

Approval of statutory annual financial statements

The statutory annual financial statements and group annual financial statements for the year ended 31 December 1998 were approved by the Board of Directors on 12 March 1999 and are signed on its behalf by:

Directors:

N F Oppenheimer
Chairman

J G Best
Executive Director, Finance

R M Godsell
Chief Executive Officer

C B Brayshaw
Chairman, Audit Committee

Managing Secretary: R N Duffy

Auditors' report

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

We have audited the statutory annual financial statements and group annual financial statements of AngloGold Limited set out on pages 34 to 68 for the year ended 31 December 1998. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these 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 statutory 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 generally accepted accounting practice in South Africa, and in the manner required by the South African Companies Act.

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

Johannesburg
12 March 1999

Corporate governance

The AngloGold group is committed to ensuring that its relationships and business dealings with all its stakeholders are conducted with integrity, transparency and responsibility and in accordance with generally accepted practices.

The directors believe that the group complies with the provisions of the King Report's Code of Corporate Practices and Conduct.

Financial statements

The directors are required by the South African Companies Act to maintain adequate accounting records and to prepare financial statements which fairly present the state of affairs of the company and the AngloGold group at the end of the financial year, and the results of operations and cash flows for the year, in conformity with generally accepted accounting practice.

In preparing the statutory annual financial statements reflected in both South African rand and United States dollars on pages 34 to 68, the group has consistently used appropriate accounting policies supported by reasonable and prudent judgements and estimates, and has complied with all applicable accounting standards generally adopted by the mining industry in South Africa. The directors are of the opinion that these financial statements fairly present the financial position of the company and the group at 31 December 1998, and the results of these operations and cash flow information for the year then ended.

The directors have reviewed the group's budget and cash flow forecast for the year to 31 December 1999. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that AngloGold is a going concern and have continued to adopt the going-concern basis in preparing the financial statements.

The external auditors, Ernst & Young, are responsible for independently auditing and reporting on the financial statements in conformity with generally accepted South African auditing standards. Their unqualified report on these financial statements appears on page 33.

For the convenience of international investors, the financial statements of the company and the group for the year ended 31 December 1998, based on International Accounting Standards (IAS), and reflecting amounts in United States dollars and in South African rand, are included on pages 71 to 92. The report of the external auditors on these financial statements is set out on page 70.

As part of the process of listing on the New York Stock Exchange (NYSE) during August 1998, the company was required to register with the United States Securities and Exchange Commission (SEC). To comply with requirements for reporting by non-US companies registered with the SEC, the company has prepared a set of financial statements in accordance with US generally accepted accounting principles which are available from the Bank of New York to holders of the company's securities listed in the form of American Depositary Shares on the NYSE. Copies of these particular financial statements are

also available to stakeholders and other interested parties upon request to the company's registered office.

Internal control

To enable the directors to fulfil their responsibilities, the group maintains systems of internal control which are designed to provide reasonable assurance that the accounting records accurately reflect the transactions of the group and provide protection against serious risk of error or loss in a cost-effective manner.

To combat the incidence of gold theft at the group's South African mining operations, a multi-disciplinary gold control project team was established during 1998. The objective of the team is to audit gold control procedures and monitor performance in this regard.

The appropriateness of the internal controls is independently appraised by an internal audit department. Regular meetings are held between management and the internal and external auditors to review matters relating to internal accounting controls, auditing and financial reporting. The directors are of the opinion, based on the information and explanations given by management and the internal auditors, and on comment by the external auditors on the results of their audit, that internal accounting controls are adequate, so that the accounting records may be relied on for preparing the group financial statements and maintaining accountability for assets and liabilities. The directors believe that, in all material respects, assets are protected and used as intended with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in these controls has occurred during the year under review.

The external auditors concur with the above statements by the directors regarding internal accounting controls.

Board and committee structure

The company has a unitary board structure comprising 12 non-executive directors, five of whom, including the chairman, are directors of AngloGold's holding company, with the seven remaining being independent of management. Non-executive directors derive no benefits from the company for their services as directors other than their fee. The non-executive directors are of a high calibre and sufficient number for their independent views to carry significant weight in the board's deliberations and decisions. There are also three executive directors including the chief executive officer. No executive directors hold service contracts. All directors are subject to retirement by rotation and re-election by shareholders at least once every three years in accordance with the company's articles of association. The appointment of new directors is approved by the board as a whole.

The board retains full and effective control over the company, meeting on a quarterly basis with additional meetings being arranged when necessary, to review strategy, planning, operational performance, acquisitions and disposals, major capital expenditure, stakeholder communications and other material matters reserved for its decision. The board is also responsible for monitoring the activities of executive management within the group.

Corporate governance continued

The directors have access to the advice and services of a managing secretary, as well as a company secretary, who are both responsible to the board for ensuring compliance with procedures and regulations of a statutory nature. Directors are entitled to seek independent professional advice concerning the affairs of the group at the group's expense, should they believe that course of action would be in the best interests of the group.

The board has established a number of standing committees in which, with the exception of the Executive Committee, the non-executive directors play an active role, particularly in the capacity as chairman of the committee concerned. All standing committees operate within written terms of references established by the board. Remuneration of non-executive directors for their services on the various committees has been determined by the board.

Executive Committee

The Executive Committee of the board comprises the three executive directors, namely the chief executive officer as chairman, the marketing director and the finance director, as well as ten executive officers and the managing secretary. The committee meets regularly to review current operations in detail, develop strategy and policy proposals for consideration by the board and to implement its directives.

The committee presently comprises R M Godsell (chairman), J G Best, I D Cockerill, R N Duffy, J M Duncan, R J Fisher, D L Hodgson, S J Lenahan, R G Mills, J F Myburgh, A G Smith, B I Tapson, N W Unwin and K H Williams.

Audit Committee

To assist the board in discharging its responsibilities to maintain financial controls, an Audit Committee meets at least four times yearly with the external audit partner, the company's internal audit manager and the financial director to review the audit plans of the internal and external auditors, to ascertain the extent to which the scope of the audit can be relied upon to detect weaknesses in internal controls and to ensure that quarterly and year-end reporting meet acceptable accounting standards.

The Audit Committee comprises four non-executive directors. The company's internal audit manager and the external audit partner have unrestricted access to the Audit Committee. All important findings arising from audit procedures are brought to the attention of the committee.

This committee presently comprises C B Brayshaw (chairman), Mrs E le R Bradley, R P Edey and R P Garnett.

Employment Equity Committee

The company is committed to promoting an organisational culture which provides all employees with opportunities to progress to their optimal levels of career development. To ensure that the company achieves its employment equity objectives and the proper implementation of its strategies, an Employment Equity

Committee has been formed, comprising the chief executive officer and three non-executive directors. The committee meets four times a year.

The committee presently comprises T J Motlatsi (chairman), F B Arisman, R M Godsell and T C A Wadeson.

