

Figures in million		2005	2004
		SA Rands	
1	Revenue		
	Revenue consists of the following principal categories:		
	Gold income	7,359	7,189
	By-products and other revenue (note 2)	224	222
	Interest received (note 23)	28	183
	Dividend received from subsidiaries (note 23)	650	–
		8,261	7,594
2	Cost of sales		
	Cash operating costs	5,129	5,382
	By-products and other revenue (note 1)	(224)	(222)
		4,905	5,160
	Other cash costs	34	50
	Total cash costs ⁽¹⁾	4,939	5,210
	Retrenchment costs (note 7)	158	44
	Rehabilitation and other non-cash costs	99	105
		5,196	5,359
	Production costs	5,196	5,359
	Amortisation of tangible assets (notes 6, 9 and 23)	1,109	753
		6,305	6,112
	Total production costs	6,305	6,112
	Inventory change	(20)	34
		6,285	6,146
	⁽¹⁾ Total cash costs include net refining fees.		
3	Other net operating expenses		
	Pension and medical defined benefit provisions	46	27
4	Operating special items		
	Profit on sale of loan	4	–
	Loan waived	(3)	–
		1	–

Figures in million

2005

2004

SA Rands

5 Finance costs and unwinding of decommissioning and restoration obligations

Finance costs on bank loans and overdrafts	44	6
Finance costs on corporate bond	215	215
Finance costs on interest rate swap ⁽¹⁾	19	68
Other finance costs	15	11
	293	300
Less: amounts capitalised (note 9)	(102)	(67)
	191	233
Unwinding of decommissioning obligation (note 19)	19	43
Unwinding of restoration obligation (note 19)	8	–
(note 23)	218	276

⁽¹⁾ Interest received on the interest rate swap entered into against the corporate bond which has not been designated as a fair value hedge was R24m (2004: R83m). The swap was unwound in April 2005.

6 Profit (loss) before taxation

Profit (loss) before taxation is arrived at after taking account of:

Auditors' remuneration		
– Statutory audit fees	19	9
– Under provision prior year	1	1
– Other assurance services	3	–
	23	10
Amortisation of tangible assets (notes 2, 9 and 23)		
Owned assets	1,109	753
Grants for educational and community development	27	24
Operating lease charges	258	234

Figures in million

2005

2004

SA Rands

7 Employee benefits

Employee benefits including executive directors' salaries and other benefits	3,258	3,250
Health care and medical scheme costs		
– current medical expenses	229	207
– defined benefit post-retirement medical expenses	87	93
Contributions to pension and provident plans		
– defined contribution	122	180
– defined benefit	22	37
Retrenchment costs (note 2)	158	44
Share-based payment expense ⁽¹⁾	12	–
	3,888	3,811
Actuarial defined benefit plan expense analysis		
Defined benefit pension plan expense		
– current service cost	40	41
– interest cost	88	91
– expected return on plan assets	(106)	(95)
	22	37
Defined benefit post-retirement medical expense		
– current service cost	7	4
– interest cost	80	80
– recognised past service cost	–	9
	87	93
Actual return on plan assets		
– South Africa defined benefit pension plan	366	219

Refer to the remuneration report for details of directors' emoluments

⁽¹⁾ Details of the equity settled share-based payment arrangements of the group have been disclosed in group note 12. These arrangements consist of awards by the company to employees of various group companies. The income statement expense of R12m for the company is only in respect of awards made to employees of the company.

8 Taxation

Current taxation		
Non-mining taxation	–	229
Under provision prior year	264	–
	264	229
Deferred taxation		
Temporary differences	213	127
Unrealised non-hedge derivatives	(200)	(199)
Impairment	(15)	–
Change in statutory tax rate ⁽¹⁾	(79)	–
Change in estimated deferred tax rate	(74)	(803)
	(155)	(875)
	109	(646)
Deferred taxation on continuing operations	(155)	(875)
Deferred taxation on discontinued operations	19	5
(note 21)	(136)	(870)

⁽¹⁾ During the financial year there were changes in the South African statutory tax rates. These rates can be summarised as follows: Maximum statutory mining tax rate 45% (2004:46%), non-mining statutory tax rate 37% (2004: 38%), statutory company tax rate 29% (2004: 30%).

8 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:

	2005		2004	
	Non-mining %	Mining	Non-mining %	Mining
Current tax rate	37	37	38	38
Disallowable expenditure	9	(57)	(3)	12
Mining capital allowances without tax cover	-	124	-	(25)
Dividends received	(43)	-	-	-
Taxable items not forming part of the income statement	7	(21)	(7)	(1)
Impairments	-	(15)	-	-
Impact of prior year under provisions	-	(228)	(37)	-
Change in estimated deferred tax rate	-	64	-	(136)
Change in statutory tax rate	(10)	15	-	-
Other	7	23	4	(2)
Effective tax rate	7	(58)	(5)	(114)

