

Notes to the company financial statements

Figures in million	2004	2003
	SA Rands	
1 Revenue		
Revenue consists of the following principal categories:		
Gold income	7,749	8,845
Sale of uranium, silver and sulphuric acid	253	215
Interest receivable	183	185
	8,185	9,245
2 Cost of sales		
Cash operating costs	5,715	6,174
Other cash costs	53	52
Total cash costs	5,768	6,226
Retrenchment costs (Note 8)	52	27
Rehabilitation and other non-cash costs	165	75
Production costs	5,985	6,328
Amortisation of tangible assets (Notes 7,10 and 22)	753	415
Total production costs ⁽¹⁾	6,738	6,743
Decrease in inventories	36	19
	6,774	6,762
⁽¹⁾ A reassessment has been made of the useful life of on-reef ore reserve development expenditure with effect 1 January 2004. The impact of the reassessment is that costs are expensed over a longer period than was previously estimated. The effect of the change on the current year's results is a decrease in cash operating costs of R606m, an increase in amortisation of tangible assets of R261m resulting in a net decrease of total production costs of R345m.		
The effect on future periods is not determinable.		
3 Other operating expenses		
Post-retirement medical expenses for disposed mines and medical aid scheme losses	27	101
4 Abnormal items		
Abnormal items consist of the following items:		
Provision for post-retirement medical liability	-	214
Reversal of over-provisions in decommissioning (Note 18)	-	(46)
Reversal of over-provisions in restoration (Note 18)	-	(46)
Abnormal items before taxation (Note 22)	-	122
Taxation		
- Current taxation on foreign exchange losses on borrowings (Note 9)	-	(59)
- Deferred taxation (Note 9)	-	56
- provision for post-retirement medical liability	-	98
- over-provisions in decommissioning and restoration liabilities	-	(42)
Abnormal items after taxation	-	119

Figures in million	2004	2003
	SA Rands	
5 Other net income		
Profit from associates after taxation (Note 22 and Group Note 20)	1	12
Foreign exchange loss on transactions other than sales	-	(2)
	1	10
6 Finance costs and unwinding of decommissioning obligation		
Finance costs on bank loans and overdrafts	6	98
Finance costs on corporate bond	215	73
Other finance costs	79	14
	300	185
Less: amounts capitalised (Note 10)	(67)	-
	233	185
Unwinding of decommissioning obligation (Note 18) (Note 22)	43	11
	276	196
7 (Loss) profit before taxation		
(Loss) profit before taxation is arrived at after taking account of:		
Auditors' remuneration		
- Statutory audit fees	7	5
- Under provision prior year	1	-
- Other assurance services	2	2
Other professional services ⁽¹⁾	8	-
	18	7
⁽¹⁾ Other professional services include valuations, internal audit, consultancy services, tax advisory services and remuneration and technical reviews.		
Amortisation of tangible assets (Notes 2, 10 and 22)		
Owned assets	753	415
Grants for educational and community development	24	29
Operating lease charges	27	29
At 31 December 2004, the company was committed to making the following payments in respect of operating leases for amongst others, hire of plant and machinery and land and buildings:		
Expiry within:		
- One year	5	-
- Between 1-2 years	1	9
- Between 2-5 years	3	-
- After 5 years	1	-
	10	9

