal semi-annual instalments on 16 May and 16 November with the final instalment on 16 May 2002.		
–	92,2	Loan to AngloGold Limited Employee Share and Debenture Trust	15.7	–
		Interest is payable annually at the official interest rate per the seventh schedule of the Income Tax Act.		
45,7	80,6	Other	13.7	9.4
632,6	839,4		142.7	129.9

1997	1998		1998	1997
SA Rand			US Dollars	
		11. Inventories		
346,0	287,3	Gold in process	48.8	71.3
171,9	–	Gold on hand	–	35.3
162,9	121,2	Uranium oxide and sulphuric acid	20.7	33.4
278,4	270,7	Consumable stores	45.9	57.1
959,2	679,2		115.4	197.1
		12. Trade and other receivables		
58,8	83,3	Trade debtors	14.2	12.1
443,4	628,0	Other debtors	106.8	91.0
109,8	155,5	Prepayments and accrued income	26.4	22.5
612,0	866,8		147.4	125.6
		13. Cash and cash equivalents		
143,8	32,8	Unlisted redeemable cumulative preference shares at cost	5.6	29.5
242,2	–	Deposits, short-term and call, with Anglo American Corporation of South Africa Limited	–	49.7
778,5	1 285,2	Cash	218.5	159.9
1 164,5	1 318,0		224.1	239.1
		14. Share capital and premium		
		Authorised		
100,0	100,0	200 000 000 ordinary shares of 50 cents each	30.0	30.0
1,0	1,0	2 000 000 A redeemable preference shares of 50 cents each	0.3	0.3
0,1	0,1	5 000 000 B redeemable preference shares of 1 cent each	–	–
101,1	101,1		30.3	30.3
		Issued		
		97 853 199 (1997: 97 839 399) ordinary shares of 50 cents each		
48,9	48,9	Opening balance	10.0	10.0
–	–	Arising from the issue of 13 800 shares	–	–
		Translation adjustment	(1.7)	–
48,9	48,9	Closing balance	8.3	10.0
1,0	1,0	2 000 000 A redeemable preference shares of 50 cents each	0.3	0.3
–	–	778 896 B redeemable preference shares of 1 cent each	–	–
1,0	1,0		0.3	0.3
(1,0)	(1,0)	Less: Held within the group	(0.3)	(0.3)
–	–	Closing balance	–	–

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

1997	1998		1998	1997
SA Rand			US Dollars	
		14. Share capital and premium (continued)		
		Share premium		
5 302,7	5 302,7	Opening balance	1 088.4	1 090.4
–	2,9	Movement arising from shares issued	0.6	–
–	(86,8)	Share issue expenses written off	(16.1)	–
		Translation adjustment	(185.6)	(2.0)
5 302,7	5 218,8	Closing balance	887.3	1 088.4
5 351,6	5 267,7	Total share capital and premium	895,6	1 098,4
		15. Borrowings		
		Unsecured loans		
532,8	590,1	Loans from Anmercosa Finance Limited	100.4	109.3
		Interest charged at libor plus 2% per annum. Loan is repayable in eight half-yearly instalments terminating in May 2002		
61,9	97,6	Loan From Debsam Limited	16.5	12.7
		Interest charged at libor plus 2% per annum. The payment date and terms are not yet determined		
82,8	17,4	Interest-free loans	3.0	17.0
14,1	10,8	Loan from the Economic Development Corporation Limited	1.8	2.9
		Interest charged at libor plus 0,6% per annum repayable in half-yearly instalments terminating December 2002		
3,7	3,1	Other	0.5	0.8
695,3	719,0	Total borrowings	122.2	142.7
		Amounts falling due:		
153,2	175,3	Between one and two years	29.8	31.5
495,5	525,9	Between two and five years	89.4	101.7
46,6	17,8	In five years or more	3.0	9.5
695,3	719,0	Total borrowings	122.2	142.7
(3,5)	(4,3)	Current portion of borrowings included in current liabilities	(0.7)	(0.7)
691,8	714,7		121.5	142.0
		16. Debentures		
–	92,2	420 500 unsecured variable rate compulsory convertible debentures issued in terms of the Share Incentive Scheme.	15.7	–
		Interest on these debentures is payable annually at the official interest rate per the seventh schedule of the Income Tax Act		
		The terms and conditions of the debentures are detailed in the directors report		