9 Tangible assets

	Mine development costs	Mine infra- structure	Mineral rights, dumps and exploration properties	Land	Total
SA Rands					
Cost					
Balance at 1 January 2004	11,046	3,438	699	20	15,203
Additions					
- project expenditure	829	188	5	-	1,022
- stay-in-business expenditure	1,001	82	-	-	1,083
Transfers and other movements	66	(4)	2	-	64
Finance costs capitalised (note 5)	67	-	-	-	67
Balance at 31 December 2004	13,009	3,704	706	20	17,439
Accumulated amortisation					
Balance at 1 January 2004	3,672	2,260	110	-	6,042
Amortisation for the year (notes 2, 6 and 23)	627	85	41	-	753
Transfers and other movements	19	(19)	-	-	-
Balance at 31 December 2004	4,318	2,326	151	-	6,795
Net book value at 31 December 2004	8,691	1,378	555	20	10,644

9 Tangible assets (continued)

Figures in million	Mine development costs	Mine infra- structure	Mineral rights, dumps and exploration properties	Land	Total
SA Rands					
Cost					
Balance at 1 January 2005	13,009	3,704	706	20	17,439
Additions					
– project expenditure	626	168	8	–	802
– stay-in-business expenditure	1,252	61	–	–	1,313
Disposals	–	(26)	–	–	(26)
Transfers and other movements	–	227	(156)	–	71
Finance costs capitalised (note 5)	102	–	–	–	102
Balance at 31 December 2005	14,989	4,134	558	20	19,701
Accumulated amortisation					
Balance at 1 January 2005	4,318	2,326	151	–	6,795
Amortisation for the year (notes 2, 6 and 23)	950	123	36	–	1,109
Impairments (note 23)	45	–	–	–	45
Impairments reversal (Group note 14)	–	(115)	–	–	(115)
Transfers and other movements	–	–	(56)	–	(56)
Balance at 31 December 2005	5,313	2,334	131	–	7,778
Net book value at 31 December 2005	9,676	1,800	427	20	11,923

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 10.65% (2004: 10.65%).

Impairments include the following:

Figures in million	2005	2004
	SA Rands	
Goedgenoeg drilling and 1650 level decline drilling	14	–
An impairment charge was recognised during an assessment and review of exploration properties as Goedgenoeg will not generate future cash flows.		
East of Bank Dyke at TauTona	31	–
Due to a change in original mine plan, the East of Bank Dyke access development has been impaired as it will not generate future cash flows.		
	45	–

The above impairments relate to impairments of mine development costs that were abandoned and will generate no future cash flows.

A register containing details of properties is available for inspection by shareholders or their duly authorised agents during business hours at the registered office of the company.

Figures in million

2005

2004

SA Rands

10 Investment in associate

The company has a 25.0% (2004: 26.6%) interest in Oro Group (Proprietary) Limited which is involved in the manufacture and wholesale of jewellery. The year-end of Oro Group (Proprietary) Limited is 31 March. Equity accounting is based on results to 30 September 2005.

Change in accounting policy for associate

The company changed its accounting policy for investments in associates. Previously investment in the associate was equity accounted and the associate's share of profits and losses was reported in the company income statement and balance sheet.

The associate company is now recorded at cost less impairment. This change was made to comply with IAS 28 which prohibits the use of equity accounting for associates in the separate financial statements of the investor. IAS 28 (revised) is retrospectively applied for accounting periods beginning on or after 1 January 2005, accordingly comparatives have been restated.

The impact on comparative figures is as follows:

A decrease in income from associate after tax for 2004 of R1m and a decrease in retained earnings brought forward prior to 2004 of R5m resulted in a decrease in investment in associate of R6m.

The carrying value of the associate consists of:

Unlisted shares at cost less impairments

37 41

Impairment ⁽¹⁾

(2) (4)

Carrying value

35 37

Directors' valuation of unlisted associate

35 37

The company's effective share of certain balance sheet items of its associate at 30 September 2005 is as follows:

Non-current assets

15 14

Current assets

59 49

Total assets

74 63

Non-current liabilities

29 27

Current liabilities

28 21

Total liabilities

57 48

Net assets

17 15

⁽¹⁾ During the year, the Oro Group (Proprietary) Limited investment was impaired. The impairment test considered the investment's fair value and future cash flow. An impairment of R2m (2004: R4m) was recorded.

Figures in million	2005	2004
	SA Rands	
11 Other investments		
Unlisted investments		
Balance at beginning of year	17	17
Disposals	(1)	–
Balance at end of year (note 26)	16	17
Directors' valuation of unlisted investments	16	17
12 Inventories		
Gold in process	179	165
Gold on hand	2	1
By-products	77	77
Total metal inventories	258	243
Consumable stores	88	177
	346	420
13 Investment in Environmental Rehabilitation Trust Fund		
Balance at beginning of year	265	230
Contributions	45	35
Rehabilitation expenditure incurred	(26)	–
Balance at end of year	284	265
The fund is managed by Rand Merchant Bank and mainly invested in government long bonds and other fixed-term deposits.		
14 Other non-current assets		
AngloGold Ashanti Pension Fund (asset) (note 20)	51	–
Loans and receivables		
Stone and Allied, unsecured, receivable over five years carrying interest at the repo rate	4	4
Other	5	6
	60	10
Less: current portion of non-current assets included in current assets	–	1
Balance at end of year (note 26)	60	9
15 Trade and other receivables		
Trade debtors	231	197
Prepayments and accrued income	99	107
Recoverable tax, rebates, levies and duties	43	53
Other debtors	12	13
(note 26)	385	370
Trade debtors are non-interest bearing and are generally on current terms less than 90 days.		