Figures in million	2004	2003
	SA Rands	
8 Employee benefits		
Employee benefits including executive directors' salaries and other benefits	3,479	3,197
Health care and medical scheme costs		
– current medical expenses	217	246
– defined benefit post-retirement medical expense (Note 18)	116	226
Contributions to pension and provident plans		
– defined contribution	187	151
– defined benefit	34	62
Retrenchment costs (Note 2)	52	27
	4,085	3,909
Included in cost of sales and other operating expenses		
Defined benefit pension plan expense		
– current service cost	40	32
– interest cost	92	106
– expected return on plan assets	(95)	(92)
– recognised past service cost	–	16
– actuarial gain	(3)	–
(Note 18)	34	62
Defined benefit post-retirement medical expense		
– current service cost	3	3
– interest cost	104	89
– recognised past service cost	9	134
(Note 18)	116	226
Actual return on plan assets		
Defined benefit pension plan (Note 18)	219	120
9 Taxation		
Current taxation		
Mining taxation	–	27
Non-mining taxation	229	108
Under provision prior year	–	30
Taxation on abnormal items (Note 4)	–	(59)
Capital gains tax	–	38
Recoupments tax on Free State disposal	–	(6)
	229	138
Deferred taxation		
Temporary differences	132	512
Unrealised non-hedge derivatives	(199)	286
Taxation on abnormal items (Note 4)	–	(56)
Impairment	–	(113)
Change in estimated deferred tax rate ⁽¹⁾	(803)	–
(Note 19)	(870)	629
	(641)	767

⁽¹⁾ During 2004 the estimates were revised to reflect the future anticipated taxation rate at the time the temporary differences reverse.

9 Taxation (continued)

Tax reconciliation

A reconciliation of the mining and non-mining tax rate compared with that charged in the income statement is set out in the following table:

	2004		2003	
	Non-mining %	Mining %	Non-mining %	Mining %
Future anticipated tax rate	38	38	38	46
Disallowed expenditure	(2)	14	4	12
Non-mining losses transferred to mining taxation	–	–	(1)	1
Mining capital allowances without tax cover	–	(28)	–	4
Non-taxable profit based on Gold Formula	–	–	–	4
Dividends received	–	–	(13)	–
Taxable items not forming part of the income statement	(6)	(1)	12	–
Royalties	–	–	–	(28)
Other	(2)	2	2	3
Impact of prior year under provisions	(33)	–	–	–
Change in estimated deferred tax rate	–	(154)	–	–
Effective tax rate	(5)	(129)	42	42
Add back:				
Impact of prior year under provisions	33	–	–	–
Change in estimated deferred tax rate	–	154	–	–
Adjusted effective tax rate	28	25	42	42

10 Tangible assets

	Mineral rights, dumps and exploration			Land	Total
	Mine development costs	Mine infra- structure	properties		
SA Rands					
Cost					
Balance at beginning of year	11,046	3,438	699	20	15,203
Additions					
– expand operations	829	188	5	–	1,022
– maintain operations	1,001	82	–	–	1,083
Transfers and other movements	66	(4)	2	–	64
Finance costs capitalised (Note 6)	67	–	–	–	67
Balance at end of year	13,009	3,704	706	20	17,439
Accumulated amortisation					
Balance at beginning of year	3,672	2,260	110	–	6,042
Amortisation for the year (Notes 2, 7 and 22)	627	85	41	–	753
Transfers and other movements	19	(19)	–	–	–
Balance at end of year	4,318	2,326	151	–	6,795
Net book value at 31 December 2004	8,691	1,378	555	20	10,644
Net book value at 31 December 2003	7,374	1,178	589	20	9,161

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 10.65%.

Figures in million	2004	2003
	SA Rands	
11 Other investments		
Unlisted investments		
Balance at beginning of year	17	18
Disposals	-	(1)
Balance at end of year (Note 25)	17	17
Directors' valuation of unlisted investments	17	17
12 Inventories		
Gold in process	165	201
Gold on hand	1	-
By-products	77	39
Total metal inventories	243	240
Consumable stores	177	149
	420	389
13 AngloGold Environmental Rehabilitation Trust		
Balance at beginning of year	230	185
Contributions	35	45
Balance at end of year	265	230
14 Other non-current assets		
Unsecured		
Defined benefit pension net asset (Note 18)	44	-
Loans and receivables originated		
Deferred purchase consideration in respect of the sale of the Free State assets	-	360
Other	10	10
	54	370
Less: Current portion of non-current assets included in current assets	1	1
Balance at end of year (Note 25)	53	369
15 Trade and other receivables		
Trade debtors	75	120
Prepayments and accrued income	58	190
Value added taxation	53	77
Other debtors	191	148
(Note 25)	377	535