Market Development Committee

During the year, the board established a Market Development Committee with the primary objective of extending the influence of AngloGold, as the world's largest gold company, in the development of a broader gold business both nationally and internationally. This committee, which meets three times a year, is composed of the chief executive officer, the marketing director and five non-executive directors.

The committee presently comprises Dr V K Fung (chairman), F B Arisman, Mrs E le R Bradley, Dr J W Campbell, R M Godsell, T J Motlatsi and K H Williams.

Remuneration Committee

A Remuneration Committee has been appointed by the board with responsibility for approving the remuneration policies of the company and the terms and conditions of employment of executive directors and officers, including the determination of salaries, performance-linked bonuses, and the administration of the company's share incentive scheme. The committee, consisting of four non-executive directors, meets on an annual basis.

The committee presently comprises R P Edey (chairman), D M J Ncube, J Ogilvie Thompson and N F Oppenheimer.

Safety, Health and Environment Committee

The company, its subsidiaries and associates operate in Africa and also, with the acquisition of the gold interests of Minorco with effect from 1 January 1999, on the continents of North and South America. Mining-related activities are conducted under many varied working conditions and environmental challenges.

In recognising the very important issues of the safety and health of its employees and of the environment, the board has instituted a Safety, Health and Environment Committee comprising the chief executive officer and three non-executive directors. The committee, one of whose primary objectives is the elimination of all accidents of a mining nature, meets on a quarterly basis and conducts on-site inspections in regard to matters of serious concern.

This committee presently comprises D M J Ncube (chairman), R M Godsell, T J Motlatsi and T C A Wadeson.

Worker participation

The company employs a variety of strategies and structures, which are designed to promote worker participation. These strategies and structures are further developed and adapted from time to time to meet variations in operational requirements and to

Corporate governance continued

accommodate changing circumstances. Management and worker representatives currently meet in formal and informal forums at company and operational levels to share information and to address matters of mutual interest.

Code of ethics

All directors and employees are required to maintain the highest ethical standards in ensuring that the group's business practices are conducted in a manner which, in all reasonable circumstances, is above reproach.

In addition, the company operates a 'closed period' prior to the publication of its quarterly and year-end financial results during which period directors and officers of the company may not deal in the shares of the company. Where appropriate, this is also extended to include other 'sensitive' periods.

Year 2000 compliance

In anticipation of the issues associated with the Year 2000 conversion problem, management initiated an enterprise-wide programme during the second quarter of 1997 to prepare the company's South African computer systems and applications for the Year 2000. In terms of the programme, a Year 2000 Steering Committee has been established, whose main responsibility is the testing of systems, hardware and software for Year 2000 compliance as well as the assessment of systems of primary vendors to AngloGold. The steering committee utilises both internal and external resources to achieve their objective. Initiatives to renew AngloGold's systems have been implemented for some years independently of the Year 2000 problem. These systems are already Year 2000 compliant.

The objective is to ensure that all systems are Year 2000 compliant by 30 June 1999. The company believes that compliance will be achieved by such date. The expected cost to test and convert systems, hardware and software is estimated at R30 million. Progress on this project is being monitored by the steering committee on a monthly basis with any deviations from schedules receiving the necessary management attention. Although every effort is being made to ensure that computer systems of primary vendors to AngloGold will be converted in time to be Year 2000 compliant, there can be no assurance that this will happen. This could have a material impact on the company's ability to conduct its business.

The non-South African operations have independent committees dealing with the year 2000 issue. There are no indications that these operations will be adversely affected by the change to the new millennium and, therefore, it is expected that these operations will also be totally compliant by the end of June 1999.

Directors' report

The directors have pleasure in presenting their report on the audited statutory annual financial statements of the company and of the group for the year ended 31 December 1998.

Change of name and restructuring

The company changed its name from Vaal Reefs Exploration and Mining Company Limited to AngloGold Limited with effect from 30 March 1998 in preparation for being used as the vehicle for merging the gold interests of Anglo American Corporation of South Africa Limited (AAC) and companies associated with it into a single, independently managed, focused, global gold company.

On 4 June 1998, AngloGold shareholders in general meeting approved, inter alia, an arrangement whereby the company would acquire:

- the entire issued share capitals of
 - East Rand Gold and Uranium Company Limited,
 - Eastvaal Gold Holdings Limited,
 - Elandsrand Gold Mining Company Limited,
 - Free State Consolidated Gold Mines Limited,
 - H J Joel Gold Mining Company Limited,
 - Southvaal Holdings Limited, and
 - Western Deep Levels Limited
 (the participating companies) in terms of Schemes of Arrangement under Section 311 of the South African Companies Act to be concluded between each of the participating companies and their respective members;
 - from AAC and certain of its subsidiaries and associates their gold mineral rights and various share interests; and
 - cession of the service agreements held by AAC in respect of the participating companies and other companies forming part of the merger transaction,
- in return for the issue, credited as fully paid, of 78 204 908 ordinary shares of 50 cents each in the company:
- to the former members of the participating companies and cash in respect of any fractional entitlements,
 - to the vendors of the gold mineral rights and share interests, and
 - to AAC in respect of the cession of service agreements.

Shareholders of the participating companies overwhelmingly approved the Schemes at subsequent meetings also held on 4 June 1998.

The Schemes in terms of which:

- existing shareholders of the participating companies were to receive new shares in the company, in previously announced ratios, and
- the participating companies were to become wholly-owned subsidiaries of the company,

were sanctioned by the High Court of South Africa (Witwatersrand Local Division) on 23 June 1998. All necessary documents, other than the documents relating to Eastvaal, were registered by the Registrar of Companies on 26 June 1998.

Directors' report continued

With all conditions precedent having been fulfilled, the Schemes, other than the Eastvaal Scheme, became operative on 29 June 1998. The listings of the participating companies, other than Eastvaal, on the Johannesburg Stock Exchange and, where applicable, the stock exchanges in London and Paris were terminated at the close of trading on 26 June 1998. The existing share certificates of those companies, other than Eastvaal, ceased to be of any value after 26 June 1998, other than for their entitlement upon their surrender to receive consideration in terms of the Schemes.

In the case of Eastvaal, the relevant documents were registered by the Registrar of Companies on 10 July 1998. Consequently, the Eastvaal Scheme became operative with effect from 13 July 1998. The listing of Eastvaal was terminated at the close of business on 10 July 1998 and the Eastvaal share certificates ceased to be of any value after that date, other than for the entitlement of Eastvaal members upon surrender to receive Eastvaal's consideration in terms of the Scheme.

AngloGold is a subsidiary of AAC, which holds a 50,95 per cent interest.

The method adopted for the combination of the participating companies on the formation of AngloGold is the uniting of interest method for accounting for mergers in terms of International Accounting Standard No. 22 – Business Combinations. The 1997 comparative figures constitute the aggregation of the audited financial statements of the participating companies for the year ended 31 December 1997 as if the group had been in existence since 1 January 1997.