Figures in million

2005

2004

SA Rands

16 Cash and cash equivalents

 Cash and deposits on call
(note 26)

12

92

17 Retained earnings and other reserves

	Retained earnings	Non-distributable reserves ⁽¹⁾	Foreign currency translation reserve	Actuarial gains (losses) ⁽²⁾	Other comprehensive income ⁽³⁾	Total
SA Rands millions						
Balance at December 2003 as previously reported	(463)	141	(733)	–	(517)	(1,572)
Change in accounting policy for actuarial gains and losses				(112)		(112)
Change in accounting policy for monetary assets forming part of net investment (IAS 21 revised)	(733)		733			–
Change in accounting policy for associates (IAS 28)	(6)					(6)
As restated	(1,202)	141	–	(112)	(517)	(1,690)
Actuarial gains and losses recognised				(18)		(18)
Deferred taxation recognised directly in equity (note 21)				6		6
Profit for the year	538					538
Dividends (Group note 16)	(1,197)					(1,197)
Net loss on cash flow hedges removed from equity and reported in income					276	276
Net gain on cash flow hedges					482	482
Deferred taxation on cash flow hedges (note 21)					(278)	(278)
Balance at December 2004	(1,861)	141	–	(124)	(37)	(1,881)
Actuarial gains and losses recognised				(176)		(176)
Deferred taxation recognised directly in equity (note 21)				68		68
Profit for the year	114					114
Dividends (Group note 16)	(926)					(926)
Net gain on cash flow hedges removed from equity and reported in income					(102)	(102)
Net loss on cash flow hedges					(785)	(785)
Deferred taxation on cash flow hedges (note 21)					340	340
Share-based payment expense (Group note 29)					15	15
Balance at December 2005	(2,673)	141	–	(232)	(569)	(3,333)

⁽¹⁾ Non-distributable reserves comprise a surplus on disposal of company shares of R141m (2004: R141m).

⁽²⁾ With the adoption of IAS 19 revised, actuarial gain and loss movements are accounted through equity reserves. Actuarial gains and losses arise from a change in assumption parameters and the difference between the actual and expected return on plan assets.

⁽³⁾ Other comprehensive income represents the effective portion of fair value gains or losses in respect of cash flow hedges until the underlying transaction occurs, upon which the gains or losses are recognised in earnings and the equity item for share-based payments.

Figures in million

2005

2004

SA Rands

18 Borrowings
Unsecured

 Corporate Bond ⁽¹⁾

	2,062	2,057
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Semi-annual coupons are payable at 10.5% per annum and the bond is repayable on 28 August 2008 and is rand-based.

Money-market short-term borrowings, at market-related rates and are rand-based

	805	-
--	-----	---

Total borrowings (note 26)

	2,867	2,057
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Less: current portion of borrowings included in current liabilities

	878	73
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Total long-term borrowings

	1,989	1,984
--	-------	-------

Amounts falling due:

Within one year

	878	73
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Between two and five years

	1,989	1,984
--	-------	-------

(note 26)

	2,867	2,057
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Undrawn facilities

There were no undrawn borrowing facilities as at 31 December 2005 (2004: nil).

⁽¹⁾ Corporate Bond

Senior unsecured fixed rate bond

	2,000	2,000
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Less: unamortised discount and bond issue costs

	11	16
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	1,989	1,984
--	-------	-------

Add: accrued interest

	73	73
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	2,062	2,057
--	-------	-------

19 Environmental rehabilitation provisions
Provision for decommissioning

Balance at beginning of year

	298	191
--	-----	-----

Change in estimates ⁽¹⁾

	181	64
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Unwinding of decommissioning obligation (note 5)

	19	43
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Balance at end of year

	498	298
--	-----	-----

Provision for restoration

Balance at beginning of year

	219	133
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Charge to income statement

	(82)	86
--	------	----

Change in estimates ⁽¹⁾

	304	-
--	-----	---

Unwinding of restoration obligation (note 5)

	8	-
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Utilised during the year

	(25)	-
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Balance at end of year

	424	219
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Total environmental rehabilitation provisions

	922	517
--	-----	-----

These provisions are anticipated to unwind beyond the end of the life of mine.

⁽¹⁾ The change in estimates relates to changes in laws and regulations governing the protection of the environment and factors relative to rehabilitation estimates and a change in the quantities of material in reserves and a corresponding change in the life of mine plan.

Figures in million	2005	2004
	SA Rands	
20 Provision for pension and post-retirement benefits		
Defined benefit plans		
The company has made provision for pension provident and medical schemes covering substantially all employees. The retirement schemes consist of the following:		
AngloGold Ashanti Pension Fund (asset) (Group note 33)	(51)	69
Post-retirement medical scheme for AngloGold Ashanti South African employees (Group note 33)	1,172	924
	1,121	993
Transferred to other non-current assets		
AngloGold Ashanti Pension Fund (note 14)	51	–
	1,172	993
21 Deferred taxation		
Deferred taxation relating to temporary differences is made up as follows:		
Deferred taxation liabilities		
Tangible assets	3,535	3,386
Inventories	59	57
Derivatives	105	159
Other	17	17
	3,716	3,619
Deferred taxation assets		
Provisions	638	474
Derivatives	802	257
Tax assets	62	130
	1,502	861
Net deferred taxation liability	2,214	2,758
The movement on the net deferred tax liability is as follows:		
Balance at beginning of year	2,758	3,356
Income statement charge (note 8)	(136)	(870)
Taxation on other comprehensive income (note 17)	(340)	278
Taxation on actuarial loss (note 17)	(68)	(6)
Balance at end of year	2,214	2,758