Figures in million	2004	2003
	SA Rands	
16 Cash and cash equivalents		
Cash and deposits on call	92	1,023
Money market instruments	-	863
(Note 25)	92	1,886
17 Borrowings		
Unsecured		
Corporate Bond ⁽¹⁾	2,057	2,052
Syndicated loan facility	-	1,555
Total borrowings (Note 25)	2,057	3,607
Less: Current portion of borrowings included in current liabilities	73	1,627
Total long-term borrowings	1,984	1,980
Amounts falling due:		
Within one year	73	1,627
Between two and five years	1,984	1,980
(Note 25)	2,057	3,607
Currency		
The currency in which the borrowings are denominated is as follows:		
SA rands	2,057	2,052
US dollars	-	1,555
	2,057	3,607
Undrawn facilities		
Undrawn borrowing facilities as at 31 December 2004 are as follows:		
Syndicated loan – US dollar	-	1,120
⁽¹⁾ Corporate bond		
Senior unsecured fixed rate bond	2,000	2,000
Less: Unamortised discount and bond issue costs	16	20
	1,984	1,980
Add: accrued interest	73	72
	2,057	2,052

On 21 August 2003, AngloGold Ashanti launched and priced an issue of senior unsecured fixed rate bond in an aggregate principal amount of R2,000m, with semi-annual coupons payable at a rate of 10.5% per annum. This bond is repayable on 28 August 2008.

Figures in million	2004	2003
	SA Rands	
18 Provisions		
Defined benefit post-retirement medical provision		
Balance at beginning of year	850	680
Charge to income statement (Note 8)	116	226
Utilised during the year	(117)	(56)
Balance at end of year	849	850
The provision for post-retirement medical funding represents the provision for health care benefits for employees and retired employees and their registered dependants.		
The post-retirement benefit costs are assessed in accordance with the advice of independent professionally qualified actuaries. The actuarial method used is the projected unit credit funding method.		
The assumptions used in calculating the above defined benefit post-retirement medical obligation are as follows:	%	%
Discount rate	9.0	10.0
Expected increase in health care costs	5.0	5.0
The normal retirement age is 60 years, and fully eligible age is 55 years.		
The last statutory valuation was performed as at 31 December 2002. Calculations are performed in the years when a statutory valuation is not performed and events and movements that could impact the valuation between the date of the interim valuation performed at 30 September 2004 and the date of the balance sheet have been considered. The South African post-retirement medical plan is an unfunded plan.		
The date of the next statutory actuarial valuation is 31 December 2005.		
Defined benefit pension plan (Note 21)		
Balance at beginning of year	-	-
Expense per income statement (Note 8)	34	62
Contributions paid – company	(78)	(62)
Transferred to other non-current assets (Note 14)	(44)	-
Defined benefit pension fund		
Present value of fund obligation	1,218	1,089
Fair value of fund assets	(1,150)	(920)
	68	169
Unrecognised actuarial loss	(112)	(169)
Recognised asset on balance sheet	(44)	-
Market value of plan assets (Group note 30)	1,150	920