1997	1998		1998	1997
SA Rand			US Dollars	
		17. Other long-term liabilities		
		Environmental rehabilitation gross liability		
944,4	1 002,8	Balance at 31 December 1997	205.9	201.6
68,2	12,5	Revisions	2.3	14.9
(16,7)	(37,5)	Work completed	(6.8)	(3.6)
6,9	26,7	Adjustment for inflation	4.9	1.5
		Translation adjustment	(35.5)	(8.5)
1 002,8	1 004,5	Balance at 31 December 1998	170.8	205.9
647,6	606,2	Accrued environmental rehabilitation costs	102.5	133.1
		The balance in the Environmental Trust Fund is as follows:		
137,9	180,5	Balance at 31 December 1997	37.1	28.4
(8,2)	(17,7)	Work completed	(3.2)	(1.8)
29,7	29,4	Contributions	5.4	6.5
21,1	27,4	Interest earned	5.0	4.6
		Translation adjustment	(7.0)	(0.6)
180,5	219,6	Balance at 31 December 1998	37.3	37.1
467,1	386,6	Net balance accrued at 31 December 1998	65.2	96.0
		Post-retirement medical funding		
621,1	712,1	Balance at 31 December 1997	146.2	130.4
91,0	34,5	Transferred through the income statement	6.3	18.6
		Translation adjustment	(25.0)	(2.8)
712,1	746,6	Balance at 31 December 1998	127.5	146.2
1 179,2	1 133,2	Total other long-term liabilities	192.7	242.2
		18. Deferred taxation		
		The deferred taxation liability, which results from temporary timing differences relates to:		
5 030,9	4 822,1	Mining assets	819.9	1 032.9
223,1	136,8	Inventories	23.3	45.8
(767,4)	(670,9)	Provisions	(114.1)	(157.6)
22,0	23,6	Other	4.0	4.6
4 508,6	4 311,6		733.1	925.7
5 022,8	4 508,6	Opening balance	925.7	1 032.9
(514,2)	(197,0)	Transferred through the income statement	(33.1)	(111.3)
		Translation adjustment	(159.5)	4.1
4 508,6	4 311,6	Closing balance	733.1	925.7
		If partial provision had been made for deferred taxation for the year, the taxation liability would have decreased by \$684.5, R4 026,0 (1997: \$833.0; R4 057,2).		
		The partial deferred taxation liability which results from temporary timing differences relates to:		
451,4	285,6	Mining assets	48.6	92.7
		The effect on net profit after taxation in 1998 would have been a reduction of \$11.0; R31,2.		

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

1997	1998		1998	1997
SA Rand			US Dollars	
		19. Trade and other payables		
440,2	496,5	Trade creditors	84.4	90.4
156,5	176,5	Accruals	30.0	32.1
836,2	687,8	Other creditors	117.0	171.7
1 432,9	1 360,8		231.4	294.2
		20. Retirement benefits		
		The group has made provision for pension and provident schemes covering substantially all employees. Eligible employees are members of either AngloGold's defined benefit fund or one of the industry-based defined contribution funds. There is one defined benefit scheme and three defined contribution schemes. The assets of these schemes are held in administered trust funds separated from the group's assets. Scheme assets primarily consist of listed shares, property trust units and fixed income securities. All funds are governed by the Pension Funds Act of 1956.		
		The AngloGold Pension Fund, a defined benefit scheme, was formed in September 1998 when it was separated from the Anglo American Group and the Anglo American Corporation Pension Funds. At the last evaluation of the relevant Anglo American Group Pension Funds at January 1998 the scheme was certified by the reporting actuaries as being in a sound financial position, subject to the continuation of their current contribution rates. In arriving at their conclusions, the actuaries took into account reasonable long term estimates of inflation, increases in wages, salaries and pensions and returns on investments. The last valuation of these funds, plus the assets of the Anglo American Corporation Pension Fund transferred, showed a determined fair value of the combined assets of the scheme of \$80.8; R475,1 which compares to the market value of \$88.4; R519,8. This was more than sufficient to cover the benefits that had accrued to members, allowing for future increases in earnings, amounting to \$76.3; R448,6. The AngloGold Pension Fund will be evaluated in 1999 and thereafter evaluations will take place at intervals of not more than three years using the projected benefit method.		
		Any deficits in the defined benefit scheme advised by the actuaries are funded either immediately or through increased contributions to ensure the ongoing soundness of the scheme. Contributions to the various retirement schemes are fully expensed during the year in which they are funded and the cost of providing retirement benefit for the year amounted to \$52.3; R287,1 (1997: \$72.7; R333.5).		
Amounts owed to related party	Purchases from related party		Purchases from related party	Amounts owed to related party
		21. Related party transactions		
17,4	212,4	HL & H Timber Products (Proprietary) Limited – mining timber	38.7	3.0
–	157,1	Shaft Sinkers (Proprietary) Limited – mining services	28.6	–
15,2	147,3	AECI Limited – explosives and initiating systems	26.8	2.6
–	46,6	LTA Limited – mining services	8.5	–
0,5	25,2	Boart Longyear Limited – mining services	4.7	0.1
–	3,0	Haggie Limited – mining equipment	0.5	–