Figures in million	2005	2004
	SA Rands	
22 Trade and other payables		
Trade creditors	184	349
Accruals	490	485
Amounts due to related parties	30	22
Unearned premiums on normal sale exempted contracts	315	326
Other creditors	1	2
(note 26)	1,020	1,184
Trade and other payables are non-interest bearing and are normally settled within 60 days.		
23 Cash generated from operations		
Profit (loss) before taxation	442	(35)
Adjusted for:		
Non-cash movements	162	17
Movement on non-hedge derivatives	717	960
Amortisation of tangible assets (notes 2, 6 and 9)	1,109	753
Interest received (note 1)	(28)	(183)
Dividends received from subsidiaries (note 1)	(650)	–
Finance costs and unwinding of decommissioning and restoration obligations (note 5)	218	276
Impairment of investment in associate (note 10)	2	4
Impairment of tangible assets (note 9)	45	–
Operating special items (note 4)	(1)	–
Movements in working capital	(134)	(225)
	1,882	1,567
Movements in working capital:		
Decrease (increase) in inventories	74	(30)
(Increase) decrease in trade and other receivables	(13)	69
Decrease in trade and other payables	(195)	(264)
	(134)	(225)

24 Related parties

Details of material transactions with those related parties not dealt with elsewhere in the financial statements are summarised below:

	2005		2004	
	Purchases from related parties	Amounts owed to related parties	Purchases from related parties	Amounts owed to related parties
SA Rands million				
Holding company Anglo American plc	30	7	34	–
Subsidiaries of AngloGold Ashanti Limited				
AGRe Insurance Company Limited	41	–	47	–
AngloGold Health Service (Pty) Limited	264	22	129	16
Rand Refinery Limited	18	2	11	2
Fellow subsidiaries of the Anglo American plc group				
Anglo Coal – a division of Anglo Operations Limited	4	2	6	2
Boart Longyear Limited – mining services ⁽¹⁾	28	–	48	5
Haggie Steel Wire Rope Operations ⁽²⁾	50	6	59	–
Mondi Limited – timber	105	11	101	10
Scaw Metals – a division of Anglo Operations Limited – steel and engineering	31	4	30	5
The Tongaat-Hulett Group Limited	1	–	–	–

Management fees, royalties and dividends from subsidiaries amount to R659m (2004: R31m). This consists mainly of R650m, being a dividend received from AngloGold Ashanti Holdings plc.

Directors and other key management personnel

Details relating to directors' emoluments and shareholdings in the company are disclosed in the remuneration and directors' reports (detailed on pages 113 to 126).

Compensation to key management personnel totalled R79m (2004: R55m). This total comprised short-term employee benefits of R69m (2004: R51m), post-employment benefits of R7m (2004: R4m); and share-based payments of R3m (2004: nil).

Amounts owed to related parties are unsecured non-interest bearing and normally settled within 60 days

⁽¹⁾ Anglo American plc sold their interest in Boart Longyear Limited with effect from 29 July 2005.

⁽²⁾ Haggie Steel Wire Rope Operation's related party transactions, previously included in Scaw Metals – a division of Anglo Operations Limited. During the year, Haggie Steel Wire Rope Operations were unbundled and are now reported separately.

	2005	2004
SA Rands		
25 Contractual commitments and contingencies		
Operating leases		
At 31 December 2005, the company was committed to making the following payments in respect of operating leases for amongst others, hire of plant and equipment and land and buildings.		
Expiry within		
– One year	38	5
– Between one and two years	–	1
– Between two and five years	–	3
– After five years	–	1
	38	10

Figures in million

2005

2004

SA Rands

25 Contractual commitments and contingencies (continued)
Capital commitments
Acquisition of tangible assets

Contracted for	542	551
Not contracted for	3,146	3,195
Authorised by the directors	3,688	3,746
Allocated for:		
Project expenditure		
– within one year	948	1,285
– thereafter	641	833
	1,589	2,118
Stay-in-business expenditure		
– within one year	1,867	610
– thereafter	232	1,018
	2,099	1,628

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

Contingent liabilities

AngloGold Ashanti has signed as surety in favour of the bankers on the Yatela loan.

	3	8
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The South African Department of Water Affairs and Forestry issued a new Directive on 1 November 2005 ordering the four mining groups, Simmer and Jack Investments (Proprietary) Limited, Simmer and Jack Mines Limited (collectively known as Simmers who purchased the Buffelsfontein shafts from DRDGold Limited), Harmony Gold Mining Company Limited, AngloGold Ashanti and Stilfontein Gold Mining Company to share equally, the costs of pumping water at Stilfontein's Margaret Shaft. This follows an interdict application made by AngloGold Ashanti in response to DRDGold Limited's threat to cease funding the pumping of water at the Margaret and Buffelsfontein shafts, after placing Buffelsfontein, its subsidiary that operated the North West operations, into liquidation on 22 March 2005. Simmers have purchased the Buffelsfontein shafts from DRDGold Limited and have assumed the environmental and water management liabilities associated with the Buffelsfontein shafts.