Figures in million	2004	2003
	SA Rands	
18 Provisions (continued)		
<i>Plan assets are made up as follows:</i>		
Domestic equities	633	549
Foreign equities	112	75
Domestic fixed interest bonds	329	191
Foreign fixed interest bonds	34	34
Cash	42	71
	1,150	920
Actual return on plan assets		
Expected return on plan assets	95	92
Actuarial gain on plan assets	124	28
(Note 8)	219	120
The assumptions used in calculating the above defined benefit pension plan obligation are as follows:		
	%	%
Discount rate	7.5	8.5
Pension increase	2.9	3.6
Rate of compensation increase	5.0	5.0
Expected return on plan assets	7.5	8.5
The rate of compensation increase assumption is 5% for 2005 and 4% thereafter.		
A statutory valuation of the defined benefit pension fund was performed as at 31 December 2002, which showed that the fund was in deficit. The rate of the company contribution to the fund was reviewed and increased during the year. A formal additional funding plan was submitted and approved by the Financial Services Board. According to this plan, the company funded R32m in 2004 and a further R167m in real terms will be funded from 2005 to 2011. In arriving at their conclusions, the actuaries took into account reasonable long-term estimates of inflation, increases in wages, salaries and pension as well as returns on investments. Calculations for the pension fund's financial position are carried out in years when a statutory valuation is not performed and events and movements that could impact on the valuation between the date of the interim valuation performed at 30 September 2004 and the balance sheet date have been considered.		
The date of the next statutory actuarial valuation is 31 December 2005.		
All funds are governed by the Pension Funds Act of 1956 as amended.		
Environmental rehabilitation obligations		
<i>Provision for decommissioning</i>		
Balance at beginning of year	191	226
Change in estimates ⁽¹⁾	64	–
Unwinding of decommissioning obligation (Note 6)	43	11
Reversal of overprovision in decommissioning (Note 4)	–	(46)
Balance at the end of year	298	191
<i>Provision for restoration</i>		
Balance at beginning of year	133	162
Reversal of overprovision (Note 4)	–	(46)
Charge to income statement	86	17
Balance at end of year	219	133
Total environmental rehabilitation obligation	517	324
Total provisions	1,366	1,174
⁽¹⁾ The change in estimate relates to adjustments required as a result of regulatory requirements. The effect of the change in estimates for the current year is an increase in the decommissioning asset of R64m. The effect on future periods is not determinable.		

Figures in million	2004	2003
	SA Rands	
19 Deferred taxation		
Deferred taxation relating to temporary differences is made up as follows:		
Liabilities		
Tangible assets	3,386	3,927
Inventories	57	93
Derivatives	159	119
Other	17	36
	3,619	4,175
Assets		
Provisions	411	498
Derivatives	257	264
Tax losses	130	–
	798	762
Deferred taxation liability	2,821	3,413
The movement on the deferred tax liability is as follows:		
Balance at beginning of year	3,413	2,692
Income statement charge (Note 9)	(870)	629
Taxation of other comprehensive income	278	92
Balance at end of year	2,821	3,413
20 Trade and other payables		
Trade creditors	395	335
Accruals	218	142
Other creditors	571	715
Accrued purchase consideration for mineral rights acquired from Gold Fields Limited (Note 25)	–	315
	1,184	1,507
21 Defined contribution retirement benefits		
South Africa contributes to various industry-based pension and provident retirement plans which cover substantially all employees and are defined contribution plans. These plans are all funded and the assets of the schemes are held in administered funds separately from the company's assets. The cost of providing these benefits amounted to R187m (2003: R151m) during the year.		
22 Cash generated from operations		
(Loss) profit before taxation	(180)	1,808
Adjusted for:		
Non-cash movements	98	14
Movement on non-hedge derivatives	986	(633)
Amortisation of tangible assets (Notes 2, 7 and 10)	753	415
Interest receivable (Note 1)	(183)	(185)
Profit from associates after taxation (Note 5)	(1)	(12)
Abnormal items (Note 4)	–	122
Finance costs and unwinding of decommissioning obligation (Note 6)	276	196
Amortisation of intangible asset of associate	4	5
Impairment of tangible assets	–	247
Debt written off	–	9
Profit on disposal of assets	(4)	(10)
Movements in working capital	(225)	197
	1,524	2,173

Figures in million	2004	2003
	SA Rands	
22 Cash generated from operations (continued)		
Movements in working capital:		
(Increase) decrease in inventories	(30)	8
Decrease (increase) in trade and other receivables	69	(139)
(Decrease) increase in trade and other payables	(264)	328
	(225)	197

