CARECENTRIC INC
Form 10-Q
November 14, 2001

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended September 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to ___________

Commission File Number: 0-22162

CARECENTRIC, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	22-3209241 (I.R.S. Employer Identification No.)
2625 Cumberland Parkway, Suite 310 Atlanta, Georgia (Address of principal executive offices)	30339 (zip code)

(Registrant's telephone number, including area code) (678) 264-4400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Class	Outstanding at 10/31/2001
Common Stock, $.001 par value	4,371,350 shares

CARECENTRIC, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The accompanying unaudited consolidated financial statements have been prepared by CareCentric, Inc. ("CareCentric" or the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company, all adjustments (consisting only of normal recurring entries) necessary for the fair presentation of the Company's results of operations, financial position and cash flows for the periods presented have been included.

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CARECENTRIC, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2001 (unaudited)
ASSETS	
Current assets:	
Cash and cash equivalents	$ 31,000
Accounts receivable, net of allowance for doubtful accounts of $378,000 and $551,000 respectively	5,741,000
Prepaid expenses, inventory and other current assets	1,602,000
Total current assets	7,374,000
Purchased software, furniture and equipment, net	1,697,000
Intangible assets, net	18,030,000
Other assets	468,000
Total assets	$ 27,569,000
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Note payable	647,000
Line of Credit	5,013,000
Current portion capital lease obligation	10,000
Accounts payable	1,847,000
Accrued compensation expense	931,000

Accrued liabilities	6,339,000
Customer deposits	1,760,000
Unearned revenues	4,142,000
Total current liabilities	20,689,000
Accrued liabilities, less current portion	1,910,000
Notes payable long-term	4,100,000
Total liabilities	26,699,000
Shareholders' equity:	
Preferred stock; 10,000,000 shares authorized	
Series B Preferred, $.001 par value; 5,600,000 issued and outstanding	6,000
Series C Preferred, $.001 par value; 850,000 issued and outstanding	1,000
Series D Preferred, $.001 par value; 398,000 issued and outstanding	-
Common stock, $.001 par value; 20,000,000 shares authorized, 4,371,350 shares issued and outstanding at September 30, 2001 and 3,849,816 shares issued and outstanding at December 31, 2000;	4,000
Additional paid-in capital	21,070,000
Stock warrants	1,000,000
Accumulated deficit	(21,211,000)
Total shareholders' equity	870,000
Total liabilities and shareholders' equity	$ 27,569,000

See notes to consolidated financial statements.

The above financial statements reflect the fact that for accounting purposes MCS, Inc. is deemed to have acquired CareCentric, Inc. on March 7, 2000, the date of the merger, as more fully explained in Notes 1 and 2 to the Consolidated Financial Statements.

CARECENTRIC, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended September 30,		Nine Months En
	2001	2000	2001
Net revenues:	$ 4,769,000	$ 7,177,000	$ 15,748,000
Costs and expenses:			
Cost of revenues	1,646,000	2,621,000	6,188,000
Selling, general and administrative	2,550,000	3,253,000	7,551,000
Research and development	1,413,000	1,897,000	4,789,000
Depreciation and amortization	1,011,000	1,027,000	2,905,000

Restructuring charge	-	-	675,000
Total costs and expenses	6,620,000	8,798,000	22,108,000
Loss from operations	(1,851,000)	(1,621,000)	(6,360,000)
Other (expense) income:			
Interest expense	(219,000)	(265,000)	(958,000)
Interest and other income	29,000	68,000	223,000
Net loss before taxes	$ (2,041,000)	$ (1,818,000)	$ (7,095,000)
Income tax benefit	-	(6,000)	-
Net loss from continuing operations	(2,041,000)	(1,824,000)	(7,095,000)
Discontinued operation:			
Loss on disposal of discontinued operations	(2,632,000)	-	(2,632,000)
Loss from discontinued operations	(226,000)	(21,000)	(483,000)
Net loss from operations of discontinued segment	(2,858,000)	(21,000)	(3,115,000)
Net loss	$ (4,899,000)	$ (1,845,000)	$ (10,210,000)
Loss per share - basic and diluted			
From continuing operations	$ (0.47)	$ (0.47)	$ (1.67)
From discontinued operations	$ (0.65)	$ (0.01)	$ (0.73)
Net loss per share	$ (1.12)	$ (0.48)	$ (2.40)
Weighted average common shares - basic and diluted	4,371,000	3,850,000	4,243,000

See notes to consolidated financial statements.

The above financial statements reflect the fact that for accounting purposes MCS, Inc. is deemed to have acquired CareCentric, Inc. on March 7, 2000, the date of the merger, as more fully explained in Notes 1 and 2 to the Consolidated Financial Statements.

CARECENTRIC, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the nine months ended September 30, 2001

	Shares	Common Stock	Shares	Preferred Stock	Paid-in Capital	Warrants
Balance at December 31, 2000	3,850,000	$ 4,000	6,848,000	$ 7,000	$ 21,070,000	$1,000,000
Issuance of $.001 par value common stock (1)	593,000	-	-	-	-	-
Cancellation of $.001 par value common stock (1)	(72,000)	-	-	-	-	-
Net loss	-	-	-	-	-	-
Balance at September 30, 2001	4,371,000	$ 4,000	6,848,000	$ 7,000	$ 21,070,000	$1,000,000

(1) See Note 9 to the consolidated financial statements.

See notes to consolidated financial statements.

The above financial statements reflect the fact that for accounting purposes MCS, Inc. is deemed to have acquired CareCentric, Inc. on March 7, 2000, the date of the merger, as more fully explained in Notes 1 and 2 to the Consolidated Financial Statements.

CARECENTRIC, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months ended September 30,		Nine Month Septembe
	2001	2000	2001
Cash flows from operating activities:			
Net loss	$ (4,899,000)	$(1,845,000)	$(10,210,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Provision for doubtful accounts	133,000	-	252,000
Amortization and depreciation	1,094,000	1,171,000	3,277,000
Loss on disposal of assets	2,632,000	-	2,632,000

Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	565,000	(11,000)	1,026,000
Prepaid expenses and other current assets	(117,000)	200,000	(359,000)
Other assets	(660,000)	20,000	(799,000)
Accounts payable	(866,000)	(308,000)	691,000
Accrued compensation expense	114,000	(110,000)	315,000
Accrued liabilities	803,000	(544,000)	699,000
Customer deposits	(446,000)	36,000	(736,000)
Unearned revenues	533,000	(796,000)	(859,000)
Net cash used in operating activities	(1,114,000)	(2,187,000)	(4,071,000)
Cash flows from investing activities:			
Assets and liabilities disposed of	1,715,000	-	1,715,000
Purchase of software, furniture and equipment	(122,000)	(136,000)	(467,000)
Net cash used in investing activities	1,593,000	(136,000)	1,248,000
Cash flows from financing activities:			
Cash received in connection with MCS merger		-	-
Proceeds from issuance of preferred stock		-	-
Proceeds from issuance / (repayments) of notes payable	(493,000)	1,985,000	2,492,000
Net cash provided by financing activities	(493,000)	1,985,000	2,492,000
Net increase/(decrease) in cash and cash equivalents	(14,000)	(338,000)	(331,000)
Cash and cash equivalents, beginning of period	45,000	1,999,000	362,000
Cash and cash equivalents, end of period	$ 31,000	$ 1,661,000	$ 31,000

See notes to consolidated financial statements.

The above financial statements reflect the fact that for accounting purposes MCS, Inc. is deemed to have acquired CareCentric, Inc. on March 7, 2000, the date of the merger, as more fully explained in Notes 1 and 2 to the Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MCS as Deemed Acquirer of CareCentric, Inc.

On March 7, 2000, CareCentric, Inc. (formerly known as Simione Central Holdings Inc.) ("CareCentric" or the "Company") and MCS, Inc. ("MCS") merged in a transaction accounted for as a reverse acquisition for financial reporting purposes. In connection with the acquisition, CareCentric issued 1,489,853 shares of its common stock in exchange for all the outstanding common stock of MCS, and thereby, the former shareholders of MCS acquired control of CareCentric. As a result, for financial reporting purposes MCS is considered the acquiring company; hence, the historical financial statements of MCS became the historical financial statements of CareCentric and include the results of operations of CareCentric only from the effective acquisition date.

The weighted average common shares for the nine months ended September 30, 2000 are recast in the accompanying Consolidated Statements of Operations to give effect to the 1,489,853 shares of CareCentric common stock that were issued to the MCS shareholders in connection with the CareCentric/MCS merger on March 7, 2000 as though such shares had been outstanding for the entire period. For the period from January 1, 2000 through March 6, 2000, therefore, 1,489,853 shares of issued and outstanding CareCentric common stock are deemed to be owned by the MCS shareholders. For the period from March 7, 2000 through December 31, 2000, there were 3,849,816 total shares of issued and outstanding Company common stock (after giving effect to the CareCentric/MCS merger). The weighted average shares for the year ended December 31, 2000 are also recast to give effect to the 1,489,853 shares of CareCentric common stock that were issued to the MCS shareholders pursuant to the CareCentric/MCS merger as though such shares had been outstanding for the entire period.

Basis of Presentation

The condensed consolidated financial statements have been prepared by the Company (which as used herein refers to CareCentric, after giving effect to the merger with MCS and, as the context requires, MCS, prior to the CareCentric/MCS merger), include the results of operations of the parent company and its wholly owned subsidiaries and are unaudited (except for the December 31, 2000 balance sheet). In the opinion of management, all adjustments, which consist of normal recurring adjustments, considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of December 31, 2000 appearing in the Company's Report on Form 10-K for the year ended December 31, 2000.

Description of Business

The Company is a leading provider of information technology systems and related services designed to help home health care providers more effectively operate their businesses in today's environment. The Company's focus is to help home health care providers streamline their operations and better serve their patients. The Company offers several comprehensive software solutions. Each of these solutions provides a basic set of software applications and specialized modules that can be added based upon customer needs. These software solutions are designed to enable customers to generate and utilize comprehensive financial, operational and clinical information.

Intangible Assets and Long-lived Assets

Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed Of" requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amount. Continuing losses and changes in the home health information technology market, as well as future requirements under SFAS 142, have added a level of complexity for the Company in its review for impairment of intangible assets. As a result, the Company concludes that a realistic internal determination of impaired assets cannot be fairly determined at this time. Accordingly, the Company, in the fourth quarter of 2001, plans to consider any additional resources to assist it in determining what, if any, impairments have occurred. Should this process result in an impairment adjustment, the Company will fully comply with the requirements of SFAS 121.

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The intangible assets arising from the CareCentric/MCS merger are amortized using the straight-line method over the estimated useful lives of the related assets as more fully disclosed in Note 6. The Company reviews its long-lived and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The measurement of possible impairment is based upon determining whether projected undiscounted future cash flow from the use of the asset is less than the carrying amount of the asset.

Income Taxes

The Company accounts for income taxes using the asset/liability method which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement carrying amount and the tax bases of assets and liabilities.

Net (Loss) Earnings Per Share

The Company has adopted SFAS No. 128, "Earnings Per Share." SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share exclude any dilutive effects of options, warrants and convertible securities. Diluted earnings per share for the quarters ended September 30, 2000 and 2001 exclude the effects of options, warrants and conversion rights as they would be antidilutive, and as a result, basic and diluted earnings are the same for the quarters ended September 30, 2000 and 2001. Per share amounts for all periods have been presented in conformity with SFAS No. 128 requirements.

Reclassification

Reclassifications are made periodically to previously issued financial statements to conform with the current year presentation.

Stock Based Compensation

Stock options are accounted for under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and the provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation (SFAS No. 123 and related interpretations).

Comprehensive Income

For the periods ended September 30, 2001 and 2000, respectively, there were no components of other comprehensive income.

Recently Adopted Accounting Standards

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 141, Business Combinations and SFAS

142, Goodwill and Intangible Assets. SFAS 141 is effective for all business combinations completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this Statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142. Major provisions of these Statements and their effective dates for the Company are as follows: (i) all business combinations initiated after June 30, 2001 must use the purchase method of accounting and the pooling of interest method of accounting is prohibited except for transactions initiated before July 1, 2001; (ii) intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either individually or as part of a related contract, asset or liability; (iii) goodwill and intangible assets with indefinite lives acquired after June 30, 2001 will not be amortized and effective January 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives will no longer be subject to amortization; (iv) effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator, and (v) all acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting. The Company is currently evaluating the impact that SFAS 141 and 142 will have on its financial reporting requirements.

NOTE 2 - CARECENTRIC/MCS MERGER

On March 7, 2000, MCS completed the merger with CareCentric. CareCentric issued 1,489,853 shares of common stock to MCS stockholders in exchange for all of the outstanding shares of MCS common stock. This number of shares has been adjusted to reflect a one-for-five reverse stock split that was completed by CareCentric immediately prior to the merger. In connection with the closing of the merger, Mestek invested $6.0 million in CareCentric in exchange for 5.6 million shares

of Series B preferred stock and warrants to purchase 400,000 shares (on a split adjusted basis) of CareCentric common stock. Additional information on the merger is included in the Company's Registration Statement on Form S-4 (Registration No. 333-96529).