The directive also orders the mining companies to submit an agreement and a joint proposal towards the long term sustainable management of water arising from the mining activities in the area. The company believes that it is not liable to fund these pumping costs but cannot make any assurances regarding the ultimate result until the matter has been settled.

	–	–
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AngloGold Ashanti has identified a number of groundwater pollution sites at its current operations in South Africa. The company has investigated a number of different technologies and methodologies that could possibly be used to remediate the pollution plumes. The viability of the suggested remediation techniques in the local geological formation in South Africa is however unknown. No sites have been remediated in South Africa. Present research and development work is focused on several pilot projects to find a solution that will in fact yield satisfactory results in South African conditions. Subject to the technology being developed as a remediation technique no reliable estimate can be made for the obligation.

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Figures in million

2005

2004

SA Rands

25 Contractual commitments and contingencies (continued)

Following the decision to discontinue operations at Ergo in 2005, employees surplus to requirements have been terminated and retrenchment packages settled. Ergo continues to retain various staff members to complete the discontinuance and the attendant environmental obligations which are expected to be completed by 2015. Retained employees may resign, be transferred within the group, attain retirement age or be retrenched as their current position is made redundant. The company is currently unable to determine the effects, if any, of any potential retrenchment costs.

AngloGold Ashanti has undertaken to re-export certain gold artifacts, temporarily imported into South Africa, for which custom and value added tax was waived. The company will be required to pay if it fails to comply with the re-export arrangements agreed with the South African Revenue Service.

The company has provided surety in favour of the lender in respect of gold loan facilities with two wholly-owned subsidiaries of Oro Group (Proprietary) Limited an associate of the company. The company has a total maximum liability, in terms of the suretyships, of R100m. The suretyship agreements have a termination notice period of ninety days.

-	-
34	8
100	-
137	16

Guarantees

The company has guaranteed all payments and other obligations of AngloGold Ashanti Holdings plc regarding the convertible bonds issued during 2004, with a final maturity date of 27 February 2009. The bonds issued amounted to \$1 billion at 2.375%. The company obligations regarding the guarantee will be direct, unconditional and unsubordinated.

26 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, counterparty 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 and counterparty limits and provides regular and detailed management reports.

The financial risk management objectives of the company are defined as follows:

- Safeguarding the company core earnings stream from its major assets through the effective control and management of gold price risk, foreign exchange risk and interest rate risk;
- Effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures;
- Ensuring that investment and hedging transactions are undertaken with creditworthy counterparts;
- Ensuring that all contracts and agreements related to risk management activities are coordinated, consistent throughout the company and comply where necessary with all relevant regulatory and statutory requirements.

26 Financial risk management activities (continued)

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 US 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 the company maintains 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. The fair value of all instruments so designated at the balance sheet date is negative R878m.

Net delta open hedge position as at 31 December 2005

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

Summary: All open contracts in the company's commodity hedge position as at 31 December 2005

Year	2006	2007	2008	2009	2010	2011-2015	Total
US Dollar/Gold							
Forward contracts							
Amount (kg)	(10,755) ⁽¹⁾	106	4,588	5,964	3,437	7,527	10,867
\$/oz	\$363	\$810	\$386	\$440	\$422	\$505	\$537
Put options purchased							
Amount (kg)	4,354						4,354
\$/oz	\$372						\$372
Put options sold							
Amount (kg)	6,532		855	1,882	1,882	7,527	18,678
\$/oz	\$389		\$390	\$400	\$410	\$435	\$411
Call options purchased							
Amount (kg)	10,202	4,354					14,556
\$/oz	\$343	\$336					\$341
Call options sold							
Amount (kg)	21,675	18,203	18,390	20,147	18,833	37,013	134,261
\$/oz	\$383	\$371	\$384	\$404	\$409	\$483	\$416
Rand/Gold							
Forward contracts							
Amount (kg)		2,449		933			3,382
R/kg		R97,520		R116,335			R102,711
Put options purchased							
Amount (kg)	1,875						1,875
R/kg	R93,602						R93,602
Put options sold							
Amount (kg)	2,333						2,333
R/kg	R93,713						R93,713
Call options sold							
Amount (kg)	3,306	311		2,986	2,986	2,986	12,575
R/kg	R102,447	R108,123		R202,054	R216,522	R230,990	R183,851
Total net gold							
Delta (kg) ⁽²⁾	1,711	15,732	21,679	25,471	20,850	38,484	123,927
Delta (oz) ⁽²⁾	55,010	505,795	696,995	818,910	670,342	1,237,288	3,984,340

⁽¹⁾ Indicates a long position resulting from forward purchase contracts. The company enters into forward purchase contracts as part of its strategy to actively manage and reduce the size of the hedge book.

⁽²⁾ The delta of the hedge position indicated above, is the equivalent gold position that would have the same marked-to-market sensitivity for a small change in the gold price. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities as at 31 December 2005.

26 Financial risk management activities (continued)

Summary: All open contracts in the company's currency hedge position as at 31 December 2005

Year	2006	2007	2008	2009	2010	2011-2015	Total
Rand/US Dollar (000)							
Put options purchased							
Amount (\$)	60,000						60,000
R per \$	R6.89						R6.89
Put options sold							
Amount (\$)	60,000						60,000
R per \$	R6.56						R6.56
Call options sold							
Amount (\$)	60,000						60,000
R per \$	R7.28						R7.28

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 40 in group financial statements.