Events subsequent to the balance sheet

Acquisition

At a general meeting of the company held on 3 February 1999, shareholders approved the acquisition by the company of the gold interests of Minorco for a consideration of \$550 million. The consideration will be funded by a three-year \$350 million term loan facility, concluded with a syndication of banks on 12 February 1999, and cash from the company's own resources. All conditions precedent relating to the acquisition and funding arrangements are expected to be completed during the second half of March 1999, when the acquisition will become effective from 1 January 1999. Full details relating to the acquisition were contained in a circular to members dated 12 January 1999.

Driefontein Consolidated Limited

In an announcement dated 21 July 1998 it was disclosed that the company and Gold Fields Limited, as major shareholders of Driefontein Consolidated Limited, had concluded a joint venture agreement on the ownership and management of Driefontein. The terms of the agreement provided, inter alia, for an offer to be made

to the minority shareholders of Driefontein which, if successful, would result in Driefontein being delisted and ownership shared 60:40 between Gold Fields and the company. However, subsequently, on 18 February 1999, it was announced, inter alia, that the company would dispose of its entire interest of 21,5 per cent, comprising 43 809 572 shares of 50 cents each, in Driefontein to Gold Fields for a consideration of R30 per share totalling R1 314 million. The purchase price is to be settled by way of R714 million in cash and a loan, on commercial terms, amounting to R600 million from the company, repayable in full within nine months from the date on which the transaction is approved by the shareholders of Gold Fields. In addition, as part of the arrangement, the company's holding company, AAC, will acquire Gold Fields' holding of 1 968 769 shares in the company, thereby increasing AAC's investment in AngloGold to 52,96 per cent.

Taxation

In his recent budget speech the Minister of Finance announced a reduction in the company tax rate from 35 per cent to 30 per cent. After taking into account Secondary Tax on Companies (STC) of 12,5 per cent, this reduces the total tax rate from 42 per cent to 38 per cent. The same reduction is reflected in the gold mining tax formula which changes from $Y=51-255/x$ (where x is the profit to revenue ratio) to $Y=46-230/x$. The effect of this is that the tax payable would decrease by 9,8 per cent in the case of mining income and 9,5 per cent for non-mining income. With the marginal tax rate in respect of costs and capital expenditure dropping from 51 to 46 per cent, there will be a smaller tax benefit on initial capital expenditure on new projects, which is likely to result in the cash required for capital expenditure being 5 per cent higher.

Nature of business

AngloGold Limited is the world's largest gold producer with mining operations being conducted in three countries in Africa, as well as on the continents of North and South America, and gold exploration interests being pursued worldwide.

Fuller details regarding the company's activities during the year under review appear on pages 8 to 12.

Share capital

Authorised capital

In terms of a special resolution passed by shareholders at a general meeting held on 12 March 1998, and registered on 13 March 1998, the number of authorised ordinary shares was increased to 200 000 000 by the creation of 180 000 000 additional ordinary shares of 50 cents each.

There was no change in the authorised 2 000 000 A redeemable preference shares of 50 cents each and the 5 000 000 B redeemable preference shares of 1 cent each.

Directors' report continued

Issued capital

The issued ordinary share capital was increased during the year as a result of settlement of the considerations payable in terms of the merger of gold interests and the exercise of share options by participants in the Share Incentive Scheme, as shown in the table below:

	No. of shares	Rand
Issued ordinary share capital at 31 December 1997	19 634 491	9 817 245
Consideration - merger of gold interests	78 204 908	39 102 454
Exercise of employee share options	13 800	6 900
Issued ordinary share capital at 31 December 1998	97 853 199	48 926 599

All the issued A and B redeemable preference shares are held by a wholly-owned subsidiary.

Unissued capital

As at 31 December 1998, there were 102 146 801 unissued ordinary shares. Of these, the directors have specific authority from the shareholders to issue 2 690 962 shares in accordance with the Share Incentive Scheme. The remaining 99 455 839 unissued shares are under the control of the directors until the next annual general meeting which is to be held on 30 April 1999. At that meeting members will be asked to renew the directors' control over the unissued ordinary shares, exclusive of the number of shares as may be required to be allotted and issued by the company pursuant to the Share Incentive Scheme.

In terms of the Listings Requirements of the Johannesburg Stock Exchange, shareholders may, subject to certain conditions, authorise the directors to issue the unissued shares held under their control for cash other than by means of a rights offer to members. In order that the directors of the company may be placed in a position to take advantage of favourable circumstances which may arise for the issue of such shares for cash without restriction for the benefit of the company, members will be asked to consider an ordinary resolution to this effect at the forthcoming annual general meeting. The necessary ordinary resolution has been incorporated as item No. 4 in the notice of meeting on pages 96 and 97.

Share premium

The company's share premium account before the merger rose from R539,7 million at 31 December 1997 to R3 909,2 million primarily as a result of the method adopted for the combination of the participating companies on the formation of AngloGold, which 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 AngloGold and the nominal value of the share capital and share premium of the participating companies acquired has been reflected as a merger adjustment and set-off against shareholders' equity.

Full details of the authorised, issued and unissued shares, as well as the share premium, are given in note 15 of the statutory annual financial statements.

Share incentive scheme

At the general meeting held on 4 June 1998, shareholders approved the introduction of the AngloGold Limited Share Incentive Scheme for the purpose of providing an incentive to employees of the company and its subsidiaries to identify themselves more closely with the fortunes of the group and its continued growth, and also to promote the retention of employees by giving them an opportunity to acquire shares in the company. Employees participate in the scheme to the extent that they are granted options or offered automatically convertible unsecured debentures and accept them.

The maximum number of ordinary shares which have been made available for the purposes of the scheme is 2 690 962, equivalent to 2,75 per cent of the total number of ordinary shares in issue. The maximum aggregate number of shares which may be acquired by any one participant in the scheme is 150 000.

During the period since the implementation of the scheme to 31 December 1998, employees of the company, who previously participated in the AAC Executive Share Incentive Scheme in terms of their employment with AAC, were granted options to subscribe for 673 000 ordinary shares of 50 cents each, at prices varying between R208,00 and R256,00 per share and on comparable terms to the AAC scheme. A total of 13 800 ordinary shares of 50 cents each were issued to certain of these employees who exercised their options. As at 31 December 1998, participants in the scheme have accepted a total of 420 500 fully paid automatically convertible unsecured debentures at values varying between R216,00 and R297,60 per debenture.

The options granted may be exercised and the debentures accepted may be converted as follows:

Percentage	Period after date of grant of options/ issue of debentures
20%	2 years
40%	3 years
60%	4 years
100%	5 years

The equity component of the automatically convertible debentures is not sufficiently material to warrant reporting a portion of the issued

Directors' report continued

debentures as equity and the balance as debt. The interest on these debentures is payable annually at the official interest rate per the seventh schedule of the Income Tax Act which approximates market rates.