As required by generally accepted accounting principles (GAAP), the effects of the merger on the Company's assets and liabilities have been excluded from the operating section of the cash flow statement for reporting purposes.

Pro-forma unaudited results assuming the merger and the disposal of the discontinued segment more fully described in Note 3 took place as of January 1, 2000 are as follows:

	For Nine Months Ended September	
	2001	2000
Net revenues	$ 15,748,000	$ 18,100,00
Net (loss)	$ (7,095,000)	$ (8,800,00
Net (loss) per share - basic and diluted	$ (1.67)	$ (2.2

NOTE 3 - DISCONTINUED OPERATIONS

On September 28, 2001, CareCentric discontinued its Consulting business segment by closing the sale of certain of the assets of its wholly-owned subsidiary, Simione Consulting, Inc., to Simione Consultants, L.L.C. ("Simione"), which is owned and controlled by William Simione, Jr., a director of the Company. The total sales price was approximately $2.0 million plus the assumption of certain liabilities by Simione. The Company's net pre-tax loss on the disposal was approximately $2.6 million. The Company has accounted for the transaction as a loss on disposal of discontinued operations in accordance with APB 30.

NOTE 4 - RESTRUCTURING AND OTHER CHARGES

In April 2001, CareCentric approved a plan to close one remote support office and to downsize the workforce at its remaining facilities. As a result of these actions the Company recorded a total charge of $675,000 in the quarter ended June 30, 2001.

The restructuring charge includes $598,000 of employee severance costs and $77,000 in other exit costs (principally lease termination costs and functional relocation expenses). The plan entails the elimination of 33 positions, the layoff of six additional employees and the closing of one non-essential training and support facility. The Company expects to pay $585,000 in cash related to the restructuring plan. During the quarter ended September 30, 2001 the Company paid $175,000 in employee costs and $7,000 in other exit costs. As of October 31, 2001, $469,000 in employee costs and $25,000 in other exit costs have been paid under the plan and 39 employees have been separated.

NOTE 5 - PURCHASED SOFTWARE, FURNITURE AND EQUIPMENT

Purchased software, furniture and equipment consisted of the following:

	September 30, 2001	December 31, 2000	E Us
Software	$ 1,725,000	$ 1,635,000	
Furniture and fixtures	1,409,000	1,551,000	
Computer equipment	4,512,000	4,415,000	
	7,646,000	7,601,000	
Accumulated depreciation	(5,949,000)	(5,644,000)	
Net purchased software, furniture and equipment	$ 1,697,000	$ 1,957,000	

NOTE 6 - INTANGIBLE ASSETS

Intangible assets at September 30, 2001 consisted of the following:

	Assets	Accumulated	Net

	Original Cost	Disposed (1)	Amortization	Va
Developed technology	$ 10,650,000	$ 0	$ (2,108,000)	$ 8,
Assembled workforce	2,300,000	(422,000)	(595,000)	1,
Customer base	1,700,000	(510,000)	(209,000)	
Goodwill	11,851,000	(2,484,000)	(2,143,000)	7,
	$ 26,501,000	$ (3,416,000)	$ (5,055,000)	$ 18,

(1) See Note 3 to the Financial Statements.

NOTE 7 - NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS

	September 30, 2001	December 31, 2000
Short Term:		
Note Payable - Mestek	$ 647,000	$ 600,000
Line of Credit	$ 5,013,000	$ 5,996,000
	$ 5,660,000	$ 6,596,000
Long Term:		
Convertible Note Payable - B. C. O'Donnell	$ 600,000	$ 600,000
Convertible Note Payable - J.E Reed	$ 3,500,000	$ -
	$ 4,100,000	$ 600,000

Line of Credit:

On July 12, 2001, the Company renewed a $6.0 million Loan and Security Agreement facility (the Wainwright Facility) with Wainwright Bank and Trust Company, a commercial bank, under which the Company granted a first priority position on substantially all of its assets as security. The Wainwright Facility was initially used to pay off the line of credit with Silicon Valley Bank, certain short-term loans from Mestek, Inc., and a loan from David O. Ellis, and then to fund the Company's operations. Borrowings under the Wainwright Facility accrue interest, at the bank's prime rate per annum, require monthly payments of interest and mature on July 12, 2002. The Company's obligations under the Wainwright Facility are guaranteed by Mestek in consideration of which the Company has issued a warrant to Mestek to purchase 104,712 shares of the Company's common stock.

Convertible Note Payable - Barrett C. O'Donnell:

On November 11, 1999, Simione Central Holdings, Inc. borrowed $500,000 from Barrett C. O'Donnell on an unsecured basis and executed a promissory note in connection therewith. Mr. O'Donnell is a director of the Company. When the CareCentric/MCS merger was completed on March 7, 2000, the Company succeeded to this obligation. The note payable to Mr. O'Donnell included interest at 9% per annum, was scheduled to mature on May 11, 2002, and required quarterly payments of accrued interest. On August 8, 2000, the $500,000 note payable to Mr. O'Donnell, together with $100,000 of deferred salary, was cancelled in exchange for a $600,000 subordinated note, convertible into CareCentric common stock at a strike price of $2.51 per share, with interest at 9% per annum and a five-year maturity.

Note Payable - Mestek:

The Company is obligated under an unsecured promissory note in the principal amount of $647,000 payable to Mestek Inc. which bears interest at prime plus one with interest payable semiannually and which matures on July 30, 2002. This note covers funds advanced by Mestek to CareCentric to cover payroll and accounts payable obligations incurred by the Company during the period of its transition of senior lenders from Silicon Valley Bank to Wainwright Bank and Trust Company plus the accrued interest thereon for the twelve months ended June 30, 2001.

J.E. Reed Facility:

On June 22, 2000, the Company entered into a new financing facility (the J. E. Reed Facility) provided by John E. Reed, Chairman of CareCentric and the Chairman and Chief Executive Officer of Mestek, Inc. The J. E. Reed Facility consists of a $6.0 million subordinated revolving line of credit, convertible into common stock of the Company at a strike price of $2.51 per share, with interest at 9% per annum and a five-year maturity. The J. E. Reed Facility can be drawn down by the Company as needed in $500,000 increments and is secured by a second position on substantially all of the Company's assets. Borrowings totaling $3.5 million were outstanding under the J. E. Reed Facility as of October 31, 2001. The unused capacity under the J.E. Reed line as of October 31, 2001 was $2.5 million. As of September 30, 2001, interest expense totaling approximately $146,000 had been recorded but not paid on the borrowing under the J.E. Reed line of credit, which constitutes a default thereunder. Lender has executed a waiver of default for such non-payment of interest.

The Company is obligated under a number of capital lease obligations originally entered into by CareCentric related to computer equipment formerly used in CareCentric's business.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Company is engaged in various legal and regulatory proceedings arising in the normal course of business which management believes will not have a material adverse effect on its financial position or results of operations.

NOTE 9 - SHAREHOLDERS' EQUITY

Common Shares - Pursuant to the terms of the July 12, 1999 Merger Agreement by which the Company acquired the stock of CareCentric Solutions, Inc., the Company was required to issue up to an additional 606,904 shares of common stock to the former preferred shareholders and noteholders of CareCentric Solutions if the average closing price of the Company's stock for the period October 1, 2000 through December 31, 2000 did not equal $15.00 per share. Since the Company's average closing stock price for the fourth quarter of 2000 was less than $15.00 per share, on March 20, 2001, the Company issued 593,688 shares of its common stock to the former preferred shareholders and noteholders of CareCentric Solutions. The Company asserted that it was not required to issue 13,216 additional shares of its common stock as well as 150,740 shares of common stock that were being held by it in escrow under the terms of the CareCentric

Solutions Merger Agreement based upon various indemnification and expense overages claims it believed it had against the former CareCentric Solutions preferred shareholders and noteholders. On May 16, 2001, the Company finalized a settlement of these claims with the representative of the former CareCentric Solutions parties pursuant to which 88,586 shares of common stock were released from escrow and distributed to the former CareCentric Solutions preferred shareholders and noteholders, the remaining 62,154 escrow shares were cancelled, no additional shares of common stock will be issued, and the parties executed a comprehensive settlement agreement.

On June 28, 2001, the Company settled a dispute with Star Sterling Corporation ("Star") in connection with the March 26, 1999 asset acquisition of Tropical Software Services wherein the Company asserted certain claims against Star under the terms of the original agreement. Under the terms of the settlement, 10,000 shares of the Company's common stock originally issued to Star were returned to the Company and have been cancelled.

Stock Options - The Company has granted options to purchase an aggregate of 550,797 shares (on a split adjusted basis) of common stock as of September 30, 2001. Of the options granted, none were exercised prior to September 30, 2001 and 22,803 have been cancelled. Of the remaining 527,994 options, 254,244 are vested and exercisable as of September 30, 2001. The exercise prices range from $2.51 to $73.55 per share, both on a split adjusted basis.

NOTE 10 - SUBSEQUENT EVENTS

On November 1, 2001, the Company appointed John R. Festa as its President and Chief Executive Officer, and Mr. Festa assumed full-time responsibilities in such roles on November 12, 2001. Bruce Dewey, the Company's former President and Chief Executive Officer, recently accepted appointment as President and Chief Operating Officer of Mestek, Inc. Mr. Dewey is continuing to serve on the Company's Board of Directors as Vice Chairman with a focus on strategy related to product development and business alliances. Mr. Festa's initial salary will be $200,000 annually, and he will be entitled to an annual bonus based on the Company's achievement of certain financial, cash flow and performance milestone goals that are currently being negotiated between Mr. Festa and the Compensation Committee of the Company's Board of Directors.

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In connection with Mr. Festa's appointment, the Company has granted to Mr. Festa 210,000 shares of the Company's Series E Preferred Stock. The Series E shares include the following terms:

- Half of the shares vest over a three (3) year period and the other half are forfeitable pro rata over a three (3) year period if the Company's financial, cash flow and performance milestone goals referred to above are not achieved;

- All of the shares will be vested and not subject to forfeiture immediately upon a change of control of the Company;

- The shares are convertible into the Company's Common Stock on a one-for-one basis once the vesting and forfeiture conditions as to those shares have lapsed;

- The shares shall accrue non-cumulative dividends at the coupon rate of 3-1/2% per year;

- Upon a change of control of the Company, the Series E Preferred Stock will have an equal priority with the Company's Series B, Series C and Series D Preferred Stock; and

- Upon a liquidation or winding up of the Company, the Series E Preferred Stock will be junior in priority to the Series B, Series C and Series D Preferred Stock.

Mr. Festa, as holder of the Series E Preferred Stock, will also have the right to receive additional Series E shares through January 31, 2003 (other than pursuant to a change of control transaction) so as to enable him to maintain his percentage ownership of the Company's outstanding capital stock if the Company raises up to an additional $6 million in equity capital. For all such equity offerings of the Company that result in aggregate consideration in excess of $6 million, Mr. Festa will have the right to purchase securities in such offering on the same terms and conditions thereof so as to maintain a minimum ownership percentage of three percent (3%) of the Company's outstanding capital stock on a fully diluted basis.

In connection with his employment by the Company, Mr. Festa was granted the right to a sale of business success fee based on the net proceeds to be received by the Company or its shareholders for the completion of a sale of the Company during the term Mr. Festa serves as the Company's President and Chief Executive Officer and for nine (9) months thereafter. Mr. Festa is also entitled to severance payments equal to 12 months of annual base salary in the event that Mr. Festa's employment is terminated without cause or within 18 months after a change of control transaction (defined as the ownership interests in the Company collectively owned by Mestek, Inc. and John E. Reed falling below 25% of the aggregate ownership of the Company's outstanding capital stock on a fully diluted basis).

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Certain statements set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended, and are subject to the safe harbor created by such sections. When used in this report, the words "believe", "anticipate", "estimate", "expect", and similar expressions are intended to identify forward-looking statements. The Company's future financial performance could differ significantly from that set forth herein, and from the expectations of management. Important factors that could cause the Company's financial performance to differ materially from past results and from those expressed in any forward looking statements include, without limitation, the inability to close the transactions required to obtain the additional capital resources described herein, variability in quarterly operating results, customer concentration, product acceptance, long sales cycles, long and varying delivery cycles, the Company's dependence on business partners, emerging technological standards ,the effects of changes in regulations affecting health care providers, uncertainties regarding the restructuring described herein, risks associated with acquisitions and the risk factors detailed in the Company's Registration Statement on Form S-4 (File No. 333-96529) and in the Company's periodic reports filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's consolidated financial statements and the notes thereto.

Liquidity and Capital Resources

The Company secured $13.0 million in new debt and equity capital during 2000 as follows:

Source	Funding	Form	Date Cl
John E. Reed	$ 1,000,000	Series D Preferred Stock	June
John E. Reed	6,000,000	Line of Credit	June
Wainwright Bank and Trust Company	6,000,000	Line of Credit	July
	$ 13,000,000		

Details on these three transactions are described in greater detail in Note 7 to the accompanying Financial Statements.