Cash maturity profile

Maturity date	Currency	Fixed rate	Effective	Floating rate	Effective
		investment	rate	investment	rate
		amount		amount	
		million	%	million	%
All less than one year	ZAR	–	–	12	5.5

Borrowings maturity profile (note 19)

	Currency	Within one year	Effective	Between	Effective
		Borrowing	rate	one and five years	rate
		amount		Borrowing	
		million	%	amount	%
	ZAR	878 ⁽¹⁾	7.4	1,989	10.5

Interest rate risk

	Currency	Within one year	Effective	Between	Effective
		Borrowing	rate	one and five years	rate
		amount		Borrowing	
		million	%	amount	%
	ZAR	878 ⁽¹⁾	7.4	1,989	10.5

⁽¹⁾ Includes R73m interest accrual on corporate bond as at 31 December 2005.

Interest rate swap

Refer note 40 in group financial statements.

Credit risk

Refer note 40 in group financial statements.

26 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 2005 are as follows:

Type of instrument

Figures in million	2005		2004	
	Carrying amount	Fair value	Carrying Amount	Fair Value
SA Rands				
<i>Financial assets</i>				
Other investments (note 11)	2	2	2	2
Other non-current assets (note 14)	9	8	10	9
Trade and other receivables (note 15)	243	243	210	210
Cash restricted for use	6	6	6	6
Cash and cash equivalents (note 16)	12	12	92	92
<i>Financial liabilities</i>				
Borrowings (note 18)	2,867	2,993	2,057	2,207
Trade and other payables (note 22)	706	706	858	858
Derivatives comprise the following:	(1,801)	(4,627)	(270)	(2,158)
Forward sale commodity contracts	(423)	(423)	173	121
Option contracts	(1,387)	(4,213)	(482)	(2,318)
Foreign exchange contracts	-	-	(3)	(3)
Foreign exchange option contracts	12	12	(3)	(3)
Interest rate swaps	(3)	(3)	45	45

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

The amounts in the tables above do not necessarily agree with the totals in the notes referenced as only financial assets and financial liabilities are shown.

Type of instrument

Figures in million	2005			Total
	Normal sale exempted	Cash flow hedge accounted	Non-hedge accounted	
SA Rands				
Derivatives comprise the following:	(2,826)	(878)	(923)	(4,627)
Forward sale commodity contracts	-	(856)	433	(423)
Option contracts	(2,826)	(22)	(1,365)	(4,213)
Foreign exchange contracts	-	-	-	-
Foreign exchange option contracts	-	-	12	12
Interest rate swaps	-	-	(3)	(3)
Figures in million	2004			Total
	Normal sale exempted	Cash flow hedge accounted	Non-hedge accounted	
SA Rands				
Derivatives comprise the following:	(1,888)	(502)	232	(2,158)
Forward sale commodity contracts	(52)	(481)	654	121
Option contracts	(1,836)	(21)	(461)	(2,318)
Foreign exchange contracts	-	-	(3)	(3)
Foreign exchange option contracts	-	-	(3)	(3)
Interest rate swaps	-	-	45	45

26 Financial risk management activities (continued)

Derivative maturity profile

Figures in million	Total	2005	
		Assets	Liabilities
SA Rands			
Total	(1,801)	2,327	(4,128)
Less: Amounts to mature within 12 months of balance sheet date	1,260	(2,091)	3,351
Amounts to mature between one and two years	155	(182)	337
Amounts to mature between two and five years	386	(54)	440
Amounts to mature thereafter	–	–	–

Figures in million	Total	2004	
		Assets	Liabilities
SA Rands			
Total	(270)	3,226	(3,496)
Less: Amounts to mature within 12 months of balance sheet date	308	(2,260)	2,568
Amounts to mature between one and two years	(89)	(635)	546
Amounts to mature between two and five years	13	(331)	344
Amounts to mature thereafter	(38)	–	(38)

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

Trade and other receivables, cash restricted for use, cash and cash equivalents and trade and other payables

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

Other investments and other non-current assets

Other investments are carried at amortised cost which approximates fair value. The fair value of other non-current assets has been calculated using market interest rates.

Borrowings

The fair value of listed fixed rate debt is shown at its closing market value as at 31 December 2005. 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 as at 31 December 2005.

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 leading market participants (international banks). The company believes that no other possible alternative would result in significantly different fair value estimations.