All options, however, which have not been exercised within ten years from the date on which they were granted automatically lapse. Debentures which have not been converted within a similar period of acceptance will be ceded to the AngloGold Limited Employees' Share and Debenture Trust established by the company for purposes of the scheme.

At the year end, the unallocated balance of shares subject to the scheme amounted to 1 611 262.

Between the year end and the date of this report, employees have accepted a further 26 000 debentures have been allocated at prices varying between R235,80 and R257,00 per debenture.

Financial results

Group profit for the year ended 31 December 1998 after taxation, appropriation for capital expenditure and equity earnings was R1 660,8 million (1997: R1 385,1 million) or 1 697 (1997: 1 416) cents per share.

The group's results are analysed under the Financial Review section on page 3.

Dividends

Details of dividends declared in respect of the year under review are given in note 7 to the statutory annual financial statements.

Borrowing powers

In terms of the articles of association, the borrowing powers of the company are unlimited.

At 31 December 1998, the group's borrowings totalled R719 million (1997: R695 million).

International accounting standards

The statutory annual financial statements are prepared in conformity with South African generally accepted accounting practice for the mining industry and in the manner required by the South African Companies Act. These financial figures are also shown in US dollars. For the benefit of international investors, also included with this report are financial statements prepared to comply with International Accounting Standards.

Fixed assets

A schedule giving details of the group's mining rights and property is available for inspection at the company's registered office.

Acquisitions

With effect from 1 July 1998, the company purchased certain assets, including gold slimes material and surface rights, on the East Rand from East Daggafontein Mines

Limited for an aggregate consideration of R106 million. East Daggafontein purchased 420 947 ordinary shares in the capital of the company, previously held by a wholly-owned subsidiary, at R251,81 per share, being the average closing price for the 30 trading days which ended on 2 September 1998. In terms of the agreement of sale the existing processing arrangement between the companies was cancelled.

Disposals

The undermentioned mine shafts and related infrastructure were sold during the year under review as being uneconomic to operate from the company's perspective:

Description of asset sold	Purchaser	Effective date of sale	Consideration
Vaal Reefs Nos. 1, 3, 4, 5, 6 and 7 shafts, exclusive of all major equipment and winders	African Rainbow Minerals & Exploration (Proprietary) Limited	27.1.98	R38 million
Freddies Nos. 7, 8 and 9 shafts	Kadas Barnea CC	2.3.98	R26 million
President Steyn Nos. 1, 1A ventilation and 2 shafts, and President Steyn gold plant	Kadas Barnea CC	3.4.98	R114 million
President Steyn Nos. 5, 6, 7 and 8 shafts	Harmony Gold Mining Company Limited	1.5.98	R85 million
Western Holdings Nos. 1, 2, 3, 4, 6 and 7 shafts and the previously closed Welkom gold plant	African Rainbow Minerals & Exploration (Proprietary) Limited	31.7.98	R28 million
Masimong Mine (Freegold 3) and the Free State 3 (Saaiplaas) gold plant	Harmony Gold Mining Company Limited	21.9.98	R110 million

As part of the transaction concluded in July 1998 for the disposal by AAC and companies associated with it of their 63,1 per cent interest in The Afrikander Lease Limited to Benoryn Investment Holdings (Proprietary) Limited, the group sold to the purchaser its gold recovery plant and associated mining and township infrastructure for R460 000 and certain mineral and mining rights for R30 000.

In terms of the agreement of sale signed with African Rainbow Minerals & Exploration (Proprietary) Limited (ARM) in January 1998, the Vaal Reefs No. 2 shaft was tributed to ARM on the basis that 40 per cent of all revenue, costs and capital expenditure would accrue to ARM, with the balance to the company.

Directors' report continued

Closures

On 11 September 1998 it was announced that following an in-depth audit and re-evaluation of the viability of the Tshepong South shaft sinking project at the prevailing gold price, it had been decided to suspend sinking of the shaft (previously known as Freegold 4) at a depth of 2 325 metres and to divert funding to projects with better prospective returns.

Investments

Particulars of the company's principal investments are reflected in notes 10 and 26 to the statutory annual financial statements.

In January 1998 Naledi Mining Services (Proprietary) Limited, a wholly-owned subsidiary, was sold to African Rainbow Minerals & Exploration Investments (Proprietary) Limited for R1,8 million.

No special resolutions, of a material nature, requiring disclosure in terms of the Listings Requirements of the Johannesburg Stock Exchange were passed by subsidiaries of the company during the year under review.

Administration

Pursuant to the merger of the gold interests on 29 June 1998 mentioned above, the following changes in administration have taken place.

Registered office

The company changed its registered office to 11 Diagonal Street, Johannesburg.

Secretaries

The appointment of AAC as administrative and technical advisers, secretaries and buyers was terminated and Mr R N Duffy and Mr C R Bull were appointed managing secretary and company secretary, respectively, of AngloGold. The addresses of the managing secretary and the company secretary are at the registered office.

United Kingdom secretaries

The company's office at 19 Charterhouse Street, London, was closed and the London Committee discontinued. St James's Corporate Services Limited was appointed United Kingdom secretaries to the company and their address appears on page 98.

New York Stock Exchange listing

On 5 August 1998, the company became the first South African company to list on the New York Stock Exchange (NYSE). The listing is in the form of American Depositary Shares (ADSs), as evidenced by American Depositary Receipts, with two ADSs representing one ordinary share of 50 cents in the capital of the company. There were 24 393 332 ADSs in issue against the company's shares at the year

end. The company trades on the NYSE under the ticker symbol 'AU' – the international symbol for gold. The Bank of New York Company Inc. has been appointed as Depositary whose primary purpose is to serve as transfer agent and registrar for the ADSs.

Directorate

The names of the directors and the alternate director of the company in office at the date of this report appear on pages 4 and 5 of the accompanying Annual Review.

The following are details of changes in the composition of the Board of Directors from the beginning of the accounting period to the date of this report:

Appointments

1 April 1998

F B Arisman
 Dr J W Campbell
 R P Edey
 Dr V K Fung
 M W King
 T J Motlatsi
 D M J Ncube
 J Ogilvie Thompson
 N F Oppenheimer

24 April 1998

Mrs E le R Bradley
 R P Garnett
 (alt. to M W King)

Mr N F Oppenheimer was appointed chairman from 1 April 1998 and Mr R M Godsell, the former chairman, was appointed Chief Executive Officer from the same date.

At general meetings of members held on 12 March and 4 June 1998, respectively, ordinary resolutions were passed:

- Increasing the maximum number of directors permitted in terms of the company's articles of association from 16 to 24.
- Increasing the directors' fees with effect from 1 April 1998 from R15 000 to R50 000 per annum in respect of each director other than the chairman, and from R30 000 to R80 000 per annum for the chairman.