The Wainwright Bank and Trust Company Line of Credit was initially used to pay off the Silicon Valley Bank Line of Credit, certain short term loans from Mestek Inc., and the note payable to David O. Ellis, and then to fund the Company's operations. As of September 30, 2001, the unused capacity under the John E. Reed and Wainwright Bank and Trust Company lines are $2.5 million and $1.0 million, respectively.

The Company's net borrowings from all sources, representing in effect the Company's cash utilization rate, were significantly reduced during the three months ended September 30, 2001, to $0.5 million, as compared with the three months ended December 31, 2000, March 31, 2001, and June 30, 2001, during which the Company borrowed $2.7 million, $1.7 million, and $1.28 million, respectively. The Company repaid approximately $1.0 million to Wainwright Bank with the proceeds from the asset sale discussed in Note 3 to the financial statements and, based on internally generated cash forecasts, the Company expects to borrow no more than $0.5 million through the quarter ending December 31, 2001. As disclosed in the financial statements, the Company has a working capital deficit of $13.9 million at September 30, 2001.

The Company implemented a restructuring plan in April 2001, as more fully described herein, in addition to the various other ongoing cost reduction initiatives undertaken subsequent to the MCS/CareCentric merger on March 7, 2000. The Company believes in light of its ongoing cost reduction efforts that its funding sources, as described above, will be sufficient to meet its working capital needs in 2001. The Company remains dependent, however, on its majority shareholder, J. E. Reed, for its working capital financing needs.

Background

CareCentric, Inc. (formerly known as Simione Central Holdings, Inc.) ("CareCentric" or the "Company") is a leading provider of information technology systems and related software support services and consulting services designed to help home health care providers more effectively operate their businesses in today's environment. The Company's focus is to help home health care providers

streamline their operations and better serve their patients. CareCentric offers several comprehensive software solutions. Each of these solutions provides a basic set of software applications and specialized modules, which can be added based on customer needs. These software solutions are designed to enable customers to generate and utilize comprehensive financial, operational and clinical information.

The Company sells its software pursuant to non-exclusive license agreements, which provide for the payment of a one-time license fee. In accordance with SOP 97-2, these revenues are recognized when products are delivered and the collectibility of fees is probable, provided that no significant obligations remain under the contract. The Company generally requires payment of a deposit upon the signing of a customer order as well as certain additional payments prior to delivery. As a result, the Company's balance sheet reflects significant customer deposits.

Third party software and computer hardware revenues are recognized when the related products are shipped. Software support agreements are generally renewable for one-year periods, and revenue derived from such agreements is recognized ratably over the period of the agreements. The Company has historically maintained high renewal rates with respect to its software support agreements. The Company charges for software implementation, training and technical consulting services as well as management consulting services on an hourly or daily basis. The price of such services varies depending on the level and expertise of the related professionals. These revenues are recognized as the related services are performed.

The Company believes that continued enhancement of its software systems is critical to its future success, and anticipates that investment in existing and new products will continue as needed to support the Company's product strategies. Costs incurred to establish the technological feasibility of computer software products are expensed as incurred. The Company's policy is to capitalize costs incurred between the point of establishing technological feasibility and general release only when such costs are material. For the three months ended September 30, 2001 and 2000, the Company did not capitalize any computer software development costs.

Backlog

The Company had backlog associated with its software operations of approximately $3.2 million and $4.1 million on September 30, 2001 and December 31, 2000, respectively. Backlog consists of the unrecognized portion of contractually committed software license fees, hardware, estimated installation fees and professional services. The length of time required to complete an implementation depends on many factors outside the control of the Company, including the state of the customer's existing information systems and the customer's ability to commit the personnel and other resources necessary to complete the implementation process. As a result, the Company may be unable to predict accurately the amount of revenue it will recognize in any period and therefore can make no assurances that the amounts in backlog will be recognized in the next twelve months.

Results of Operations for Three Months ended September 30, 2001

Net Revenues. Total net revenues for the three months ended September 30, 2001 decreased by $2.4 million, or 33.4%, to $4.8 million in 2001 from $7.2 million in 2000. This decrease is attributable principally to reduced revenue across all products and services as a result of reduced bookings of software and equipment sales in the final quarter of 2000 and the first half of 2001 due to uncertainties in the marketplace over the effect of the implementation of the Prospective Payment System of reimbursement by Medicare.

Cost of Revenues. Cost of revenues as a percentage of total revenues for the three months ended September 30, 2001 decreased to 34.5% from 36.5% for the three months ended September 30, 2000. The improvement in gross margin percentage resulted from efficiencies achieved from the combination of support operations and other cost management activities.

Selling, General and Administrative Expenses. Total selling, general and administrative expenses decreased $0.7 million to $2.6 million for the three months ended September 30, 2001 from $3.3 million for the three months ended September 30, 2000. This decrease is principally attributable to synergies derived from centralization of administrative functions and elimination of non-essential facilities and excess capacity, and the reduction in force described in Note 4 to the financial statements.

Research and Development Expenses. Research and development expenses decreased $0.5 million, or 25.5%, to $1.4 million for the three months ended September 30, 2001 from $1.9 million for the three months ended September 30, 2000. This

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dollar decrease was attributable primarily to the reduction in force described in Note 4 to the financial statements. As a percentage of total net revenues, these expenses increased to 29.6% for the three months ended September 30, 2001 from 26.4% for the three months ended September 30, 2000.

Other Income (Expense). Interest expense for the three months ended September 30, 2001 relates primarily to borrowings under the Company's line of credit agreement and capital lease obligations and has decreased by approximately $46,000 from the interest expense incurred during the three months ended September 30, 2000 as a result of the decrease in the prime interest rate subsequent to September 30, 2000.

Income Taxes. The Company has not incurred or paid taxes since its inception.

Results of Operations for the Nine Months Ended September 30, 2001

Results of operation for the nine months ended September 30, 2000 included the operations of the former MCS for six months and the operations of CareCentric (formerly Simione Central Holdings, Inc.) for only the period subsequent to March 7, 2000. As a result, a comparison of the 2001 and 2000 Statements of Operations is not meaningful to an understanding of the Company's relative performance. Therefore, for purposes of comparability, the following discussion reflects the assumption that the operations of CareCentric and MCS were combined on a pro-forma basis for the nine months ended September 30, 2000, as illustrated in Table 1 below.

Table 1. CONSOLIDATED PROFORMA STATEMENTS OF OPERATIONS
(unaudited)

	Nine Months Ended September 30,	
	2001	2000
Net revenues:	$ 15,748,000	$ 18,100,000
Costs and expenses:		
Cost of revenues	6,188,000	9,343,000
Selling, general and administrative	7,551,000	9,032,000

Research and development	4,789,000	5,166,000
Depreciation and amortization	2,905,000	3,033,000
Restructuring and other charges	675,000	-
Total costs and expenses	22,108,000	26,574,000
Loss from operations	(6,360,000)	(8,474,000
Other (expense) income:		
Interest expense	(958,000)	(494,000
Interest and other income	223,000	14,000
Net loss before taxes	(7,095,000)	(8,954,000
Income tax benefit	-	(154,000
Net loss	$ (7,095,000)	$ (8,800,000
Net loss per share - basic and diluted	$ (1.67)	$ (2.24
Weighted average common shares - basic and diluted	4,243,000	3,926,000

Net Revenues. Total net revenues for the nine months ended September 30, 2001 decreased by $2.4 million, or 13.0%, to $15.7 million in 2001 from $18.1 million in 2000. These reduced revenues are attributable principally to reduce bookings of software and equipment sales in the final quarter of 2000 and the first half of 2001 due to uncertainties in the marketplace over the effect of the implementation of the Prospective Payment System of reimbursement by Medicare.

Cost of Revenues. Cost of revenues as a percentage of total revenues decreased to 39.3% for the nine months ended September 30, 2001 from 51.7% for the nine months ended September 30, 2000. The improvement in gross margin percentage

resulted from efficiencies achieved from the combination of support operations and other cost management activities as well as a reduction in hardware revenues as a percentage of total revenues.

Selling, General, and Administrative Expenses. Total selling, general and administrative expenses decreased $1.5 million to $7.6 million for the nine months ended September 30, 2001 from $9.1 million for the nine months ended September 30, 2000. This decrease is principally attributable to synergies derived from centralization of administrative functions and elimination of non-essential facilities and excess capacity. As a percentage of total net revenues, selling, general and administrative expenses were 47.9% for the nine months ended September 30, 2001 compared with 49.9% for the nine months ended September 30, 2000.

Research and Development Expenses. Research and development expenses decreased $0.4 million, or 7.7%, to $4.8 million for the nine months ended September 30, 2001 from $5.2 million for the nine months ended September 30, 2000. As a percentage of total net revenues, these expenses increased to 30.4% for the nine months ended September 30, 2001 from 28.5% for the nine months ended September 30, 2000.

Restructuring and Other Charges. In April 2001, CareCentric approved a plan to close one remote support office and to downsize the workforce at its remaining facilities. As a result of these actions the Company recorded a total charge of $675,000.

The restructuring charge includes $598,000 of employee severance costs and $77,000 in other exit costs (principally lease termination costs and functional relocation expenses). The plan entails the elimination of 33 positions (10% of salaried employees), the layoff of six additional employees and the closing of one non-essential training and support facility in Houston, Texas. Employees at impacted locations have been informed of the restructuring initiatives and benefits available to them under applicable benefit plans or related contractual provisions have been communicated. Affected employees will leave CareCentric using a mixture of voluntary and involuntary separation programs and layoffs. The Company expects to pay $585,000 in cash related to the restructuring plan. During the quarter ended September 30, 2001 the Company paid $294,000 in employee costs and $18,000 in other exit costs. As of October 31, 2001, 39 employees had been separated under the plan. The Company expects to fully realize savings related to these headcount reductions during the second half of 2001 with estimated ongoing annual net savings $3.2 million. The Company expects these savings will be realized as reductions in cost of sales and selling, general and administrative expense, and research and development expense.

Other Income (Expense). Interest expense for the nine months ended September 30, 2001 relates primarily to borrowings under the Company's line of credit agreement and capital lease obligations and has increased by approximately $0.4 million from the interest expense incurred during the nine months ended September 30, 2000 as a result of increased borrowing subsequent to September 30, 2000.

Impact of New Accounting Standards

In 1998, the Financial and Accounting Standards Board issued SFAS No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 is effective for the Company's fiscal year ending December 31, 2001. The adoption of SFAS No. 133 did not have a material impact on the Company's financial position or results of operations.

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 141, Business Combinations and SFAS 142, Goodwill and Intangible Assets. SFAS 141 is effective for all business combinations completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this Statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142. Major provisions of these Statements and their effective dates for the Company are as follows: (i) all business combinations initiated after June 30, 2001 must use the purchase method of accounting and the pooling of interest method of accounting is prohibited except for transactions initiated before July 1, 2001; (ii) intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either individually or as part of a related contract, asset or liability; (iii) goodwill and intangible assets with indefinite lives acquired after June 30, 2001 will not be amortized and effective January 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives will no longer

be subject to amortization; (iv) effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator; and (v) all acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting. The Company is currently evaluating the impact that SFAS 141 and 142 will have on its financial reporting requirements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

As of September 30, 2001, the Company's obligations include variable rate notes payable and a line of credit bank note with aggregate principal balances of approximately $9.7 million, which mature at various dates through 2005. The Company is exposed to the market risk of significant increases in future interest rates. Each incremental point change in the prime interest rate would correspondingly increase or decrease the Company's interest expense by approximately $56,000 per year.

At September 30, 2001, the Company had accounts receivable of approximately $5.7 million net of an allowance for doubtful accounts of $378,000. The Company is subject to a concentration of credit risk because most of the accounts receivable are due from companies in the home health industry.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Neither CareCentric nor any of its subsidiaries is currently a party to any legal proceedings which would be material to the business or financial condition of the Company on a consolidated basis.

Item 2. Change in Securities.

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

On July 31, 2001, the Annual Meeting of Stockholders of CareCentric, Inc. was held. Stockholders present in person or by proxy holding 5,290,639 votes, based upon ownership of CareCentric common stock and preferred stock, were represented at the meeting.

Seven Directors of the Company were duly elected to hold office until the next Annual Meeting of Stockholders or until successors have been duly elected. The elected Directors and the affirmative votes were as follows:

Name	Affirmative Votes	Votes Against or Withheld
John E. Reed	5,286,785	3,854
R. Bruce Dewey	5,290,620	19
Barrett C. O'Donnell	5,286,462	4,177
Winston R. Hindle, Jr.	5,290,620	19
Dr. David O. Ellis	5,286,787	3,852
William Simione, Jr.	5,290,488	151
Edward K. Wissing	5,290,620	19

The number of shares of CareCentric common stock reserved for issuance under the 1997 Omnibus Equity-based Incentive Stock Option Plan was increased from 450,000 shares to 900,000 shares. The affirmative votes for this matter were as follows:

Affirmative Votes	Votes Against	Votes Abstained
5,092,030	111,126	87,483

Grant Thornton LLP was appointed as the Company's auditors for December 31, 2001. The affirmative votes for this matter were as follows:

Affirmative Votes	Votes Against	Votes Abstained
5,277,881	1,542	11,216

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

Exhibit No.	Description
2.1+	Purchase and Sale Agreement dated September 28, 2001, by and between the Registrant, Simione Central Consulting, Inc. and Simione Consultants, L.L.C. (incorporated herein by reference to Exhibit 2.1 filed with Registrant's Current Report on Form 8-K filed October 12, 2001.)