27 Changes to comparative information

SA Rands million	Balance per annual financial statements 2004	Change in accounting policies		Reclassifications			Rounding	Revised 2004 comparative
		Change in accounting treatment for actuarial gains and losses	Adoption of IAS 21 ⁽¹⁾	Adoption of IAS 28 (accounting for associates) ⁽²⁾	Other reclassifications	Ergo treated as a discontinued operation ⁽³⁾		
Income statement								
Revenue	8,185	–	–	–	–	(591)	–	7,594
Gold income	7,749	–	–	–	–	(560)	–	7,189
Cost of sales	(6,774)	–	–	–	–	628	–	(6,146)
Non-hedge derivative loss ⁽⁴⁾	–	–	–	–	(523)	–	–	(523)
Gross profit	975	–	–	–	(523)	68	–	520
Corporate administration and other expenses	(297)	–	–	–	–	–	(1)	(298)
Market development costs	(79)	–	–	–	–	–	–	(79)
Exploration costs	(144)	–	–	–	–	–	–	(144)
Amortisation of intangible assets	(5)	–	–	4	–	–	1	–
Impairment of tangible assets and investments	–	–	–	(4)	–	–	–	(4)
Non-hedge derivative loss ⁽⁴⁾	(523)	–	–	–	523	–	–	–
Other net operating expenses	(27)	–	–	–	–	–	–	(27)
Operating profit	(100)	–	–	–	–	68	–	(32)
Interest received	183	–	–	–	–	–	–	183
Exchange gain	–	–	78	–	–	–	–	78
Other net income	1	–	–	(1)	–	–	–	–
Finance costs and unwinding of decommissioning and restoration obligation	(276)	–	–	–	–	–	–	(276)
Fair value gain on interest rate swaps	12	–	–	–	–	–	–	12
Loss before taxation	(180)	–	78	(1)	–	68	–	(35)
Taxation	641	–	–	–	–	5	–	646
Loss after taxation from continuing operations	461	–	78	(1)	–	73	–	611
Discontinued operations	–	–	–	–	–	(73)	–	(73)
Profit for the year	461	–	78	(1)	–	–	–	538

⁽¹⁾ In the company financial statements, as a result of adopting IAS 21 (revised), exchange differences arising on a monetary item that forms part of the company's net investment in a foreign operation is recognised in the income statement. The effect of this change in accounting policy is that in the company financial statements for 2004, R78m has been recognised in the income statement instead of in equity.

⁽²⁾ Share of associate's profit reclassified from other net income to comply with IAS 28.

⁽³⁾ Ergo reclassified as a discontinued operation from 1 February 2005 as it has reached the end of its useful life.

⁽⁴⁾ Non-hedge derivative loss reclassified to be included in gross profit.

27 Changes to comparative information (continued)

SA Rands million	Balance per annual financial statements 2004	Change in accounting policies		Reclassifications			Revised 2004 comparative
		Change in accounting treatment for actuarial gains and losses ⁽¹⁾	Adoption of IAS 21	Adoption of IAS 28 (accounting for associates) ⁽²⁾	Other reclassifications	Ergo treated as a discontinued operation	
Balance sheet							
ASSETS							
Non-current assets							
Tangible assets	10,644	–	–	–	–	–	10,644
Investments in associates	43	–	–	(6)	–	–	37
Investment in subsidiaries	14,813	–	–	–	–	–	14,813
Other investments	17	–	–	–	–	–	17
Investment in Environmental Rehabilitation Trust Fund	265	–	–	–	–	–	265
Intra-group balances	144	–	–	–	–	–	144
Derivatives	966	–	–	–	–	–	966
Other non-current assets ⁽³⁾	53	(113)	–	–	69	–	9
	26,945	(113)	–	(6)	69	–	26,895
Current assets							
Inventories	420	–	–	–	–	–	420
Trade and other receivables ⁽⁴⁾	377	–	–	–	(6)	(1)	370
Derivatives	2,260	–	–	–	–	–	2,260
Current portion of other non-current assets	1	–	–	–	–	–	1
Cash restricted for use ⁽⁴⁾	–	–	–	–	6	–	6
Cash and cash equivalents	92	–	–	–	–	–	92
	3,150	–	–	–	–	(1)	3,149
Total assets	30,095	(113)	–	(6)	69	(1)	30,044
EQUITY AND LIABILITIES							
Share capital and premium	19,300	–	–	–	–	–	19,300
Retained earnings and other reserves	(1,749)	(125)	–	(6)	–	(1)	(1,881)
Total equity	17,551	(125)	–	(6)	–	(1)	17,419
Non-current liabilities							
Borrowings	1,984	–	–	–	–	–	1,984
Environmental rehabilitation provisions	517	–	–	–	–	–	517
Provision for pension and post-retirement benefits ⁽³⁾	849	75	–	–	69	–	993
Intra-group balances	1,338	–	–	–	–	1	1,339
Derivatives	928	–	–	–	–	–	928
Deferred taxation	2,821	(63)	–	–	–	–	2,758
	8,437	12	–	–	69	1	8,519
Current liabilities							
Trade and other payables	1,184	–	–	–	–	–	1,184
Current portion of borrowings	73	–	–	–	–	–	73
Derivatives	2,569	–	–	–	–	(1)	2,568
Taxation	281	–	–	–	–	–	281
	4,107	–	–	–	–	(1)	4,106
Total liabilities	12,544	12	–	–	69	–	12,625
Total equity and liabilities	30,095	(113)	–	(6)	69	(1)	30,044

⁽¹⁾ AngloGold Ashanti has adopted IAS 19 (revised) whereby actuarial gains and losses are recognised through equity reserves.

⁽²⁾ Investment in associate recorded at cost less impairment, with the adoption of IAS 28.

⁽³⁾ Reclassification of AngloGold Ashanti Pension Fund credit balance from other non-current assets to provisions for pension and post-retirement benefits.

⁽⁴⁾ Reallocation of Disaster Compensation Fund from trade and other receivables to cash restricted for use.