23 Related parties

Related party transactions are concluded on an arm's length basis. Details of material transactions with those related parties not dealt with elsewhere in the financial statements are summarised below:

SA Rands	2004		2003	
	Purchases from related parties	Amounts owed to related parties	Purchases from related parties	Amounts owed to related parties
Holding company Anglo American plc⁽¹⁾	34	–	14	–
Fellow subsidiaries of the Anglo American plc group				
Anglo Coal – a division of Anglo Operations Limited	6	2	–	–
Boart Longyear Limited – mining services	48	5	77	7
Mondi Limited – timber	101	10	86	7
Scaw Metals – a division of Anglo Operations Limited – steel and engineering	89	5	86	7
Associates				
Rand Refinery Limited – gold refinery ⁽²⁾			18	–

Management fees, royalties and dividends from subsidiaries amounted to R31m (2003: R205m).

⁽¹⁾ Where the presentation or classification of an item has been amended, comparative amounts have been reclassified to ensure comparability with the current period. Transactions with Anglo American plc, previously omitted, have been included in the prior year. The amendments have been made to provide users of the financial statements with additional information.

⁽²⁾ Rand Refinery was consolidated from 31 December 2003. Prior to this date, Rand Refinery was equity accounted.

24 Commitments

Figures in million	2004	2003
	SA Rands	
Acquisition of tangible assets		
Contracted for	551	569
Not contracted for	3,195	2,856
Authorised by the directors	3,746	3,425
Allocated for:		
Expansion of operations		
– within one year	1,285	478
– thereafter	833	1,453
	2,118	1,931
Maintenance of operations		
– within one year	610	91
– thereafter	1,018	1,403
	1,628	1,494

This expenditure will be financed from existing cash resources and future borrowings.

25 Financial risk management activities

In the normal course of its operations, the company is exposed to gold price, currency, interest rate, liquidity and credit risks. In order to manage these risks, the company may enter into transactions which make use of both on- and off-balance sheet derivatives. The company does not acquire, hold or issue derivatives for trading purposes. The company has developed a comprehensive risk management process to facilitate, control and to monitor these risks. The board has approved and monitors this risk management process, inclusive of documented treasury policies, counterpart limits, controlling and reporting structures.

Controlling risk in the company

The Executive Committee and the Treasury Committee are responsible for risk management activities within the company. The Treasury Committee, chaired by the independent chairman of the AngloGold Ashanti Audit and Corporate Governance Committee, comprising executive members and treasury executives, reviews and recommends to the Executive Committee all treasury counterparts, limits, instruments and hedge strategies. The treasurer is responsible for managing investment, gold price, currency, liquidity and credit risk. Within the treasury function, there is an independent risk function, which monitors adherence to treasury risk management policy, counterpart and dealer limits and provides regular and detailed management reports.

Gold price and currency risk and cash flow hedging

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 dollars which exposes the company to the risk that fluctuations in the SA rand/US dollar exchange rates may also have an adverse effect on current or future earnings.

A number of products, including derivatives, are used to manage well-defined gold price and foreign exchange risks that arise out of the company's core business activities. Forward-sales contracts and call and put options are used by the company to protect itself from downward fluctuations in the gold price. These derivatives may establish a minimum price for a portion of future production while maintaining the ability to benefit from increases in the gold price for the majority of future gold production.

Some of the instruments described above are designated and accounted for as cash flow hedges. The hedge forecast transactions are expected to occur over the next 10 years in line with the maturity dates of the hedging instruments and will affect profit and loss simultaneously in an equal and opposite way.

25 Financial risk management activities (continued)

Hedge book restructure

Refer note 38 in group financial statements.

Net delta open hedge position as at 31 December 2004

The company had the following net forward-pricing commitments outstanding against future production.