+ In accordance with Item 601(b)(2) of the Registration S-K, the schedules have been omitted. There is a list of schedules at the end of the Exhibit, briefly describing them. The Registrant will furnish supplementally a copy of any omitted schedule to the Commission upon request.

(b) Reports on Form 8-K:

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CARECENTRIC, INC.

Dated: November 14, 2001 By:/s/ Dennis A. Brauckman

DENNIS A. BRAUCKMAN

Vice President - Finance and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

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By December 31, 2003, all 358 employees had been terminated. All costs outstanding at December 31, 2003 were paid by January 31, 2004.

c.

Costs incurred in refinancing the Company's debt during 2002, including fees paid to financial advisers, legal fees and fees relating to the extinguishment of the Company's previous revolving credit facility.

d.

As provided for in the sale and purchase agreement entered into in 2000 in respect of the Geita mine, AngloGold transferred the neighbouring Ridge 8 property to Geita during 2002. The consideration of US$17.6 million will be left outstanding until the project finance loans are fully repaid by Geita. AngloGold has transferred to Ashanti for no consideration, its 50% share of the receivable which resulted in an exceptional gain of US$8.8 million. In line with Ashanti's accounting policy on exploration costs, the cost of this property was expensed (Ashanti's share US$8.8 million).

e.

Ashanti sold its interest in the Mampon property near Obuasi to Bogoso Gold Limited and Golden Star Resources Limited for a cash consideration of US$9.5 million which resulted in a gain before taxes of US$8.3 million. Ashanti realised a further US$0.5 million from the debenture held in Birim Goldfields ("Birim"), which it sold back to Birim at its carrying value.

f.

The investment held in the joint venture in respect of the Youga property in Burkina Faso was sold for US$3.3 million resulting in a gain of US$2.7 million. Ashanti received insurance proceeds of US$3.0 million for the Company's damaged aircraft, which has since been scrapped. This resulted in a gain of US$2.0 million.

g.

The Kilo-Moto Mining Corporation ("Kimin"), a wholly-owned subsidiary of Ashanti, has outstanding loans with third-party lenders. During 2003 the Company re-negotiated the terms of the Kimin loans. In consideration for Ashanti guaranteeing the Kimin loans, the Company secured a reduction in the amounts owed from US$7.7 million to US$5.0 million. This reduction of US$2.7 million has been recognised as an exceptional gain within net interest payable - group.

4. **Other income**

2003

2002

US$m

US$m

Head Office

Exceptional gain arising on transfer of receivable from AngloGold for no consideration
(see note 3d.)

-

8.8

Additional consideration received in respect of the Golden Pride mine sold in 1999

-

3.3

-

12.1

5. Operating profit analysis by business area before exceptional items

12 months to December 31, 2003

Obuasi Iduapriem Bibiani Siguiri

Freda-

Rebecca

Hedging

Income Exploration

Corp.

Admin.

Group

Geita

Total

US$ million

Revenue

187.1

89.8

77.6

91.7

18.6

(7.9)

-

-

456.9

108.0

564.9

Operating costs

(111.2)

(59.7) (46.3) (72.9)

(13.7)

-

(4.5) (22.0)

(330.3) (60.2)

(390.5)

Royalties

(6.0)

(2.7)

(2.3)

(3.0)

-

-

-

-

(14.0)

(3.6)

(17.6)

Operating Cash flow

69.9

27.4

29.0

15.8

4.9

(7.9)

(4.5) (22.0)

112.6

44.2

156.8

Depreciation and
amortisation

(30.8)

(6.0) (11.2) (12.6)

(5.6)

-

-

(0.7)

(66.9) (12.9)

(79.8)

Exceptional operating
costs

(5.4)

-

-

-

(15.1)

-

-

-

(20.5)

-

(20.5)

Operating profit/(loss)

33.7

21.4

17.8

3.2

(15.8)

(7.9)

(4.5) (22.7)

25.2

31.3

56.5

ASHANTI GOLDFIELDS COMPANY LIMITED
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12 months to December 31, 2002
Obuasi
Iduapriem
Bibiani
Siguiri
Freda-
Rebecca
Hedging
Income Exploration
Corp.
Admin.
Group
Geita
(50%)
Total
US$ million
Revenue
167.8
57.8
76.1
83.9
30.7
51.2
-
-
467.5
84.7
552.2
Operating costs
(106.9)
(43.9)
(43.9)
(66.7)
(21.0)
-
(3.8)
(16.5)
(302.7)
(52.0)
(354.7)
Royalties
(5.0)
(1.7)
(2.3)
(2.9)
-
-
-
-

(11.9)
(2.7)
(14.6)
Other income
-
-
-
-
-
-
-
12.1
12.1
-
12.1
EBITDA
55.9
12.2
29.9
14.3
9.7
51.2
(3.8)
(4.4)
165.0
30.0
195.0
Depreciation and
amortisation
(33.0)
(7.6)
(17.7)
(17.7)
(3.7)
-
(0.1)
(1.3)
(75.1)
(13.3)
(88.4)
Exceptional operating
cost
-
-
-
-
-
-
-
(23.5)
(23.5)

(8.8)
(32.3)
Operating profit/(loss)
22.9
4.6
18.2
(3.4)
6.0
51.2
(3.9)
(3.9)
(29.2)
66.4
7.9
74.3
6. **Reconciliation of total costs**
2003
2002
Cash operating costs
US$m
US$m
Obuasi
111.2
106.4
Iduapriem
58.5
43.0
Bibiani
46.0
43.6
Siguiri
70.6
61.9
Freda- Rebecca
13.7
21.0
Geita (50%)
56.3
47.2
Total cash operating costs
356.3
323.1
Corporate administration cost
22.0
16.5
Exploration cost
4.5
3.8
Other costs
7.7
11.3

Royalties
17.6
14.6
Depreciation and amortisation
79.8
88.4
Exceptional costs
20.5
32.3
Total costs
508.4
490.0
7. Employees
2003
2002
No.
No.
The average number of employees of the Group during the year was as follows:
Underground mining
4,384
4,602
Surface mining
678
447
Processing
1,878
1,978
Administration
2,564
2,914
9,504
9,941

Remuneration paid to directors of Ashanti (excluding amounts paid to Lonmin Plc in respect of Technical Services and the services of Mr S E Jonah) amounted to US$2.7 million (2002: US$2.9 million).

ASHANTI GOLDFIELDS COMPANY LIMITED

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8.

Net interest payable

2003

2002

US$m

US$m

Enlarged Revolving Credit Facility

8.0

5.0

Mandatorily Exchangeable Notes

2.2

1.4

Revolving Credit Facility

-

3.3

5,5 % Exchangeable Notes

-

6.3

Other loans and finance charges

3.8

3.3

14.0

19.3

Interest receivable

(1.6)

(1.8)

Exceptional gain on re-negotiation of the Kimin loans (note 3g)

(2.7)

-

9.7

17.5

Share of interest payable by joint venture

4.5

5.1

14.2

22.6

9.

Taxation

2003

2002

US$m

US$m

Corporate tax - Current year - group

0.3

0.2

- joint venture

1.7

0.1

- Prior years

- group

(0.8)

(8.5)

- joint venture

-

0.2

Deferred tax - group

-

11.3

- joint venture

2.9

(7.0)

Tax charge/(credit) on profit on ordinary activities before exceptional items

4.1

(3.7)

Tax on exceptional items

0.8

-

Tax charge/(credit) on profit on ordinary activities

4.9

(3.7)

Deferred tax assets are recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. In certain circumstances where it is expected to take some time for tax losses to be relieved, it may not be appropriate to recognise the deferred tax assets at all. The total amount of deferred tax assets in respect of tax losses not recognised as at December 31, 2003 amounted to US$30.8 million (2002: US$46.1 million).

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures.

Reconciliation of total corporate tax

The standard rate of tax for the year, based on the Ghanaian tax rate for listed companies is 30% (for all reporting periods). The difference from the standard corporate tax charge to the actual current corporate tax charge is set out in the following reconciliation.

ASHANTI GOLDFIELDS COMPANY LIMITED

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2003

2002

US$m

US$m

Profit before tax

55.3

51.7

Tax on profit on ordinary activities at standard rate

16.6

15.5

Factors affecting charge for the year

Capital allowances for the period in excess of depreciation

(2.4)

(1.9)

Other short-term timing differences

2.2

0.3

Tax losses (utilised)/incurred in the year

(17.4)

(3.7)

Profits arising in foreign jurisdictions with different tax rates

2.3

(12.9)

Group goodwill amortisation

1.7

1.9

Capital allowance uplifts

(1.3)

(1.0)

Other permanent differences

0.3

2.1

Total actual current year corporate tax charge

2.0

0.3

10.

Earnings per share

The calculation of earnings per share is based on earnings after tax and minority interests and the weighted average number of shares outstanding during the year (after deducting treasury shares which do not qualify for dividends) of 128.5 million (2002: 119.1 million).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares being warrants (under the agreement with the Company's hedge counterparties), share options (under the Senior Management Share Option Scheme) where the exercise price is less than the average price of the Company's ordinary shares during the period, and shares, issued free of charge to senior management, pursuant to the employee share incentive plans, provided certain criteria are met.

2003

2002

Basic and diluted earnings attributable to ordinary shareholders (US$m)

49.2

56.2

Weighted average number of ordinary shares (millions) - basic earnings per share

128.5

119.1

Dilutive warrants (millions)

2.3

5.3

Dilutive share options (millions)

2.1

1.6

Dilutive employee share incentive plans (millions)

0.8

0.6

Adjusted weighted average number of ordinary shares (millions)

133.7

126.6

Basic earnings per share (US$)

0.38

0.47

Diluted earnings per share (US$)

0.37

0.44

11.

Intangible assets

Cost

Goodwill

US$m

At January 1, 2002

21.9

Additions

0.2

At December 31, 2002

22.1

Additions

0.7

Reductions

(1.1)

At December 31, 2003

21.7

ASHANTI GOLDFIELDS COMPANY LIMITED

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Goodwill

US$m

Amortisation

At January 1, 2002

3.1

Charge for the year

1.7

At December 31, 2002

4.8

Charge for the year

1.5

At December 31, 2003

6.3

Net book value

At December 31, 2003

15.4

At December 31, 2002

17.3

The balance as at December 31, 2003 of US$15.4 million is in respect of the acquisition of Pioneer Goldfields Company Limited ("Pioneer"). The additional goodwill in 2003 and 2002 relates to additional consideration which has become payable in respect of the acquisition of Pioneer Goldfields Limited (Tebererie mine) in 2000. Further consideration may become payable in the future depending on the gold price level.

12. **Tangible assets**

Mine shafts,

development

and pre-
production
Plant and
equipment
Processing
plants
Buildings
Assets in
the course of
construction
Total
US$m
US$m
US$m
US$m
US$m
US$m
Cost
At January 1, 2002
836.3
537.9
419.3
91.1
2.4
1,887.0
Additions

29.5

11.1

2.4

0.4

21.1

64.5

Disposals

(2.8)

(0.7)

-

(1.4)

-

(4.9)

Transfers

(21.5)

2.3

16.0

13.9

(10.7)

-

At December 31, 2002

841.5

550.6

437.7

104.0

12.8

1,946.6

Additions

26.5

13.0

5.3

0.3

39.3

84.4

Disposals

(1.7)

(12.9)

-

-

-

(14.6)

Transfers

2.8

1.0

11.9

-

(15.7)

-

At December 31, 2003

869.1

551.7

454.9

104.3

36.4

2,016.4

Depreciation

At January 1, 2002

592.9

364.2

260.1

56.9

-

1,274.1

Charges

19.0

27.7

20.2

6.5

-

73.4

Disposals

(1.9)

(0.7)

-

(1.0)

-

(3.6)

At December 31, 2002

610.0

391.2

280.3

62.4

-

1,343.9

Charges

17.3

22.4

21.8

3.9

-

65.4

Provision for impairment

-

1.2

8.0

5.9

-

15.1

Disposals

(0.5)

(10.9)

-

-

-

(11.4)

At December 31, 2003

626.8

403.9

310.1

72.2

-

1,413.0

Net book value

At December 31, 2003

242.3

147.8

144.8

32.1

36.4

603.4

At December 31, 2002

231.5

159.4

157.4

41.6

12.8

602.7

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The net book value of tangible fixed assets includes US$2.1 million (2002: US$3.5 million) in respect of assets held under finance leases included within buildings.

2003

2002

US$m

US$m

Capital commitments

Contracts placed but not provided for

49.3

13.1

13.