27 Changes to comparative information (continued)

SA Rands million	Change in accounting policies			Reclassifications		Revised comparative	
	Balance per annual financial statements 2004	Change in accounting treatment for actuarial gains and losses	Adoption of IAS 21	Adoption of IAS 28 (accounting for associates)	Other reclassifications		Ergo treated as a discontinued operation ⁽¹⁾
Cash flow							
Cash flows from operating activities							
Receipts from customers ⁽²⁾	8,048	–	–	–	(123)	(591)	7,334
Payments to suppliers and employees	(6,524)	–	–	–	154	603	(5,767)
Cash generated from operations	1,524	–	–	–	31	12	1,567
Cash utilised from discontinued operations	–	–	–	–	–	(12)	(12)
Interest received ⁽³⁾	142	–	–	–	(142)	–	–
Environmental contributions ⁽⁴⁾	(35)	–	–	–	35	–	–
Finance costs ⁽³⁾	(276)	–	–	–	276	–	–
Net cash inflow from operating activities	1,355	–	–	–	200	–	1,555
Cash flows from investing activities							
Capital expenditure							
– project expenditure	(1,022)	–	–	–	–	–	(1,022)
– stay-in-business expenditure	(1,083)	–	–	–	(67)	–	(1,150)
Proceeds from disposal of tangible assets	4	–	–	–	–	–	4
Other investments acquired ⁽⁴⁾	(234)	–	–	–	(35)	–	(269)
Intra-group loans	2,000	–	–	–	–	–	2,000
Interest received ⁽³⁾	–	–	–	–	142	–	142
Repayment of loans advanced	402	–	–	–	–	–	402
Utilised in hedge restructure	(703)	–	–	–	–	–	(703)
Net cash outflow from investing activities	(636)	–	–	–	40	–	(596)
Cash flows from financing activities							
Proceeds from issue of share capital	22	–	–	–	–	–	22
Share issue expenses	(1)	–	–	–	–	–	(1)
Proceeds from borrowings	229	–	–	–	–	–	229
Repayment of borrowings	(1,794)	–	–	–	–	–	(1,794)
Finance costs ^{(3) (5)}	–	–	–	–	(240)	–	(240)
Dividends paid	(1,197)	–	–	–	–	–	(1,197)
Proceeds from hedge restructure	228	–	–	–	–	–	228
Net cash outflow from financing activities	(2,513)	–	–	–	(240)	–	(2,753)
Net decrease in cash and cash equivalents	(1,794)	–	–	–	–	–	(1,794)
Cash and cash equivalents at beginning of year	1,886	–	–	–	–	–	1,886
Net cash and cash equivalents at end of year	92	–	–	–	–	–	92

⁽¹⁾ Ergo reclassified as a discontinued operation from 1 February 2005 as it has reached the end of its useful life.

⁽²⁾ Effect of reallocation within trade and other receivables on receipts from customers.

⁽³⁾ Interest received and finance costs have been reclassified from operating activities to investing and finance activities respectively.

⁽⁴⁾ Contributions to the Environmental Rehabilitation Trust Fund reallocated to other investments acquired.

⁽⁵⁾ Reallocation of non-cash portion of finance costs to other non-cash movements.

27 Changes to comparative information (continued)

SA Rands million	Balance per annual financial statements 2004	Change in accounting policies		Reclassifications			Revised 2004 comparative
		Change in accounting treatment for actuarial gains and losses	Adoption of IAS 21 ⁽¹⁾	Adoption of IAS 28 (accounting for associates) ⁽²⁾	Other reclassifications	Ergo treated as a discontinued operation ⁽³⁾	
Cash generated from operations							
Profit before taxation	(180)	–	78	(1)	–	68	(35)
Adjusted for:							
Non-cash movements ^{(4) (5)}	98	–	(78)	–	27	(30)	17
Movement on non-hedge derivatives	986	–	–	–	–	(26)	960
Amortisation of tangible assets	753	–	–	–	–	–	753
Deferred stripping	–	–	–	–	–	–	–
Interest receivable	(183)	–	–	–	–	–	(183)
Profit from associates after taxation	(1)	–	–	1	–	–	–
Finance costs and unwinding of decommissioning obligation	276	–	–	–	–	–	276
Amortisation of intangible assets	4	–	–	–	–	–	4
Profit on disposal of assets	(4)	–	–	–	4	–	–
Movements in working capital	(225)	–	–	–	–	–	(225)
	1,524	–	–	–	31	12	1,567
Movements in working capital:							
Increase in inventories	(30)	–	–	–	–	–	(30)
Decrease in trade and other receivables	69	–	–	–	–	–	69
Decrease in trade and other payables	(264)	–	–	–	–	–	(264)
	(225)	–	–	–	–	–	(225)

⁽¹⁾ In the company financial statements, as a result of adopting IAS 21 (revised), exchange differences arising on a monetary item that forms part of the company's net investment in a foreign operation is recognised in the income statement. The effect of this change in accounting policy is that in the company financial statements for 2004, R78m has been recognised in the income statement instead of in equity.

⁽²⁾ Share of associates profit reclassified from other net income to comply with IAS 28.

⁽³⁾ Ergo reclassified as a discontinued operation from 1 February 2005 as it has reached the end of its useful life.

⁽⁴⁾ Reallocation of non-cash portion of finance costs to other non-cash movements.

⁽⁵⁾ Reallocation of interest capitalised from other non-cash movements to capital expenditure.