In terms of the company's articles of association, the directors appointed during the year due to retire at the forthcoming annual general meeting are Mr F B Arisman, Mrs E le R Bradley, Dr J W Campbell, Mr R P Edey, Dr V K Fung, Mr M W King, Mr T J Motlatsi, Mr D M J Ncube, Mr J Ogilvie Thompson and Mr N F Oppenheimer, all of whom are eligible for re-election.

Resignations/withdrawals

1 April 1998

I D Cockerill
 R C Croll
 (alt. to T C A Wadeson)
 R J Fisher
 S J Lenahan
 (alt. J M Duncan)
 B I Tapson
 W E Vorwerk
 (alt. to J G Best)
 C W P Yates
 (alt. M C van Blerck)

Directors' report continued

Interests of directors, executive officers and senior managers in the company's share capital

The interests of the directors in the ordinary share capital of the company at 31 December 1998 were as follows:

	Directors	
	Non-executive	Executive
31 December 1998		
Ordinary shares		
Beneficial	671 158*	690
Non-beneficial	161	–
% of issued ordinary share capital	0,69	0,00
Options/debentures		
Held in terms of the Share Incentive Scheme	–	172 400
31 December 1997		
Ordinary shares		
Beneficial	200	–
Non-beneficial	700	700
% of issued ordinary share capital	0,00	0,00
Options/debentures		
Held in terms of the Share Incentive Scheme	–	–

*Includes indirect partial interest of 656 229 ordinary shares

At the date of this report, the beneficial interests of the non-executive directors had increased to 672 348 ordinary shares and their non-beneficial interests had decreased to 100 ordinary shares.

At 31 December 1998, options/debentures held by executive officers and senior management in terms of the Share Incentive Scheme totalled:

Executive officers	232 600
Senior managers	674 700

Subsequent to the financial year end, in terms of the Share Incentive Scheme a further 26 000 debentures have been allocated to executive officers and senior managers.

Accounting policies

The statutory annual financial statements have been prepared according to the historical cost convention using the appropriation method of accounting, and incorporate the fundamental assumptions of going-concern, consistency and accrual.

1. Appropriation method

This method responds to the inherent risks and uncertainties of gold mining ventures and recognises the wasting nature of the assets. Within the lifetime of the mine, sufficient income is appropriated to a non-distributable reserve such that the aggregate of this reserve, share capital and share premium is equal to the expenditure on mining assets, investments and ore reserves. Where mining assets are financed by loans, appropriation takes place only when loan repayments are made. Mining assets are accordingly not depreciated, nor is any account taken of the depletion of ore reserves.

2. 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 company 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 a 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 inter-group transactions and balances are eliminated on consolidation. Unearned profits that arise between group entities are eliminated.

3. 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.

Accounting policies continued

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.

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.

4. Mining assets

Mining assets are recorded at cost of acquisition less sales, recoupments and amounts written off. Cost includes pre-production expenditure incurred during the development of the mine. Cost also includes interest capitalised during the construction period where such cost is financed by borrowings.

5. 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.

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

6. Environmental expenditure

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 the future liability of the group.

7. Post-retirement benefits

The cost of post-employment benefits is 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.

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.

8. 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.

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.

Accounting policies continued

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*
US Dollars				SA Rand	
2 649.3	2 235.6	Revenue	1	12 282,6	12 174,6
2 135.2	1 658.0	Cost of sales	2	9 067,6	9 813,3
514.1	577.6	Operating profit		3 215,0	2 361,3
74.9	60.6	Corporate administration and other expenses		297,5	381,6
–	36.8	Exploration costs		203,5	–
439.2	480.2	Profit from operations		2 714,0	1 979,7
7.2	17.1	Interest paid		94,4	33,8
64.9	44.6	Interest receivable		246,4	304,4
23.9	40.3	Income from associates	3	220,7	112,4
8.7	2.4	Income from other investments		13,4	40,8
529.5	550.4	Profit on ordinary activities before taxation	4	3 100,1	2 403,5
91.1	159.1	Mining and normal taxation	6	885,6	419,3
130.3	101.6	Appropriation for capital expenditure		553,7	599,1
308.1	289.7	Profit on ordinary activities after taxation		1 660,8	1 385,1
236.1	256.6	Dividends	7	1 515,3	1 111,3
72.0	33.1	Increase in retained profit		145,5	273,8
5.7	5.3	Retained profit at beginning of year		26,0	26,7
(59.7)	(0,2)	Merger adjustments		(0.9)	(274,5)
(12.7)	(9.2)	Translation adjustment			
5.3	29.0	Retained profit at end of year		170,6	26,0
315	296	Earnings per share-cents	8	1 697	1 416
241	263	Dividends per share-cents	7	1 550	1 136

* 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 balance sheet

31 December 1998

Figures in million

1997*	1998		Notes	1998	1997*
US Dollars				SA Rand	
		ASSETS			
		Non-current assets			
4 250.8	3 538.7	Mining assets	9	20 811,7	20 703,7
113.0	129.8	Investments	10	763,4	550,6
129.9	142.7	Long-term loans – unsecured	11	839,4	632,6
4 493.7	3 811.2			22 414,5	21 886,9
		Current assets			
125.8	66.6	Inventories	12	391,9	613,2
125.6	147.4	Trade and other receivables	13	866,8	612,0
239.1	224.1	Cash and cash equivalents	14	1 318,0	1 164,5
490.5	438.1			2 576,7	2 389,7
4 984.2	4 249.3	Total assets		24 991,2	24 276,6
		CAPITAL AND LIABILITIES			
812.5	658.7	Share capital and premium	15	3 874,2	3 958,1
–	24.0	Non-distributable reserve		141,4	–
3 568.5	2 974.4	Profits appropriated for capital expenditure		17 492,9	17 380,6
5.3	29.0	Retained earnings		170,6	26,0
0.1	0.2	Minority interests		0,9	0,3
4 386.4	3 686.3			21 680,0	21 365,0
		Non-current liabilities			
142.0	121.5	Borrowings	16	714,7	691,8
–	15.7	Debentures	17	92,2	–
142.0	137.2			806,9	691,8
		Current liabilities			
294.2	231.4	Trade and other payables	18	1 360,8	1 432,9
0.7	0.7	Current portion of borrowings	16	4,3	3,5
20.9	60.6	Taxation		356,4	101,6
140.0	133.1	Dividends		782,8	681,8
455.8	425.8			2 504,3	2 219,8
4 984.2	4 249.3	Total capital and liabilities		24 991,2	24 276,6