Investments

The Company's investment in joint ventures is in respect of its 50 per cent interest in the Geita mine in Tanzania. This interest is accounted for under the gross equity basis of accounting.

Investment in

joint venture

Loans to

joint venture

Other

investments

Total

US$m

US$m

US$m

US$m

Cost

At January 1, 2002

81.7

31.1

1.5

114.3

Share of retained profit for the year

9.5

-

-

9.5

At December 31, 2002

91.2

31.1

1.5

123.8

Share of retained profit for the year

22.2

-

-

22.2

Loans repaid by joint venture

-

(30.0)

-

(30.0)

Sale of investments

-

-

(1.5)

(1.5)

At December 31, 2003

113.4

1.1

-

114.5

In December 2003, Geita made a US$30.0 million distribution to the joint venture partners.With the agreement of AngloGold, this US$30.0 million distribution was paid in full to the Company. In consideration for the above, the Company agreed that it would not participate in future distributions of Geita, until such time as the equivalent amounts owed to AngloGold have been repaid in full. The Company's share of net assets of the Geita joint venture can be analysed as follows:

2003

US $m

2002

US$m

Goodwill

50.9

54.8

Share of fixed assets

110.4

103.5

Share of current assets

31.9

46.8

Share of creditors due within one year

(28.3)

(30.5)

Share of creditors due after more than one year and provisions

(51.5)

(83.4)

Share of net assets

113.4

91.2

The principal subsidiary and associated undertakings are:

Company and country of incorporation

Principal activities

Class of shares held

Group

interest per cent

Subsidiary undertakings

Ghana

Ashanti Goldfields (Bibiani) Limited

Gold Mining

Ordinary No par value

100

Ghanaian-Australian Goldfields Limited

Gold Mining

Ordinary No par value

80

Teberebie Goldfields Limited

Gold Mining

Ordinary No par value

90

ASHANTI GOLDFIELDS COMPANY LIMITED
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Company and country of incorporation
Principal activities
Class of shares held
Group
interest per cent
Guinea
Societe Ashanti Goldfields de Guinee S.A.
Gold Mining
Ordinary
85
Zimbabwe
Ashanti Goldfields Zimbabwe Limited
Gold Mining
Ordinary
100
Isle of Man
Ashanti Treasury Services Limited
Treasury
Ordinary
100
Geita Treasury Services Limited
Treasury
Ordinary
100
Cayman Islands
Ashanti Capital Limited
Financing
Ordinary
100
Ashanti Finance (Cayman) Limited
Financing
Ordinary
100
Ashanti Capital (Second) Limited
Financing
Ordinary
100
United Kingdom
Ashanti Goldfields Services Limited
Holding Company
Ordinary
100
Associated Companies
Geita Gold Mining Limited (Tanzania)
Gold Mining
Ordinary
50
Geita Management Company Limited (Isle of Man)
Treasury

Ordinary
50
14.
Stocks
2003
2002
US$m
US$m
Mine stores
44.3
51.1
Ore in stockpiles (note a.)
17.0
20.1
Gold in process
7.1
5.4
68.4
76.6
a. Ore is only mined and sent to the stockpile if it is considered that the ore will have future economic benefit. This is assessed by reviewing the estimated grade of the stockpile, the current spot gold price and the estimated costs of processing the stockpile. These criteria are used consistently from period to period.
15.
Debtors
2003
2002
US$m
US$m
Due within one year:
Sundry debtors
5.2
10.3
Prepayments
5.3
3.7
Deferred expenses
0.7
-
Due from AngloGold (note a.)
28.0
-
39.2
14.0
Due after more than one year:
Due from AngloGold (note a.)
-
8.8
39.2
22.8
a. Amounts due from AngloGold after more than one year of US$8.8 million as at December 31, 2002 represented a

receivable from AngloGold which arose from the transfer of the Ridge 8 property by AngloGold to the Geita mine. As at December 31, 2002, this amount was due after the Geita project finance loans were fully repaid by the Geita mine in 2007. On February 3, 2004, AngloGold Holdings Limited, a subsidiary of AngloGold, agreed to purchase this receivable together with interest owed by Geita to Ashanti totalling US$13 million. The amounts due from AngloGold also include recoverable transaction costs relating to the Merger and the Rights Issue. In accordance with the Transaction Agreement with AngloGold, AngloGold will reimburse the Company for all costs incurred at the time of the Merger.

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16.
Cash

	2003	2002
	US$m	US$m
Cash at bank and in hand	**52.6**	17.1
Gold and cash in transit	**20.2**	24.2
	72.8	41.3

17.
Creditors

	2003	2002
	US$m	US$m
Amounts falling due within one year:		
Trade creditors	**36.2**	45.2
Deferred purchase consideration (note a.)	**4.7**	3.0
Deferred heding income (note b.)	**11.3**	14.7
Mining related accruals	**5.7**	12.9
Accrued interest	**21.5**	8.0
Taxation	**5.5**	4.4
Pensions	**7.5**	7.8
Other accruals	**38.9**	35.1
	131.3	131.1
Amounts falling due over one year:		
Deferred purchase consideration (note a.)		

-
5.8
Deferred heding income (note b.)
-
13.1
Other accruals
3.6
5.1
3.6
24.0
a. The total deferred purchase consideration at December 31, 2003 of US$4.7 million (December 31, 2002: US$8.8 million) is in respect of the acquisition of Teberebie. This is a fixed amount payable that is not subject to any form of contingency.
b. Deferred hedging income arises from the early close-out of hedging contracts.
18.
Borrowings
2003
2002
US$m
US$m
Mandatorily Exchangeable Notes (note a.)
75.0
75.0
Enlarged Revolving Credit Facility (note b.)
135.5
144.5
Project finance loans (note c.)
24.3
23.4
Bank loans and overdrafts
5.4
8.2
Finance leases
2.1
3.5
Aviation loans
-
2.3
242.3
256.9
Repayments falling due:
Between one and two years
45.7
2.0
Between two and five years
91.4
136.3
After five years
80.3
115.9
After more than one year

217.4
254.2
Within one year
24.9
2.7
242.3
256.9

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a.

On June 28, 2002 the Company issued US$75.0 million of MENs which were used in part to repay the existing 5.5% Exchangeable Notes. MENs are exchangeable into Ordinary Shares on either of the following events: (i) automatically or the completion date of the first rights issue ("Rights Issue") by the Company undertaken following the date of the MENs Deed Poll of June 27, 2002; or (ii) Ashanti serving a notice of exchange upon the holders of the MENs at any time after the date falling 18 months after the issue of the MENs on June 28, 2002. The MENs are exchangeable into Ordinary Shares at an exchange price of the lower of US$5.40 and the price at which the Company issues Ordinary Shares pursuant to the Rights Issue. The MENs (if not already exchanged) will be redeemable for cash on the earlier of: (i) a takeover offer for the Company, or a scheme of arrangement of the Company, becoming effective;
or
(ii) the date of maturity, being June 30, 2008. Interest on the MENs is being accrued at the rate of the Enlarged Revolving Credit Facility ("Enlarged RCF") but such interest only becomes payable if the MENs are redeemed for cash following one of the two events above. Any interest accrued will be deemed to be part of the consideration upon conversion of the MENs into equity.

b.

As at December 31, 2003, US$139 million (December 31, 2002: US$149 million) was drawn down under the US$200 million enlarged RCF entered into on June 28, 2002. Offset against this were deferred loan fees of US$3.5 million (December 31, 2002: US$4.5 million); such costs are being amortised over the term of the loan (five years). The Enlarged RCF replaced the Revolving Credit Facility outstanding at December 31, 2001 and was used in part to repay the existing 5.5% Exchangeable Notes. The terms of the US$200 million Enlarged RCF require minimum repayments of eight semi-annual instalments of US$20 million starting June 30, 2003 with a final instalment of US$40 million.
The interest rate applicable to the Enlarged RCF increases over the life of the loan. The interest rate is as follows:
(i) Years 1 and 2 - US London Interbank Offer Rate ("US LIBOR") plus 1.75%; and
(ii) Years 3, 4 and 5 - US LIBOR plus 2.00%.
Financial covenants provide that the ratio of consolidated net debt to consolidated EBITDA (based on the definitions in the Enlarged RCF) is no greater than 2.50:1 for the 12-month period ended on December 31, 2002, decreasing incrementally to 1.50:1 for any 12-month period ending after June 30, 2004 and that the ratio of consolidated EBITDA to consolidated net interest payable (based on the definitions in the Enlarged RCF) is not less than 4.50:1 for the 12-month period ended December 31, 2002, increasing incrementally to 6.00:1 for any 12-month period ending after June 30, 2004. Additionally, consolidated tangible net worth is not to be less than US$415.0 million at any time, and consolidated net debt is not to exceed 50% of the consolidated tangible net worth for the periods ending on or before June 30, 2004 and for the relevant periods thereafter shall not exceed 40% of the consolidated tangible net worth. The Enlarged RCF also contains default provisions, including cross- default provisions.
The lenders under the Enlarged RCF have security over all the hedging contracts entered into by Ashanti Treasury Services Limited and Geita Treasury Services Limited, gold refining and purchasing agreements, insurance contracts, gold in transit and bank accounts. Security has also been granted over substantially all the assets of Ashanti and Ashanti Goldfields (Bibiani) Limited located in Ghana including the mining leases relating to the Obuasi and Bibiani mines. At December 31, 2003, the book value of these securing assets amounted US$532.7 million. Ashanti also agreed to use its best endeavours to give security over its shares in Cluff Resources Limited, which owns the Geita Mine. In addition, Ashanti has effected a political risk insurance policy, or PRI, of up to US$131.0 million in relation only to Ghana for the benefit of the lenders who, prior to the closing of syndication, elected to take the benefit of PRI.
The Group under its Enlarged RCF had undrawn committed borrowing facilities of US$21.0 million as at December 31, 2003.

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c.

The project finance loans of US$24.3 million (2002: US$23.4 million) are in respect of loans provided to subsidiaries Ghanaian-Australian Goldfields Limited and Teberebie Goldfields Limited and are secured by fixed and floating charges over their respective assets. At December 31, 2003, the book value of these securing assets amounted to US$58.8 million (2002: US$52.0 million).

d.

On February 3, 2004, SMI Holdings Limited, a subsidiary of AngloGold, agreed to provide an unsecured loan facility of up to US$20 million to Ashanti Capital Limited, payable in two equal tranches. The first tranche can be drawn down at any time with five days' notice. The second tranche can be drawn down on five days' notice, subject to the Company providing evidence that (a) it has fully utilised the existing headroom under the Enlarged RCF; and (b) all reasonable methods of raising finance by way of hedging and/or derivative transactions have been exhausted (subject to remaining in compliance with the Company's hedging policy and subject to the terms of the transaction agreement with AngloGold). On payment of any amount in respect of the second tranche, AngloGold is entitled to issue a notice specifying that no further capital expenditure shall be incurred in connection with the Siguiri project before the second tranche has been repaid in full, save for amounts that become due and payable under the terms of agreements entered into before the date of the notice. Interest is payable on the loan at the rate (inclusive of PRI premium) applicable to the Enlarged RCF. In certain circumstances the loan is subordinated to the terms of the Enlarged RCF. Each tranche of the loan is repayable on the earlier of the first anniversary of the date on which the first advance is made and March 31, 2005, subject to such subordination. AngloGold also agreed to provide a guarantee to the Company of up to US$6 million in respect of certain plant and machinery purchase agreements.

19.

Financial instruments

Debtors and creditors arising directly from the Company's operations and gold in transit are excluded from the following disclosures.

Interest rate profile of financial liabilities

The interest rate profile of the Company 's financial liabilities at December 31, 2003 and December 31, 2002, which are predominately US dollar denominated were as follows:

Floating rate

borrowings

Fixed rate

borrowings

Total gross

borrowings

US$m

US$m

US$m

December 31, 2003

242.3

-

242.3

December 31, 2002

256.9

-

256.9

Interest on floating rate borrowings are determined primarily by reference to US LIBOR.

Interest rate profile of financial assets

The interest rate profile of the Company's financial assets at December 31, 2003 and December 31, 2002, which are predominately US dollar denominated were as follows:

Fixed rate

Floating rate

Interest free

Total

US$m

US$m

US$m

US$m

December 31, 2003

-

49.1

3.5

52.6

December 31, 2002

-

16.5

0.6

17.1

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The financial assets of the Company comprise cash at bank and in hand.

Currency exposures

The Company had no significant currency exposures given that all revenues are US dollar denominated as are the majority of its costs, monetary assets and financial liabilities.

Fair values of financial assets and liabilities

The fair value of the Company's financial instruments were as follows:

	2003		2002	
	Book value	**Fair value**	Book value	Fair value
	US$m	**US$m**	US$m	US$m
Financial instruments held or issued to finance the Company's operations:				
Long-term borrowings	**(217.4)**	**(217.4)**	(254.2)	(254.2)
Short term borrowings	**(24.9)**	**(24.9)**	(2.7)	(2.7)

Cash at bank and in hand

52.6

52.6

17.1

17.1

Derivative financial instruments to hedge the
Company's exposure to gold price risk:

Forwards

-

(400.8)

-

(56.0)

European Put options

-

28.4

-

24.9

European Call options granted

-

(153.1)

-

(102.7)

Lease rate swaps

-

(6.6)

-

(16.2)

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments:

Cash and other equivalents - The estimated fair value of these financial instruments approximates their carrying values due to their short maturities.