1997	1998		1998	1997
SA Rand			US Dollars	
		22. Commitments and contingent liabilities		
		Mining assets		
240,9	231,9	Contracted for	39.4	49.5
927,2	961,6	Not contracted for	163.5	190.4
1 168,1	1 193,5	Authorised by the directors	202.9	239.9
		Allocated for:		
		Expansion of capacity		
12,4	32,7	– within one year	5.6	2.5
600,4	811,1	– thereafter	137.9	123.3
612,8	843,8		143.5	125.8
		Maintenance of capacity		
426,5	228,5	– within one year	38.9	87.6
128,8	121,2	– thereafter	20.5	26.5
555,3	349,7		59.4	114.1
		This expenditure will be financed from existing cash resources and future cash flows.		
		There is a contingent liability arising from an agreement with Nuclear Fuels Corporation of South Africa (Proprietary) Limited (NUFCOR) whereunder the company has undertaken a joint liability with other shareholders of NUFCOR to ensure that certain sales commitments of NUFCOR shall be met in the event of other shareholders of NUFCOR failing to meet their obligations.		
		The company has given collateral security to certain banks in respect of mortgage loans advanced to employees under its home ownership scheme amounting to		
22,0	17,1		2.9	4.5
		23. Cash generated from operations		
823,9	2 404,0	Profit on ordinary activities before taxation	444.3	181.3
		Adjusted for:		
923,9	744,8	Amortisation of mining assets	135.5	200.5
115,4	43,5	Non-cash movements	8.1	28.6
(56,2)	107,3	Loss/(profit) on sale of mining assets	9.1	(12.2)
(222,5)	(363,7)	Income from associates	(68.4)	(48.2)
(304,4)	(246,4)	Interest received	(44.6)	(64.9)
(40,8)	(13,4)	Dividends received	(2.4)	(8.7)
33,8	94,4	Interest paid	17.1	7.2
342,6	15,6	Movement in working capital	2.8	74.1
1 615,7	2 786,1		501.5	357.7
		The following analyses the movement in working capital:		
496,7	280,0	Decrease in inventories	51.2	115.7
(255,0)	(254,8)	Increase in trade and other receivables	(46.5)	(58.6)
100,9	(9,6)	(Decrease)/increase in trade and other payables	(1.8)	17.0
342,6	15,6		2.9	74.1

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

24. Risk management activities

In the normal course of its operations, the group is exposed to gold price, currency, interest, liquidity and credit risk. In order to manage these risks, the group may enter into transactions which make use of both on and off-balance sheet financial instruments. The group does not acquire, hold or issue derivative instruments for trading purposes.

Gold price and currency risk

Gold price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of gold. The gold market is predominately priced in US Dollars which exposes the group to the risk that fluctuations in the Rand/Dollar exchange rate may also have an adverse effect on current or future earnings.

A number of products, including derivative instruments are used to manage well defined gold price and foreign exchange risks, that arise out of the group's core business activities. Fixed and spot-deferred forward sales contracts and call and put options are used by the group to protect itself from downward fluctuations in the gold price. These instruments establish a minimum price for future production while maintaining the ability to participate in increases in the gold price.

The following table indicates the group's gold hedge position as at 31 December 1998

12 months ending 31 December	Volume hedged ounces sold/000's	Volume hedged kilograms sold	Average price US\$ per ounce sold	Average SA Rand per kilogram sold
1999	3 741	116 350	322	63 998
2000	2 236	69 557	342	75 800
2001	1 945	60 501	337	82 697
2002	1 526	47 450	337	91 137
2003	630	19 599	351	104 375
2004 – 2008	1 769	55 037	386	137 876

The following table indicates the group's currency hedge position as at 31 December 1988

12 months ending 31 December	Dollars covered millions	Average price (ZAR/USD)
1999	304	5.63
2000	55	5.96
2001	20	6.14
2002	20	6.48

The mix of hedging instruments, the volume of production hedged and the tenor of the hedging book is continuously reviewed in the light of changes in operational forecasts, market conditions and the group's hedging policy.

Forward sales contracts require the future delivery of gold at a specified price. A number of these contracts are spot-deferred to be used by the group for delivery against production in a future period. The notional amount of outstanding forward sales type contracts at the end of the year was 276 736 kg (1977: 163 111 kg).

A put option gives the put buyer the right, but not the obligation, to sell gold to the put seller at a predetermined price on a predetermined date.

A call option gives the call buyer the right, but not the obligation, to buy gold from the call seller at a predetermined price on a predetermined date.