* Refer to note on income statement

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

1997	1998		1998	1997
US Dollars			SA Rand	
		1. Revenue		
2 527.8	2 116.4	Gold – normal	11 654,9	11 602,0
65.7	68.2	– accelerated hedge	348,0	309,7
55.8	51.0	Uranium oxide and sulphuric acid	279,7	262,9
2 649.3	2 235.6		12 282,6	12 174,6
		2. Cost of sales		
		Gold		
2 045.1	1 499.1	Cash costs	8 224,4	9 388,4
65.7	68.2	Retrenchments	348,0	309,7
23.0	26.1	Rehabilitation and other non-cash costs	142,6	108,4
2 133.8	1 593.4	Production costs	8 715,0	9 806,5
(36.5)	31.5	Inventory change	171,9	(171,9)
2 097.3	1 624.9		8 886,9	9 634,6
		Uranium oxide and sulphuric acid		
23.8	25.5	Production and selling costs	139,0	109,0
14.1	7.6	Inventory change	41,7	69,7
37.9	33.1		180,7	178,7
2 135.2	1 658.0	Total cost of sales	9 067,6	9 813,3
		3. Income from associates		
167.8	154.8	Gold revenue	856,3	774,5
104.6	97.4	Cost of sales	539,0	482,7
63.2	57.4	Profit from operations	317,3	291,8
39.3	17.1	Other operating expenses	96,6	179,4
23.9	40.3	Profit on ordinary activities before taxation	220,7	112,4
		4. Profit on ordinary activities before taxation		
		Includes:		
8.7	2.4	Dividends received – unlisted investments	13,4	40,8
0.7	0.9	Auditors' remuneration	4,8	2,9
0.5	0.7	Audit fees	3,7	2,1
0.2	0.2	Other services	1,1	0,8
4.2	2.9	Grants for educational and community development	15,7	19,3
7.2	17.1	Interest paid	94,4	33,8
1.6	12.3	Borrowings	68,3	8,1
5.6	4.8	Other loans	26,1	25,7

1997	1998		1998	1997
US Dollars			SA Rand	
1 146.3	847.5	4. Profit on ordinary activities before taxation (continued)		
		Total employees costs	4 652,9	5 261,4
1 000.2	720.6	Salaries and wages	3 982,5	4 583,0
72.7	52.3	Contribution to retirement benefits	287,1	333,5
7.7	6.4	Contributions to post-retirement medical benefits	35,3	35,2
65.7	68.2	Retrenchment payments	348,0	309,7
		The average monthly number of employees including contractors during the year was made up as follows:		
		Surface	93 316	134 273
		Underground	18 462	27 099
			74 854	107 174
		5. Directors' emoluments		
1.0	1.1	Executive directors	5,8	4,5
0.1	–	Fees	0,2	0,5
0.9	0.9	Salaries, benefits and other emoluments	4,7	4,0
–	0.2	Bonuses	0,9	–
		Non-executive directors		
–	0.1	Fees	0,7	0,2
1.0	1.2	Total directors emoluments	6,5	4,7
		6. Mining and normal taxation		
		Income from gold mining is taxable at a tax rate determined by the following formula:		
		$Y=51 - 255/x$		
		where y is the percentage tax rate and x is the ratio of taxable income from mining to total revenue from mining, expressed as a percentage. Such taxable income is determined after the deduction of mining capital expenditure.		
		Lease taxation		
		Lease taxation is payable in respect of profits arising from areas in which the state has granted the right to mine at a rate determined by the following formula:		
		$Y=12,5 - 75/x$		
		where y is the percentage rate of lease taxation payable (after the deduction of a 5% capital allowance in terms of the lease) and x is the ratio of taxable profit to mining revenue expressed as a percentage. Taxable profit is determined after the deduction of mining capital expenditure. The basic amount determined is subject to a surcharge of 1,25%.		
		Income other than mining income is taxable at a rate of 42%.		

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

1997	1998		1998	1997
US Dollars			SA Rand	
		6. Mining and normal taxation (continued)		
		The taxation charge comprises:		
24.4	58.4	Mining taxation	319,0	115,2
64.9	97.8	Non-mining taxation	550,6	295,3
1.8	2.9	Share of associates taxation	16,0	8,8
91.1	159.1		885,6	419,3
		The company has, in terms of tax 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.		
		7. Dividends		
		Ordinary shares		
113.0	123.5	No. 84 of 750 SA cents (127 US cents) per share declared on 17 July 1998 and paid on 18 September 1998	732,5	511,8
123.1	133.1	No. 85 of 800 SA cents (136 US cents) per share declared on 2 February 1999 and payable on 26 March 1999	782,8	599,5
236.1	256.6		1 515,3	1 111,3
		8. Earnings per share – cents		
		Earnings per share is calculated based on earnings of R1 660,8; \$289.7 (1997: R1 385,1; \$308.1) and 97 842 263 (1997: 97 839 399) being the weighted average number of ordinary shares in issue during the financial year.		
		9. Mining assets		
		This balance represents the historical cost, less sales, of the group's investment in the establishment and expansion of its mining undertaking, comprising mining rights, property, shaft sinking, development, equipment, plant and buildings		
4 250.8	3 538.7		20 811,7	20 703,7

1997	1998		1998	1997
US Dollars			SA Rand	
		10. Investments		
106.9	125.2	Associates	736,6	520,9
6.1	4.6	Other investments	26,8	29,7
113.0	129.8		763,4	550,6
		Associates		
		Carrying value consists of:		
106.9	94.9	Shares at cost	558,2	520,9
–	40.3	– profit on ordinary activities before taxation	220,7	–
–	(2.9)	– taxation	(16,0)	–
–	(4.8)	– dividends	(26,3)	–
–	(2.3)	– translation adjustment		
106.9	125.2	Carrying value	736,6	520,9
316.7	217.8	Market value/directors' valuation of investment in associates	1281,2	1 542,4
		Other investments		
		Listed investments		
1.0	1.0	Opening balance	5,0	5,0
–	(1.0)	Disposals	(5,0)	–
1.0	–	Closing balance	–	5,0
0.8	–	Market value of listed investments	–	3,8
		Unlisted investments		
5.1	5.1	Opening balance	24,7	24,7
–	0.6	Additions	3,8	–
–	(0.3)	Disposals	(1,7)	–
–	(0.8)	Translation adjustment		
5.1	4.6	Closing balance	26,8	24,7
18.4	18.3	Directors' valuation of unlisted investments	107,4	89,7