Derivative financial instruments - Market values have been used to determine the fair value of lease rate swaps, call and put options, convertible structures and forward contracts based on estimated amounts the Company would receive or have to pay to terminate the agreements, taking into account the current interest rate environment or current rates for similar options on forward contracts.

Long-term debt - The estimated fair values of the Company's long-term debt are based on current interest rates available to the Company for debt instruments with similar terms and remaining maturities.

Short-term borrowings - The estimated fair value of these financial instruments approximate to their carrying values due to their short maturities.

Hedging

It is the Company's policy to hedge the risk of movements in the gold price using several types of derivative financial instruments.

Gains and losses on instruments used for hedging the gold price are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on the instruments used for hedging and the movements therein, are as follows:

Gains

Losses

Net Gains/

(Losses)

US$m

US$m

US$m

Unrecognised gains/(losses) at January 1, 2003

38.3

(10.5)

27.8

(Gains)/Losses arising in previous years recognised in the year

(20.0)

5.3

(14.7)

Gains/(Losses) arising before January 1, 2003 not recognised in the year

18.3

(5.2)

13.1

Gains/(Losses) arising in 2003 and not recognized

-

(1.8)

(1.8)

Unrecognised gains/(losses) on hedges at December 31, 2003

18.3

(7.0)

11.3

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Gains

Losses

Net Gains/

(Losses)

Gains/(Losses) expected to be recognised within one year

18.3

(7.0)

11.3

Unrecognised gains/(losses) on hedges at January 1, 2002

70.1

(4.5)

65.6

Gains arising in previous years recognised in the year

(34.7)

-

(34.7)

Gains/(losses) arising before January 1, 2002 not recognised in the year

35.4

(4.5)

30.9

Gains/(losses) arising in the year and not recognized

2.9

(6.0)

(3.1)

Unrecognised gains/(losses) on hedges at December 31, 2002

38.3

(10.5)

27.8

Gains/(losses) expected to be recognised within one year

20.0

(5.3)

14.7

Gains/(losses) expected to be recognised after one year

18.3

(5.2)

13.1

Credit risk and concentrations of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted and from movements in gold prices. The Company does not anticipate non-performance by counterparties.
Concentrations of credit risk (whether on or off-balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Financial instruments on the balance sheet that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, receivables and derivatives which are recorded at fair value. The Company maintains a policy providing for the diversification of cash and cash equivalent investments and places its investments in a number of high quality financial institutions to limit the amount of credit risk exposure. Concentrations of credit risk with respect to receivables are limited due to the large, financially strong customers the Company does business with.
As described in Note 1, the Company enters into certain hedging transactions. The Company attempts to minimize its credit exposure to counterparties by entering into derivative contracts with major international financial institutions. Although the Company's theoretical credit risk is the replacement cost at the then estimated fair value of these instruments, management believes that the risk of incurring losses is remote. Management does not believe significant risk exists in connection with the Company's concentrations of credit as at December 31, 2003.

20.

Provisions for liabilities and charges

Deferred

taxation

US$m

Site

rehabilitation

US$m

Classified as debtors

US$ m

Total

US$m

At January 1, 2002

(6.9)

17.9

6.9

17.9

Charge for the year

11.3

2.7

(6.9)

7.1

At December 31, 2002

4.4

20.6

-

25.0

Charge for the year

-

5.6

-

5.6

Utilised during the year

-

(2.8)

-

(2.8)

At December 31, 2003

4.4

23.4

-

27.8

The Company's provision for site rehabilitation as at December 31, 2003 is US$23.4 million (December 31, 2002: US$20.6 million). These costs are expected to be paid over a 20-year period as the mines come to the end of their useful lives, commencing with the currently envisaged closure of the Bibiani (provision of US$3.5 million) and Freda-Rebecca (provision of US$2.7 million) mines during 2007 and 2006, respectively. The remaining significant components of the provision comprise US$5.7 million and US$5.2 million related to the Obuasi and Iduapriem mines, respectively, with the majority of such costs expected to be paid subsequent to 2007.

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2003

2002

US$m

US$m

Deferred taxation comprises:

Liabilities arising on fixed assets

144.9

141.9

Other timing differences

(5.1)

(5.3)

Tax losses carried forward

(135.4)

(132.2)

4.4

4.4

21.

Stated capital

Number of shares

Authorised

200,000,000 ordinary shares of no par value

200,000,000

1 special rights redeemable preference share of no par value

1

200,000,001

Issued

Stated capital

Shares

US$m

Allotted and fully paid

At January 1, 2003:

Ordinary shares of no par value in issue

126,893,915

588.2

Issue of shares at US$3.00 in respect of the exercise of the warrants

3,593,053

10.8

At December 31, 2003:

Ordinary shares of no par value in issue

130,486,968

599.0

Ordinary shares in treasury

556,987*

-

1 special rights redeemable preference share of no par value

1

-

131,043,956

599.0

* The 556,987 ordinary shares held in treasury do not qualify for dividends and do not have voting rights.

Based on the prices quoted on the New York Stock Exchange during 2003, Ashanti's share price traded during the year between a high of US$14.20 and a low of US$4.25. As at December 31, 2003, Ashanti's market capitalisation based on a share price of US$13.04 on that date was US$1.70 billion. The Government of Ghana holds the special rights redeemable preference share of no par value (the "Golden Share"). The Golden Share is non-voting but the holder is entitled to receive notice of and to attend and speak at any general meeting of the members or at any separate meeting of the holders of any class of shares. On winding up, the Golden Share has a preferential right to return of capital, the value of which will be 1,000 cedis.

The Regulations of Ashanti provide that certain matters, principally matters affecting the rights of the Golden Share, the winding up of Ashanti or the disposal of a material part of the Company's assets, shall be deemed to be a variation of the rights attaching to the Golden Share and shall be effective only with the written consent of the holder of the Golden Share.

All of the ordinary shares in issue rank *pari passu* in all respects. In the April 30, 2003 general meeting of Ashanti, Ashanti passed a special resolution renewing an existing authority to make market purchases of its own shares up to an aggregate of 12,600,000 ordinary shares at a price per share (exclusive of expenses) of not more that 5% above the average of the middle market quotations for the shares taken from the Daily Official List of the London Stock Exchange for the five business days immediately before the date of purchase. However, Ashanti did not utilise this authority. The authority for Ashanti to purchase its own shares obtained from the April AGM will expire, unless renewed, on July 30, 2004 or at the conclusion of Ashanti's Annual General Meeting if held in 2004. In November 1999, pursuant to an agreement with Ashanti's hedge counterparties, a wholly-owned subsidiary, Ashanti Warrants Limited, issued unlisted warrants to subscribe for Mandatorily Exchangeable Securities under which the securityholders have the option of converting the securities into ordinary shares at a conversion price of US$3 per share. The warrants were issued in three equal tranches with expiry dates of

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April 28, 2004, October 28, 2004 and April 28, 2005. As part of the Company's refinancing arrangement, 13,945,122 warrants were exercised at US$3, leaving 5,889,879 warrants outstanding as at December 31, 2002. During 2003, a total of 3,593,053 warrants were exercised at US$3 leaving 2,296,826 warrants outstanding at 31 December 2003. The conversion rights of the remaining warrants could give rise to the issue of up to 2,296,826 ordinary shares.

In June 2002, the Company issued US$75.0 million of MENs which are exchangeable into ordinary shares at an exchange price of the lower of US$5.40 and the price at which Ashanti's ordinary shares will be issued pursuant to the Rights Issue (see note 18). At a price of US$5.40, this could give rise to an issue of 13.9 million Ashanti ordinary shares. Pursuant to the subscription agreements for the MENs, Ashanti was obliged to use its best efforts to complete a rights issue by December 28, 2003. In light of the proposed merger with AngloGold, Ashanti agreed with Lonmin and the Government that the period to effect the rights issue would be extended to December 28, 2004. On implementation of the merger, the MENs will be redeemed in accordance with their terms.

The AGC Senior Management Share Option Scheme

As at January 1 2001, options granted to directors and staff over 8,296,772 shares remained outstanding. As part of the review of the Company's remuneration arrangements conducted prior to the Annual General Meeting on April 25, 2001, option holders were invited to cancel all outstanding options voluntarily. The proposal was made on the basis that for every 10 shares then under option a new option would be granted over three shares.

In the case of executive directors and certain members of the Company's senior management, their oustanding "underwater" options were required to be surrendered in order to receive any further awards under the company's long-term incentive plans. Options over 5,364,485 shares in respect of other senior management and 508,050 shares in respect of executive directors were cancelled in accordance with the invitation. Options over 2,189,787 shares lapsed in the year ended December 31, 2001. Options over a further 396,716 shares lapsed under the rules of this scheme in the year ended December 31, 2002.

Following the cancellation, re-grant and lapsing of options described above, and subsequent award of options on August 22, 2002, the total number of ordinary shares over which executive directors and senior management held options as at December 31, 2003 is set out below:

Period of exercise	Code	Option price US$	Number of ordinary shares of no par value
13 July 2002- 12 July 2010	A	1.66	

40,000

28 August 2002- 27 August 2010

B

2.55

50,000

3 May 2004- 2 May 2011 (Replacement Options)

C

2.29

1,445,844

3 May 2004- 2 May 2011

D

2.29

906,290

22 August 2005- 21 August 2012

E

4.88

599,560

3,041,694

All options granted on May 3, 2001 were granted with exercise prices of US$2.29. They ordinarily become exercisable on May 3, 2004 and lapse on May 2, 2011. Options granted on August 22, 2002 were granted with an exercise price of US$4.88 and ordinarily become exercisable on August 22, 2005 and lapse on August 21, 2012. No options were granted in 2003.

An analysis of options held by directors as at 31 December 2003 using the codes shown above is set out below:

B

C

D

E

Total

S E Jonah

-

87,000

173,664

79,700

340,364

M Botsio-Phillips

-

13,500

18,760

14,130

46,390

* E D Ofori Atta

-

13,500

16,509

12,430

42,439

* T S Schultz

-

38,415

55,229

39,000

132,644

S Venkatakrishnan

50,000

-

52,828

37,300

140,128

Total

50,000

152,415

316,990

182,560

701,965

* Retired on December 31, 2003

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Directors' interests

The beneficial interests, including family interests, of the directors holding office at the end of the year in ordinary shares of the Company are set out below:

Shares

Shares under options granted

January 1, 2003 December 31, 2003

January 1, 2003 December 31, 2003

M E Beckett

1,873

1,873

-

-

S E Jonah

59,690

64,190

340,364

340,364

T E Anin

53

53

-

-

M Botsio-Phillips

100

2,350

46,390

46,390

L Chalker

-

-

-

-

C A Crocker

-

-

-

-

T Gibian

20,000

20,000

-

-

G E Haslam

-

-

-

-

M P Martineau

-

-

-

-

N J Morrell

-

-

-

-

* E D Ofori Atta

553

2,803

42,439

42,439

* T S Schultz

31,245

20,463

132,644

132,644

S Venkatakrishnan

-

2,250

140,128

140,128

*Retired on December 31, 2003

The AGC 1994 Employee Share Scheme (Restricted Share Plan)

The shareholder approved AGC 1994 Employee Share Scheme replaced the Performance Share Plan in 2001. Under the AGC 1994 Employee Share Scheme, executive directors and key employees receive Ashanti's shares for free if specified challenging internal and/or external performance conditions are achieved. For the awards set out under Category 'A' below, these targets must be met over the three-year period following the making of the award. Provided those targets are met, the shares are then transferred to participants free of charge at the end of that period. In respect of awards set out under Category 'B' below, such targets had to be met before the awards were made after which the shares were awarded and are to be held in trust for three years from the date of award, on expiry of which they will be transferred to participants free of charge. On August 22, 2002, Ashanti issued, 234,571 new Ashanti ordinary shares under this scheme of which 129,871 ordinary shares were awarded to executive directors.

As at December 31, 2003 the following awards have been made to the directors holding office at the end of the year under the AGC 1994 Employee Share Scheme.

	Shares awarded under the AGC 1994 Employee Share Scheme	
Name	Category 'A'	Category 'B'
S E Jonah	-	64,040
M Botsio-Phillips	12,000	9,036
* E D Ofori Atta	10,560	8,000
* T S Schultz	35,328	24,940
S Venkatakrishnan	33,792	

23,855

Total

91,680

129,871

*Retired on December 31, 2003

The final tranche of shares awarded under the Performance Share Plan in July 2000 vested on 4 July 2003. Participants, including directors holding office earned 75 per cent of awards and shares were transferred to them accordingly.

Between January 1, 2004 and February 10, 2004, there were no changes in the above directors' interests.