The group's risk as outlined above in purchasing compound options is limited to the premium paid. Net cash receipts received under the option hedging strategies for the year were R220,1 (1997: R95,7). The notional value of option contracts outstanding at the end of the year was 196 036 kg (1997: 221 130 kg).

Interest rate and liquidity risk

Fluctuations in interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risk.

In the ordinary course of business, the group receives cash from the proceeds of its gold sales and is required to fund working capital requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. The group is able to actively source cheap financing should it be required.

Investment maturity profile**Group 1998**

Maturity date	Fixed rate	Effective rate %	Floating rate	Effective rate %
	investments/(borrowings) amount (R' millions)		investments/(borrowings) amount (R' millions)	
Less than one year	571	18.9	714	18,0

Credit risk

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously. The group minimises credit risk by ensuring that credit risk is spread over a number of counterparties. These counterparties are financial and banking institutions of the highest quality. Where possible, management tries to ensure that netting agreements are in place.

Trade debtors comprise a small group of international companies. No provision for doubtful debts was made as the principal debtors continue to be in a sound financial position.

The group does not generally obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of counterparties. The group believes that no concentration of credit exists.

Fair value

The estimated fair values of financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The estimated fair values of the group's financial instruments as at 31 December are as follows:

Type of instrument	1998		1997	
	Carrying amount (R' millions)	Fair value (R' millions)	Carrying amount (R' millions)	Fair value (R' millions)
Cash and cash equivalents	1 285	1 285	1 021	1 021
Money market instruments	33	33	144	144
Long-term loans	839	839	633	633
Forward sale contracts	–	1 231	–	2 334
Option contracts	–	(163)	–	284
Foreign exchange contracts	–	(162)	–	(45)
Foreign exchange option contracts	–	11	–	20

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents and money market instruments

The carrying amounts approximate fair value because of the short term duration of these instruments.

Long-term loans

The existing debt re-prices on a short-term floating rate basis, and accordingly the carrying amount is considered to approximate fair value.

Derivative instruments

The fair value of forward sales contracts and derivative instruments are estimated based on the ruling market prices, volatilities and interest rates at 31 December 1998.

Reconciliations between the statutory annual financial statements and IAS financial statements

Figures in million unless otherwise stated

1997	1998		1998	1997
SA Rand			US Dollars	
Reconciliation of shareholders' equity				
21 364,7	21 679,1	Shareholders' equity per statutory group annual financial statements	3 686.1	4 386.3
(9 462,3)	(9 840,4)	Difference in carrying value of mining assets	(1 673.2)	(1 942.8)
–	138,1	Difference in income from associates	23.5	–
(1 179,8)	(1 133,2)	Rehabilitation liability expensed	(192.7)	(242.2)
346,5	287,3	Recognition of gold in process inventories	48.8	71.3
(4 508,6)	(4 311,6)	Deferred taxation	(733.1)	(925.7)
6 560,5	6 819,3	Shareholders' equity per IAS group financial statements	1 159.4	1 346.9
Reconciliation of profit				
1 385,1	1 660,8	Profit on ordinary activities after taxation per statutory group annual financial statements	289.7	308.1
599,1	553,7	Appropriation for capital expenditure	101.6	130.3
Profit after taxation and appropriation for capital expenditure per statutory group annual financial statements				
1 984,2	2 214,5		391.3	438.4
(923,9)	(744,8)	Amortisation and depreciation of mining assets	(135.5)	(200.5)
(669,3)	(58,7)	Gold in process inventory change	(11.0)	(145.3)
(159,2)	2,6	Difference in production costs	3.0	(33.4)
80,9	138,1	Difference in income from associates	27.3	17.9
56,2	(107,3)	(Loss)/profit on sale of mining assets	(9.1)	12.1
6,5	69,1	Difference in sundry income	18.4	(5.4)
514,2	197,0	Deferred taxation on temporary timing differences	33.1	111.3
(74,7)	–	Transfer to non-distributable reserve	–	(15.9)
814,9	1 710,5	Profit on ordinary activities after taxation per IAS group financial statements	317.5	179.2
Reconciliation of cost of sales				
9 813,3	9 067,6	Cost of sales per statutory group annual financial statements	1 658.0	2 135.2
669,3	58,7	Gold in process inventory change	11.0	145.3
44,3	14,4	Rehabilitation liability expensed	2.6	9.1
923,9	744,8	Amortisation and depreciation of mining assets	135.5	200.5
114,9	(17,0)	Capital expenditure charged to production costs	(5.6)	24.3
11 565,7	9 868,5	Cost of sales per IAS group financial statements	1 801.5	2 514.4