1997	1998		1998	1997
US Dollars			SA Rand	
		13. Trade and other receivables		
12.1	14.2	Trade debtors	83,3	58,8
91.0	106.8	Other debtors	628,0	443,4
22.5	26.4	Prepayments and accrued income	155,5	109,8
125.6	147.4		866,8	612,0
		14. Cash and cash equivalents		
29.5	5.6	Unlisted redeemable cumulative preference shares at cost	32,8	143,8
49.7	–	Deposits, short-term and call, with Anglo American Corporation of South Africa Limited	–	242,2
159.9	218.5	Cash	1 285,2	778,5
239.1	224.1		1 318,0	1 164,5
		15. Share capital and premium		
		Authorised		
30.0	30.0	200 000 000 ordinary shares of 50 cents each	100,0	100,0
0.3	0.3	2 000 000 A redeemable preference shares of 50 cents each	1,0	1,0
–	–	5 000 000 B redeemable preference shares of 1 cent each	0,1	0,1
30.3	30.3		101,1	101,1
		Issued		
		97 853 199 (1997: 97 839 399) ordinary shares of 50 cents each		
10.0	10.0	Opening balance	48,9	48,9
–	–	Arising from the issue of 13 800 shares	–	–
–	(1.7)	Translation adjustment		
10.0	8.3	Closing balance	48,9	48,9
0.3	0.3	2 000 000 A redeemable preference shares of 50 cents each	1,0	1,0
–	–	778 896 B redeemable preference shares of 1 cent each	–	–
0.3	0.3		1,0	1,0
(0.3)	(0.3)	Less: Held within the group	(1,0)	(1,0)
		Share premium		
802.5	802.5	Opening balance	3 909,2	3 909,2
–	0.6	Movement arising from shares issued	2,9	–
–	(16.1)	Share issue expenses written off	(86,8)	–
–	(136.6)	Translation adjustment		
802.5	650.4	Closing balance	3 825,3	3 909,2
812.5	658.7	Total share capital and premium	3 874,2	3 958,1

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

1997	1998		1998	1997
US Dollars			SA Rand	
		16. Borrowings		
		Unsecured loans		
109.3	100.4	Loans from Anmercosa Finance Limited	590,1	532,8
		Interest charged at labor plus 2% per annum. Loan is repayable in eight half-yearly instalments terminating in May 2002		
12.7	16.5	Loan from Debsam Limited	97,6	61,9
		Interest charged at labor plus 2% per annum. The repayment terms are not yet determined		
17.0	3.0	Interest-free loans	17,4	82,8
2.9	1.8	Loan from the Economic Development Corporation Limited	10,8	14,1
		Interest charged at labor plus 0,6% per annum repayable in half-yearly instalments terminating December 2002		
0.8	0.5	Other	3,1	3,7
142.7	122.2	Total borrowings	719,0	695,3
		Amounts falling due:		
31.5	29.8	Between one and two years	175,3	153,2
101.7	89.4	Between two and five years	525,9	495,5
9.5	3.0	In five years or more	17,8	46,6
142.7	122.2	Total borrowings	719,0	695,3
(0.7)	(0.7)	Current portion of borrowings included in current liabilities	(4,3)	(3,5)
142.0	121.5		714,7	691,8
		17. Debentures		
		420 500 unsecured variable rate compulsory convertible debentures issued in terms of the Share Incentive Scheme	92,2	–
–	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.		
		18. Trade and other payables		
90.4	84.4	Trade creditors	496,5	440,2
32.1	30.0	Accruals	176,5	156,5
171.7	117.0	Other creditors	687,8	836,2
294.2	231.4		1 360,8	1432,9
		19. Environmental Rehabilitation Trust Fund		
		The balance in the Environmental Rehabilitation Trust Fund is as follows:		
28.4	37.1	Balance at 31 December 1997	180,5	137,9
(1.8)	(3.2)	Work completed	(17,7)	(8,2)
6.5	5.4	Contributions	29,4	29,7
4.6	5.0	Interest earned	27,4	21,1
(0.6)	(7.0)	Translation adjustment		
37.1	37.3	Balance at 31 December 1998	219,6	180,5

1997	1998		1998	1997
US Dollars			SA Rand	
		<p>20. Retirement benefits</p> <p>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.</p> <p>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 R475,1; \$80.8 which compares to the market value of R519,8; \$88.4. This was more than sufficient to cover the benefits that had accrued to members, allowing for future increases in earnings, amounting to R448,6; \$76.3. 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.</p> <p>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 R281,1; \$52.3 (1997: R333,5; \$72.7).</p>		
Amounts owed to related party	Purchases from related party		Purchases from related party	Amounts owed to related party
		<p>21. Related party transactions</p>		
3.0	38.7	HL & H Timber Products (Proprietary) Limited – mining timber	212,4	17,4
–	28.6	Shaft Sinkers (Proprietary) Limited – mining services	157,1	–
2.6	26.8	AECI Limited – explosives and initiating systems	147,3	15,2
–	8.5	LTA Limited – mining services	46,6	–
0.1	4.7	Boart Longyear Limited – mining services	25,2	0,5
–	0.5	Haggie Limited – mining equipment	3,0	–

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

1997	1998		1998	1997
US Dollars			SA Rand	
		22. Commitments and contingent liabilities		
		Mining assets		
49.5	39.4	Contracted for	231,9	240,9
190.4	163.5	Not contracted for	961,6	927,2
239.9	202.9	Authorised by the directors	1 193,5	1 168,1
		Allocated for:		
		Expansion of capacity		
2.5	5.6	– within one year	32,7	12,4
123.3	137.9	– thereafter	811,1	600,4
125.8	143.5		843,8	612,8
		Maintenance of capacity		
87.6	38.9	– within one year	228,5	426,5
26.5	20.5	– thereafter	121,2	128,8
114.1	59.4		349,7	555,3
		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 will be met in the event of other shareholders of NUFCOR failing to meet their obligations.		
		The company has a contingent liability in respect of:		
6.6	3.7	– taxation allowances previously granted on consumable stores which are being recouped over the next two years; and	21,5	31,9
7.6	3.6	– leave pay provisions previously claimed as a deduction for taxation purposes as a result of changes in taxation legislation, which are being recouped over the next year.	21,0	37,0
		These liabilities have been calculated at current taxation rates. Any liability for taxation arising from these recoupments will depend on the company's tax-paying position and any taxation thus arising will be brought to account in the year in which it becomes payable.		
4.5	2.9	The company has given collateral security to certain banks in respect of mortgage loans advanced to employees under its home ownership scheme amounting to	17,1	22,0

1997	1998		1998	1997
US Dollars			SA Rand	
		23. Cash generated from operations		
529.5	550.4	Profit on ordinary activities before taxation	3 100,1	2 403,5
		Adjusted for:		
(20.6)	29.2	Non-cash movements	115,2	(98,9)
(23.9)	(40.3)	Income from associates	(220,7)	(112,4)
(64.9)	(44.6)	Interest received	(246,4)	(304,4)
(8.7)	(2.4)	Dividends received	(13,4)	(40,8)
7.2	17.1	Interest paid	94,4	33,8
(60.9)	(7.9)	Movement in working capital	(43,1)	(265,1)
357.7	501.5		2 786,1	1 615,7
		The following analyses the movement in working capital:		
(19.3)	40.4	Decrease/(increase) in inventories	221,3	(111,0)
(58.6)	(46.5)	Increase in trade and other receivables	(254,8)	(255,0)
17.0	(1.8)	(Decrease)/increase in trade and other payables	(9,6)	100,9
(60.9)	(7.9)		(43,1)	(265,1)

24. Gold forward sales

As at 31 December 1998, the company had the following net forward sales commitments outstanding against future production:

12 months ending 31 December	Ounces sold 000	Kilograms sold	Forward price US\$ per ounce sold	Forward price Rand per kilogram sold	Percentage of positions price in US\$
1999	3 741	116 350	322	63 998	53
2000	2 236	69 557	342	75 800	60
2001	1 945	60 501	337	82 697	57
2002	1 526	47 450	337	91 137	57
2003	630	19 599	351	104 375	66
2004-2008	1 769	55 037	386	137 876	72

A portion of these sales consists of US dollar-priced contracts which have been converted to rand prices at an average annual forward rand value based on a spot rand/dollar exchange rate of R5,86 available on 31 December 1998. The aggregate of US dollar-priced contracts over the full duration of the hedge is 59%.