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Reserves

	Profit and loss account	Non-distributable share deals account	Total
	US$m	US$m	US$m
At January 1, 2002	(217.1)	19.0	(198.1)
Retained profit for 2002	56.2	-	56.2
At December 31, 2002	(160.9)	19.0	(141.9)
Retained profit for 2003	49.2	-	49.2
At December 31, 2003	(111.7)	19.0	(92.7)

In accordance with the Ghana Companies Code 1963 (Act 179), all transactions relating to the purchase and re-issue of the Company's own shares are recorded in a non-distributable share deals account.

Company reserves is after goodwill written off in previous years of US$476 million (2002: US$476 million) arising on the acquisition of subsidiary undertakings.

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Reconciliation of operating profit before exceptional operating costs to operating cash flows

	2003	2002
	US$m	US$m
Total operating profit before exceptional operating costs	**77.0**	97.8
Share of operating profit in joint venture	**(31.3)**	(16.7)
Operating profit excluding joint venture		

45.7
81.1
Depreciation and amortisation
66.9
75.1
Loss on disposal of fixed assets
-
-
Decrease/(increase) in stocks
8.2
(3.1)
(Increase)/decrease in debtors
(16.1)
0.2
Decrease in creditors
(3.6)
(0.7)
Decrease in deferred hedging income
(16.5)
(37.8)
Increase in provisions
2.8
2.7
Outflows related to exceptional costs
(1.1)
(22.3)
Net cash inflow from operating activities
86.3
95.2
25.
Financing
2003
2002
US$m
US$m
Enlarged Revolving Credit Facility
- drawdowns
-
190.0
- repayments
(10.0)
(41.0)
Mandatorily Exchangeable Notes
- drawdown
-
75.0
Issue of ordinary shares
10.8
41.8
5.5% Exchangeable Notes
- repayments

-
(218.6)
Revolving Credit Facility
- repayments
-
(55.0)
Other
- repayments
(9.4)
(11.4)
Cash outflow from financing
(8.6)
(19.2)

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Analysis of net debt

At

Jan 1,

2002 Cash flow

Other

non- cash

move-

ments

At

Dec 31,

2002

Cash

flow

Other

non-cash

move-

ments

At

Dec 31,

2003

US$m

US$m

US$m

US$m

US$m

US$m

US$m

Cash at bank

24.1

(7.9)

-

16.2

34.6

-

50.8

Bank overdraft

(5.2)

4.6

-

(0.6)

-

-

(0.6)

Cash

18.9

(3.3)

-

15.6

34.6

-

50.2

Gold in transit and

restricted cash

(liquid resources)

31.1

(6.0)

-

25.1

(3.1)

-

22.0

Borrowings

(320.7)

61.0

3.4

(256.3)

19.4

(4.8)

(241.7)

Net debt

(270.7)

51.7

3.4

(215.6)

50.9

(4.8)

(169.5)

27.

Related party transactions

The Company's principal shareholder is Lonmin Plc ("Lonmin"), which holds a 27.6% interest in the Company. On March 3, 2003, Ashanti announced that as of March 1, 2003 it had terminated the Technical Services Agreement (the "TSA") with Lonmin. Under the TSA, Lonmin had provided technical services and the services of Mr S E Jonah to the Company for which it received US$0.2 million in 2003 (2002: US$0.8 million).
Another major shareholder is the Government of Ghana. The Company pays royalties, corporate and other taxes and utility charges in the normal course of business to the Government and associated authorities. Amounts paid during the year totalled approximately US$38 million (2002: US$48 million).
In June 2002, Ashanti Capital (Second) Limited issued US$75 million of MENs. The MENs are held entirely by Lonmin, with the Government of Ghana having an option over certain of the MENs. Pursuant to the subscription agreements for the MENs, Ashanti was obliged to use its best efforts to complete a rights issue by December 28, 2003. In light of the proposed merger with AngloGold, Ashanti agreed with Lonmin and the Government that the period to effect the rights issue would be extended to December 28, 2004. On implementation of the merger, the MENs will be redeemed in accordance with their terms.

28.

Contingent liabilities

US Class Actions

The consolidated class action which was commenced in the year 2000, is pending against the Company and one officer and director and one former director under United States Federal Securities laws in the United States District Court for the Eastern District of New York. The complaint alleges non-disclosures and misstatements regarding Ashanti's hedging position and hedging programme. The plaintiffs contend that the Company and the individual defendants' actions violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated under that Act. The plaintiffs seek unspecified damages, attorneys' and experts' fees and other reliefs. The damages sought by the plaintiffs have not yet been specified, as is common practice in US litigation at the current state of proceedings.
The Company continues to vigorously defend the action. Depositions of key witnesses have been taken. Certain pre-trial motions filed by both parties have yet to be resolved by the trial court. Although the Company cannot make any assurances regarding the ultimate result of the litigation at this stage, based on its current knowledge, it believes that the outcome will have no material adverse effect on the Company's financial position.

Kimin - Employee Actions

A number of expatriate employees instituted an action against Kimin and against the Company in the Brussels Labor Court for arrears of salary, severance payments and payment in lieu of holiday. Other claims have been made against the Company and Kimin by other ex-employees, consultants and third party creditors. The Company is currently evaluating these claims.
Based on information currently available, the Company believes that this potential liability has been reasonably provided for in its financial statements.

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Siguiri - Tax Demands

The Government of the Republic of Guinea has demanded 22.6 billion Guinea francs (approximately US$11.3 million) from Societe Ashanti Goldfields de Guinee S.A. ("SAG"), a wholly-owned subsidiary of Ashanti, in respect of withholding and other taxes. SAG has a stability agreement (Convention de Base) with the Republic of Guinea which provides for exemptions from these items and is therefore contesting this demand.

29.

Summary of Differences Between UK and US Generally Accepted Accounting Principles

The Company's financial statements are prepared in accordance with UK GAAP, which differ in certain significant respects from generally accepted accounting principles in the United States (``US GAAP").

The following is a summary of the significant adjustments to profit attributable to shareholders and shareholders' equity when reconciling amounts recorded in the consolidated financial statements to the corresponding amounts in accordance with US GAAP, considering the significant differences between UK and US GAAP

.

2003

2002

US$m

US$m

Profit and loss account

Profit attributable to shareholders under UK GAAP(1)

49.2

56.2

US GAAP adjustments:

Amortization of goodwill and other intangibles

a

1.5

1.7

Impairment of long-lived assets

b

(5.5)

-

Depreciation on impaired tangible fixed assets

b

11.8

12.8

Equity investment in joint ventures

c

(29.3)

(37.5)

Derivative financial instruments

d

(398.6)

(276.6)

Transfer from other comprehensive income:

- Deferred hedging income

d

-

62.7

Depreciation on asset write-back

e

1.4

1.5

Environmental and site restoration obligations

g

-

(0.5)

Compensation charge on variable plan options

h

(15.8)

(3.1)

Loss attributable to shareholders under US GAAP before the cumulative effect of an accounting change

(385.3)

(182.8)

Cumulative effect of adoption of SFAS 143

g

4.0

-

Loss attributable to shareholders under US GAAP

(381.3)

(182.8)

(1)

A 100% valuation allowance is provided against deferred tax assets arising on the adjustments recorded in reconciling profit in accordance with UK GAAP to that in accordance with US GAAP, for all periods presented.

ASHANTI GOLDFIELDS COMPANY LIMITED
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Statement of comprehensive income

	2003	2002
	US$m	US$m
Loss for the year attributable to shareholders under US GAAP	**(381.3)**	(182.8)
Other comprehensive income, net of income tax:		
Transfer to earnings:		
- Deferred hedging income	**-**	(62.7)
	(381.3)	(245.5)
Earnings per share:	**US$**	US$
Basic:		
Loss per share before cumulative effect of an accounting change	**(3.00)**	(1.53)
Cumulative effect of an accounting change(1)	**0.03**	-
Loss per share	**(2.97)**	(1.53)
Diluted:		
Loss per share before cumulative effect of an accounting change	**(3.00)**	(1.53)
Cumulative effect of an accounting change(1)	**0.03**	-
Loss per share	**(2.97)**	(1.53)

(1) The cumulative effect of an accounting change in 2003 relates to the adoption of Statement of Financial Accounting Standards (``SFAS'') No. 143, Accounting for Asset Retirement Obligations (AROs) (``SFAS 143'') (see note 29g).

Shareholders' (deficit)/equity

	2003	2002
	US$m	US$m
Equity shareholders' funds under UK GAAP	**506.3**	446.3

Impact on cost of long-lived assets (including impairment and purchase price adjustments)
b
66.7
72.2
Accumulated amortization and depreciation on long-lived assets a,b
(239.1)
(252.4)
Equity investment in joint ventures
c
(44.5)
(15.2)
Derivative financial instruments
d
(520.8)
(122.2)
Asset write-back
e
(20.0)
(20.0)
Accumulated depreciation on asset write-back e
5.8
4.4
Environmental and site restoration obligations
g
-
(4.0)
SHAREHOLDERS' (DEFICIT)/EQUITY UNDER US GAAP
(245.6)
109.1

ASHANTI GOLDFIELDS COMPANY LIMITED

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Statement of changes in shareholders' (deficit)/equity

Total

Accumulated

Retained

(deficit) /

earnings

Accumulated

Other Compre

hensive Income

Stated

capital

Other

reserves

US$m

US$m

US$m

US$m

US$m

Balance at January 1, 2002

308.5

(318.4)

62.7 545.2

19.0

Net loss for the year

(182.8)

(182.8)

-

-

-

Reclassification of compensation expense on exercise of warrants -

(4.8)

- 4.8

-

New share capital issued

43.0

-

- 43.0

-

Compensation charge on variable plan options

3.1

3.1

-

-

-

Transfer to net income for the year (62.7)

-

(62.7)

-

-

Balance at December 31, 2002

109.1

(502.9)

-

593.0

19.0

Net loss for the year

(381.3)

(381.3)

-

-

-

New share capital issued

10.8

-

- 10.8

-

Compensation charge on variable plan options

15.8

15.8

-

-

-

Balance at December 31, 2003

(245.6)

(868.4)

-

603.8

19.0

a) Amortization of goodwill and intangible assets

For years prior to the year ending December 31, 1998, goodwill arising on business combinations treated as acquisitions was written off against retained earnings in accordance with UK GAAP. On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal was calculated after charging the amount of related goodwill charged to reserves. The Company adopted FRS 10 in 1998. FRS 10 requires that goodwill be capitalized and amortized over its expected useful life.

Under US GAAP, for periods ending on or before December 31, 2001 goodwill and identifiable intangible assets (principally mineral rights) were amortised under the units of production method. Goodwill and identifiable intangible assets were evaluated for impairment when events or changes in circumstances indicated that, in management's judgement, the carrying value of such assets might not be recoverable. Impairments of goodwill and identifiable intangible assets were recognised if expected undiscounted cash flows were not sufficient to recover the carrying value of the asset. If a material impairment was identified, the asset was written down to its estimated fair value. Fair value was determined based on the present value of excepted net cash flows to be generated, discounted using a rate commensurate with the risks involved.

Under US GAAP, effective January 1, 2002, the Company adopted SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). That statement directs that goodwill and intangible assets that have indefinite useful lives will not be amortised but rather will be tested at least annually for impairment. Intangible assets that have finite lives will continue to be amortised over their useful lives, but without the constraint of an arbitrary ceiling. Subsequent to adopting SFAS 142, the Company carries out annual impairment reviews of goodwill. No such impairments were recorded in 2002 or 2003.

b) Impairment of long-lived assets

Under both UK and US GAAP, impairment reviews of long-lived assets are performed whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. However, measurement differences arise regarding the determination of when a long-lived asset is impaired and the amount of impairment loss to be recognized. Under UK GAAP, the Company evaluates long-lived assets for impairment by comparing the carrying value less deferred hedging income to the recoverable amount based on discounted future cash flows.

Under US GAAP (i) undiscounted cash flows are used to evaluate for impairment, and (ii) deferred hedging income is not subtracted from the carrying value of long-lived assets.

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If an impairment exists, an impairment loss is recognized to record the long-lived assets at their recoverable amount under UK GAAP and their fair value under US GAAP. The Company estimates both recoverable amount and fair value using discounted cash flow techniques. The discount rate applied is management's estimate of the rate that the market would expect on an investment of comparable risk. Under UK GAAP, impairment losses increase accumulated depreciation; under US GAAP, impairment losses reduce the historical cost of the related long-lived asset.

Differences arise between impairment assessments under UK GAAP and US GAAP as follows: (i) hedging cash flows from all derivative instruments are included in income generating units for impairment assessments under UK GAAP while, under US GAAP, prior to January 1, 2001, hedging cash flows only in respect of forward contracts and gold lease rate swaps were included and, subsequent to that date, no expected future cash flows from derivative instruments are included in impairment assessments; and (ii) corporate overhead costs are included in US GAAP impairment assessments only to the extent that they are incremental costs that are directly attributable to the operation of the mines whereas UK GAAP permits the allocation of joint corporate costs that are not directly attributable.