Table A: Summary: All open contracts in the company's gold hedge position at 31 December 2004

Year	2005	2006	2007	2008	2009	2010-2014	Total
Dollar/Gold							
Forward contracts							
Amount (kg)	31,319	9,055	106	4,588	5,964	10,964	61,996
\$/oz	\$397	\$344	\$810	\$386	\$440	\$479	\$408
Restructure longs*							
Amount (kg)	17,676						17,676
\$/oz	\$440						\$440
Put options purchased							
Amount (kg)	1,866	4,354					6,220
\$/oz	\$393	\$372					\$378
Put options sold							
Amount (kg)	5,288	4,354		855	1,882	9,409	21,788
\$/oz	\$389	\$339		\$390	\$400	\$430	\$398
Call options purchased							
Amount (kg)	9,767	9,269	4,354				23,390
\$/oz	\$317	\$327	\$336				\$325
Call options sold							
Amount (kg)	16,983	19,261	18,203	18,390	20,147	55,846	148,830
\$/oz	\$345	\$370	\$371	\$384	\$404	\$458	\$407
Rand/Gold							
Forward contracts							
Amount (kg)					933		933
Amount R/kg					R116,335		R116,335
Put options purchased							
Amount (kg)		1,875					1,875
R/kg		R93,602					R93,602
Put options sold							
Amount (kg)	8,025	1,400					9,425
R/kg	R80,840	R88,414					R81,965
Call options sold							
Amount (kg)	12,657	4,517	311		2,986	5,972	26,443
R/kg	R88,509	R102,447	R108,123		R202,054	R223,756	R134,486
Total net gold							
Delta (kg)**	(28,290)	(345)	11,300	19,434	22,713	51,851	76,663
Delta (oz)**	(909,524)	(11,092)	363,295	624,803	730,223	1,667,010	2,464,715

* At 31 December 2004 the company was in the process of restructuring the hedge book and acquired a long spot position in gold. This long gold position will be applied to the restructure during the first quarter of 2005.

** The delta position indicated above reflects the nominal amount of the option multiplied by the mathematical probability of the option being exercised. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities as at 31 December 2004.

25 Financial risk management activities (continued)

Table B: Summary: All open contracts in the company's currency hedge position at 31 December 2004

Year	2005	2006	2007	2008	2009	2010-2014	Total
Forward contracts							
Amount (\$)	130,509						130,509
R per \$	R5.71						R5.71
Call options sold							
Amount (\$)	65,000						65,000
R per \$	R5.72						R5.72

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

Forward sales contracts require the future delivery of gold at a specified price.

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.

Interest rate and liquidity risk

Refer Note 38 in group financial statements

Investment maturity profile

Maturity date	Currency	Fixed rate	Effective	Floating rate	Effective
		investment	rate	investment	rate
		amount	rate	amount	rate
		million	%	million	%
Less than one year	ZAR	–	–	92	6.0

Borrowings maturity profile (Note 17)	Currency	Within one year	Effective	Between	Effective
		Borrowings	rate	Borrowings	rate
		amount	rate	amount	rate
		million	%	million	%
	ZAR	73 ⁽¹⁾	–	1,984	10.5

Interest rate risk	Currency	Within one year	Effective	Between	Effective
		Borrowings	rate	Borrowings	rate
		amount	rate	amount	rate
		million	%	million	%
	ZAR	73 ⁽¹⁾	–	1,984	10.5

⁽¹⁾ Represents the interest accrual on the corporate bond as at 31 December 2004

Interest rate swaps

Refer Note 38 in group financial statements

Credit Risk

Refer Note 38 in group financial statements

25 Financial risk management activities (continued)

Fair value of financial instruments

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 company's financial instruments as at 31 December 2004 are as follows:

Type of instrument

Figures in million	2004		2003	
	Carrying amount	Fair value	Carrying Amount	Fair Value
SA Rands				
Other investments (Note 11)	17	17	17	17
Other non-current assets (Note 14)	9	9	369	369
Trade and other receivables (Note 15)	377	377	535	535
Cash and cash equivalents (Note 16)	92	92	1,886	1,886
Borrowings (Note 17)	2,057	2,207	3,607	3,673
Trade and other payables (Note 20)	1,184	1,184	1,507	1,507
Derivatives comprise the following:	(271)	(2,158)	(468)	(2,132)
Forward sale commodity contracts	172	121	91	(25)
Option contracts	(482)	(2,318)	(593)	(2,141)
Foreign exchange contracts	(3)	(3)	(5)	(5)
Foreign exchange option contracts	(3)	(3)	7	7
Interest rate swaps	45	45	32	32

The fair value amounts include off balance sheet designated hedges, which are not carried on the balance sheet and excluded from the carrying amount. All other derivatives are carried at fair value.

Derivative maturity profile

Figures in million	2004		
	Total	Assets	Liabilities
SA Rands			
Total	(271)	3,226	(3,497)
Less: Amounts to mature within 12 months of balance sheet date	309	(2,260)	2,569
Amounts to mature thereafter	38	966	(928)

Figures in million	2003		
	Total	Assets	Liabilities
SA Rands			
Total	(468)	2,678	(3,146)
Less: Amounts to mature within 12 months of balance sheet date	81	(2,106)	2,187
Amounts to mature thereafter	(387)	572	(959)

25 Financial risk management activities (continued)

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

Trade and other receivables, cash and cash equivalents and trade and other payables

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

Investments and other non-current assets

Listed investments are carried at market value while unlisted investments are carried at directors' valuation. Other non-current assets are carried at discounted value.

Borrowings

The fair value of listed fixed rate debt is shown at its market value. The remainder of debt re-prices on a short-term floating rate basis, and accordingly the carrying amount is considered to approximate fair value.

Derivatives

The fair values of derivatives are estimated based on the ruling market prices, volatilities and interest rates at 31 December 2004.

The company uses the Black-Scholes option pricing formula to value option contracts. One of the inputs into the model is the level of volatility. These volatility levels are themselves not exchange traded and are not observable generally in the market. The company uses volatility input supplied by one of the leading market participants, an international merchant bank. The company believes that no other possible alternative would result in significantly different fair value estimations.

26 Discontinued operations

The Ergo reclamation surface operation is to be discontinued during 2005. The operation forms part of South Africa under the segmental reporting analysis. Ergo has reached the end of its economic useful life. After a detailed investigation of several options and scenarios, management decided on 1 February 2005 that closure at the operation will commence on 31 March 2005. This is expected to be completed before the end of 2005. The remaining available tonnage will be treated and cleaned through the tailings facility. The tangible assets have been impaired and the liabilities are fully provided at R212m as detailed in the analysis below.

The discontinued operations include the following:

Figures in million	2004	2003
	SA Rands	
Revenue	560	547
Operating and closure expenses	(627)	(570)
Realised non-hedge derivatives	25	2
Loss before taxation	(42)	(21)
Taxation	-	-
Loss after taxation	(42)	(21)
Basic loss – cents per share	16	9
Diluted loss – cents per share	16	9
Net cash outflow from operating activities	42	21
Net cash outflow from investing activities	-	-
Net cash outflow from financing activities	-	-
Assets		
Tangible assets – land	5	5
Environmental Rehabilitation Trust Fund	131	119
Gold inventory in process	5	7
	141	131
Liabilities		
Environmental rehabilitation	138	104
Post-retirement medical liability	22	22
Leave pay and bonus provisions	17	14
Current liabilities	35	37
	212	177

During 2005 and until the final date of closure, it is estimated that the operation will earn R108m in revenue, incur operational and closure costs of R266m and consequently report a loss from the operating and closure activities of R158m. This is equivalent to a basic loss of 60 SA cents per share.