Refer to IAS financial statements note 24 for a detailed discussion of the group's risk management activities in terms of IAS32 and AC125.

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

1997		1998		1998	1997
US Dollars				SA Rand	
25. Company financial statements					
Income statement for the year 1998					
865.1	1 469.9	Revenue	8 069,9	3 981,9	
629.4	1 037.7	Cost of sales	5 696,7	2 885,3	
235.7	432.2	Operating profit	2 373,2	1 096,6	
24.7	26.9	Corporate administration and other costs	147,6	113,6	
20.7	22.0	Other income	120,9	94,7	
–	37.1	Exploration costs	203,5	–	
231.7	390.2	Profit from operations	2 143,0	1 077,7	
88.3	–	Royalties paid	0,1	408,6	
–	9.8	Income from associates	53,7	–	
–	122.0	Dividends received from subsidiaries	669,6	–	
9.8	–	Preference dividend paid	–	44,9	
133.6	522.0	Profit on ordinary activities before taxation	2 866,2	624,2	
3.8	114.7	Mining and normal taxation	629,5	17,2	
62.5	105.9	Appropriation for capital expenditure	581,4	287,7	
67.3	301.4	Profit on ordinary activities after taxation	1 655,3	319,3	
68.1	256.6	Dividends	1 515,3	320,0	
(0.8)	44.8	Increase/(decrease) in retained profit	140,0	(0,7)	
5.3	5.0	Retained profit at beginning of year	24,2	24,9	
0.5	(21.9)	Translation adjustment	–	–	
5.0	27.9	Retained profit at end of year	164,2	24,2	
Profit before taxation includes:					
7.7	32.1	Interest received	177,2	34,6	
–	9.8	Income from associates	53,7	–	
–	4.8	Dividends received	26,3	–	
–	5.0	Retained earnings for the year	27,4	–	
0.9	1.0	Dividends received – unlisted investments	5,3	4,0	
6.7	–	Fees for secretarial, administrative, technical and buying services	–	30,8	
0.6	15.9	Interest paid	87,8	2,5	
Directors' emoluments					
1.0	1.1	Executive directors	5,8	4,5	
0.1	–	Fees	0,2	0,5	
0.9	0.9	Salaries, benefits and other emoluments	4,7	4,0	
–	0.2	Bonuses	0,9	–	
Non executive directors					
–	0.1	Fees	0,7	0,2	
1.0	1.2	Total directors' emoluments paid	6,5	4,7	
0.1	0.6	Auditors' remuneration – fees	3,1	0,4	
0.1	0.2	– other services	1,1	0,3	
1.0	0.4	Grants for educational and community development purposes	2,4	4,7	

1997	1998		1998	1997
US Dollars			SA Rand	
25. Company financial statements (continued)				
Balance sheet 31 December				
Assets				
Non-current assets				
1 163.6	3 535.2	Mining assets	20 791,1	5 659,7
29.6	4.4	Investments	26,0	144,2
48.6	111.0	Investments in associates	652,9	236,2
31.2	230.2	Investments in subsidiary companies	1 354,1	151,7
–	11.6	Inter-company loans	68,4	–
2.4	24.1	Long-term loans – unsecured	142,1	11,6
1 275.4	3 916.5		23 034,6	6 203,4
Current assets				
57.9	66.1	Inventories	388,5	281,4
75.9	141.8	Trade and other receivables	834,0	369,4
13.9	219.5	Cash and cash equivalents	1 290,8	67,7
147.7	427.4		2 513,3	718,5
1 423.1	4 343.9	Total assets	25 547,9	6 921,9
Capital and liabilities				
113.2	904.2	Share capital and premium	5 317,9	550,5
–	24.0	Non-distributable reserve	141,4	–
1 060.2	2 972.5	Profits appropriated for capital expenditure	17 482,0	5 157,0
5.0	27.9	Distributable reserve	164,2	24,2
1 178.4	3 928.6		23 105,5	5 731,7
Non-current liabilities				
70.8	2.2	Long-term liabilities	12,9	344,4
–	15.7	Debentures	92,2	–
70.8	17.9		105,1	344,4
Current liabilities				
105.5	204.3	Trade and other payables	1 201,8	512,8
21.5	–	Current portion of borrowings	–	104,8
0.9	60.0	Taxation	352,7	4,1
44.5	133.1	Dividends	782,8	216,7
1.5	–	Subsidiary companies	–	7,4
173.9	397.4		2 337,3	845,8
1 423.1	4 343.9	Total capital and liabilities	25 547,9	6 921,9
Cash flow statement for the year 1998				
120.1	579.7	Cash generated from operations	3 178,2	562,1
21.1	17.3	Investment income	94,7	96,6
(11.8)	(51.2)	Mining and normal taxation paid	(280,9)	(53,4)
(114.5)	(103.3)	Cash flows from investing activities	(566,3)	(527,5)
52.0	(27.1)	Cash flows from financing activities	(148,6)	239,8
(79.1)	(173.1)	Dividends paid	(949,2)	(365,4)
2.4	(15.2)	Translation adjustment		
(9.8)	227.1	Net increase/(decrease) in cash and cash equivalents	1 327,9	(47,8)

Notes to the group financial statements

for the year 1998

Figures in million unless otherwise stated

	26. Interest in subsidiaries		Book value of interest		Amounts owing by/(to)	
	% Held		Shares at cost		1998	1997
	1998	1997	1998	1997		
			Rm	Rm	Rm	Rm
AngloGold Offshore Investments Limited*	100	100	1 348,8	1 348,8	168,5	–
Southvaal Holdings Limited	100	100	634,9	634,9	(161,4)	(270,6)
Eastvaal Gold Holdings Limited	100	100	848,6	848,6	(604,4)	(542,5)
Stone and Allied Industries (OFS) Limited	95	95	–	–	(1,3)	(4,4)
Advanced Mining Software Limited	100	100	5,3	5,3	25,2	7,8
Inter-Mine Services OFS (Proprietary) Limited	100	100	–	–	(123,9)	(13,7)

* Incorporated in British Virgin Islands