Under US GAAP, the Company recorded an impairment loss for the year ending December 31, 2003 amounting to US$20.6 million (2002: nil). The impairment loss of US$20.6 million related to the Freda- Rebecca mine (2002: nil). The difference on depreciation of tangible fixed assets arises from the impact of adjustments to historic cost in respect of impairment charges (see above).

c) Equity investment in joint venture
The Company's equity investment in joint venture is in respect of its 50% interest in the Geita mine in Tanzania. This mine became a joint venture of the Company on December 15, 2000, following the Company's sale of 50% of its interest in this mine to AngloGold Limited.

Under UK GAAP, the results of joint ventures are accounted for using the gross equity method of accounting which results in the Company's share of net income and the net assets, together with additional disclosure information relating to these balances, being presented on the face of the profit and loss account and balance sheet.

Under US GAAP the Company adopts the equity accounting provisions of Accounting Principals Board ("APB") Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock ("APB 18"). Under APB 18 the Company's investment in, and advances to, the investee, which are increased or decreased by earnings, losses, and dividends, are combined and shown as a single-line item in its balance sheet. Similarly, the Company's share of the investee's current net earnings or losses is shown as a single-line item in its profit and loss account.

Other differences arise initially from additional goodwill that is recorded under US GAAP on the acquisition of the investment in joint ventures and subsequently, from the non-amortization of goodwill under US GAAP following the adoption of SFAS 142 and the impact of adjustments required to convert the underlying accounts of the joint venture from UK to US GAAP. As at December 31, 2003, additional goodwill (net of amortization) under US GAAP was US$33.0 million (2002: US$29.1 million). Other adjustments to convert the underlying accounts from UK GAAP to US GAAP relate solely to the Company's 50% share of the mark- to-market liability of derivative instruments held by the joint venture, that share being US$77.5 million (2002: US$44.3 million).

Additional disclosures in respect of the net income and net assets of the joint venture are provided on the face of the profit and loss account and balance sheet as required under UK GAAP.

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d) Derivative financial instruments
Under UK GAAP, the Company accounts for all derivative contracts using hedge accounting. The impact of accounting for derivatives under US GAAP is set out below.

Position to December 31, 2000
Under US GAAP, derivative financial instruments that are accounted for using hedge accounting must demonstrate a high degree of hedge effectiveness at the inception of the hedge relationship and on an ongoing basis. Hedge accounting under US GAAP additionally requires that the hedge relationship be designated at inception and reduce enterprise or transaction risk. Under US GAAP, prior to December 31, 2000 the Company accounted for fixed forward sales contracts and lease rate swaps using hedge accounting.

Under US GAAP, gains or losses (realized or unrealized) for derivative contracts which no longer qualified as hedges for accounting purposes were recognized in income immediately.

The Company used written and purchased put and call options, which qualify for hedge accounting under UK GAAP, to hedge exposure to commodity price risk for gold. The Company did not account for these instruments using hedge accounting under US GAAP.

Specifically, written options are the writing or sale of options contracts (the Company writes options with gold prices as the underlying risk), which obligate the writer to fulfil the contract should the holder choose to exercise. These contracts are not considered to reduce risk to the writer as the holder will only choose to exercise when it is beneficial to do so. In the Company's judgment, it is appropriate to treat these contracts as not qualifying for hedge accounting. Written options include option contracts sold for the purchase and sale of gold at a future date, and certain convertible structures, whereby the written option may convert into bought put options if the gold price moves below a specified barrier.

The adjustment relating to derivative contracts that do not qualify for hedge accounting under US GAAP includes (i) the recognition of changes in market values between periods, and (ii) the reversal of deferred hedging gains and losses that were recorded on the early close out of such contracts under UK GAAP.

Position from January 1, 2001
Effective January 1, 2001, the Company adopted SFAS 133, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the profit and loss account when the hedged item affects earnings.

Under US GAAP, all financial instruments have been marked-to-market since adoption of SFAS 133. Whilst all derivatives have been entered into for hedging purposes, they do not qualify for hedge accounting under the provisions of SFAS 133. Accordingly the movement in fair value of derivatives is included in net income for the years ended December 31, 2003 and 2002.

The following table sets out the fair value of the relevant derivative financial instruments at December 31, 2003 and 2002:

	2003	2002
	US$m	US$m
Forward contracts	**(400.8)**	(56.0)
European Put options (net bought)	**28.4**	24.9
European Call options (net sold)	**(153.1)**	(102.7)
Lease rate swaps	**(6.6)**	(16.2)
	(532.1)	(150.0)

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The US$520.8 million negative adjustment to shareholders' equity at December 31, 2003 (2002: US$122.2 million) represents (i) US$532.1 million (2002: US$150.0 million), being the total adjustment to mark-to- market the relevant financial instruments at that date; and (ii) the reversal of the deferred hedging income balance of US$11.3 million (December 31, 2002: US$27.8 million) recorded as a creditor under UK GAAP.

The US$398.6 million negative adjustment to net income (2002: US$276.6 million) represents (i) US$382.1 million (2002: US$238.8 million), being the net change in fair values of the relevant financial instruments during the year ended December 31, 2003; and (ii) US$16.5 million (2002: US$37.8 million) being the net change in deferred income recorded as a creditor under UK GAAP during the year ended December 31, 2003.

The adoption of SFAS 133 resulted in cumulative transition adjustment gains after tax of US$146.2 million at January 1, 2001 which was recorded in accumulated other comprehensive income at that date. Of these gains, US$32.3 million was immediately reclassified into earnings on recognition of the impairment charge discussed in b) above. An additional US$51.2 million was reclassified into earnings relating to the amortization of the accumulated deferred hedging income balance. The remaining accumulated other comprehensive income of US$62.7 million, relating to deferred hedging income, has been reclassified into earnings in the year ended December 31, 2002.

The Company has performed a review for embedded derivatives and has not identified any embedded derivatives that need to be bifurcated under the provisions of SFAS 133.

e) Asset write-back
In connection with the decision to close down the Iduapriem mine in 1998, the Company wrote down certain long-lived assets under both UK and US GAAP. As described above, in 2000 Ashanti acquired the Teberebie gold mine, which is adjacent to the Iduapriem mine. As a result of the acquisition, management determined that the Iduapriem and Teberebie mines could use a shared processing plant and, consequently the operations at Iduapriem were again considered economically feasible. Under UK GAAP, an element of the previously recognized impairment charge was reversed. Under US GAAP, the reversal of previously recognized impairment losses is not permitted.

f) Accounting for pensions
During the years ended December 31, 2003 and 2002, the Company recorded pension costs under UK GAAP amounting to US$0.8 million and US$0.9 million respectively, related to the Scheme operated at the Obuasi mine. The Scheme provides for a monthly payment in Ghanaian currency (indexed to the US dollar) to retirees until death. Prior to the periods presented in these financial statements
(i)

all Scheme participants had retired, and

(ii) the Scheme was closed to new employees. Under US GAAP, the Scheme is accounted for in accordance with the provisions of SFAS No. 87, Employers' Accounting for Pensions and presented in accordance with SFAS No. 132, Employers' Disclosures about Pensions and Other Post Retirement Benefits. The benefits for the Scheme are based on years of service and compensation levels for the covered retirees. The Scheme is unfunded and accordingly, no assets related to the Scheme are recorded. Pension expense amounts to US$0.8 million in 2003 and US$0.9 million in 2002 of which actuarial loss was the only component.

The adjustment recorded represents the lower pension expense under US GAAP as compared to UK GAAP, being nil for the years ended December 31, 2003 and 2002.

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The projected benefit obligation for the Scheme was determined using a weighted average discount rate of 4.8% for each of the three years ended December 31, 2003.

Pension Benefits	**2003**	2002
Change in benefit obligation	**US$m**	US$m
Benefit obligation at beginning of year	**7.8**	7.9
Actuarial loss	**0.5**	0.8
Benefits paid	**(0.8)**	(0.9)
Benefit obligation at end of year	**7.5**	7.8

g) Environmental and site restoration obligations

Under UK GAAP, the expected costs of any committed decommissioning or other site restoration programs incurred during the construction phase are capitalized and discounted at the weighted average cost of capital at the beginning of each project and amortized over the life of the mine using the units of production method. Additional provisions are also recorded during the production phase as environmental liabilities arise with a corresponding charge to operating results.

Position to January 1, 2003
Under US GAAP, the cost of decommissioning or other site restoration programs was accrued using the unit-of-production method and charged to cost of sales and other direct production costs over the life of mine.

Position from January 1, 2003
The Company adopted SFAS 143 on January 1, 2003. Under SFAS 143, the Company recognizes asset retirement obligations ("AROs") at the fair value of the ultimate closure cost associated with reclamation, demolition and stabilization of its mining properties. Included in this liability are the costs of mine closure and reclamation, processing plant and infrastructure demolition, tailings pond stablization and reclamation and environmental monitoring costs. The capitalized amount of the ARO is being amortized over the life of the mine using the units of production method. The Company has considered the differences that remain between accounting for AROs under UK GAAP and SFAS 143 including the use of a fair value approach under US GAAP versus the present value of expected future cashflows under UK GAAP; the accounting for revisions to estimates (of which the Company has none in 2003); and the difference in applicable rates at which discounts are unwound under SFAS 143 versus UK GAAP. The Company has concluded that it has no significant adjustment to record in this regard.

h) Variable plan options
On April 25, 2001, Ashanti implemented an option contribution plan that gave current option holders the ability to cancel their outstanding options in exchange for newly issued options. For every 10 shares under option, which were cancelled by the option holders, a new option was granted over three shares. These new options required the option holder to remain employed by Ashanti for a period of three years from the date of grant.

Under UK GAAP, the voluntary cancellation and re-grant of options are treated as separate events. At the date of grant, the option prices were above the market price of Ashanti's shares. Consequently, the options had no intrinsic value and no compensation charge was recognized pursuant to Urgent Issues Task Force 17, Employee Share Schemes.

Under US GAAP, the voluntary cancellation and re-grant of options are also treated as separate events. However, under US GAAP, Financial Accounting Standards Board ("FASB") Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation: an Interpretation of APB Opinion No. 25, requires variable plan accounting for the newly granted options. Consequently, compensation cost in respect of options regranted during the year has been measured at each year-end for the difference between the quoted market price and the exercise price to be paid by an employee. Such expense is being recognized over the three-year service period.

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i) Deferred income taxes
Under UK GAAP, FRS 19, Deferred tax requires that deferred tax be provided in full on all liabilities. Deferred tax assets are recognized to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Under US GAAP, the Company has applied SFAS No. 109, Accounting for Income Taxes ("SFAS 109"), for all periods presented. SFAS 109 requires an asset and liability method of accounting whereby deferred taxes are recognized for the tax consequences of all temporary differences between the financial statement carrying amounts and the related tax bases of assets and liabilities. Under US GAAP, the effect on deferred taxes of a change in tax rate is recognized in income in the period that includes the enactment date. SFAS 109 requires deferred tax assets to be reduced by a valuation allowance if, based on the weight of available evidence, including cumulative losses in recent years, it is considered more likely than not that some portion or all of the deferred tax assets will not be realized.

The following are the deferred tax assets and liabilities at December 31:

	2003	2002
	US$m	US$m
Deferred tax liabilities:		
Long-lived assets	**87.9**	82.6
Deferred tax assets:		
Losses carried forward	**(166.2)**	(178.3)
Other	**(6.3)**	(6.5)
TOTAL DEFERRED TAX ASSET	**(84.6)**	

(102.2)

VALUATION ALLOWANCE

89.0

106.6

NET DEFERRED TAX LIABILITY

4.4

4.4

During the year ended December 31, 2003, US$57.5 million of losses were utilized or expired and the Company reduced its valuation allowance by US$12.2 million to adjust its deferred tax assets to estimated realizable value. The total valuation allowance primarily relates to the deferred tax assets arising from loss carryforwards.

At December 31, 2003, the Company had US$549 million in loss carryforwards of which US$203 million can be carried forward indefinitely. The remaining loss carryforwards amounting to US$346 million expire in 2006. At December 31, 2003 based upon the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences are anticipated to reverse, and prudent and feasible tax-planning strategies, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowances. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

The components of the tax expense/(benefit) were as follows:

2003

2002

US$m

US$m

Current tax expense

- Ghana

1.0

(5.7)

- Overseas

(0.8)

(2.3)

- Interest in joint ventures

1.8

-

Deferred tax expense/(benefit) under UK GAAP

- Group

- Ghana

0.5

4.2

- Overseas

(0.5)

7.1

- Interest in joint venture

2.9

(7.0)

Tax expense/(benefit) for the year on application of SFAS 109 to
UK GAAP profit before tax

4.9

(3.7)

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The tax expense/(benefit) recorded under US GAAP differs from the amount determined by applying the applicable Ghanaian statutory income tax rate to pre-tax profit/(loss) attributable to shareholders under US GAAP as a result of the following:

	2003	2002
	US$m	US$m
Tax expense/(benefit) at statutory rate*	**(112.6)**	(56.2)
Amortization of goodwill	**0.4**	0.1
Investment allowances	**(1.3)**	(1.0)
Effect of foreign income taxes, net	**2.3**	(12.9)
Mark to market of hedging contracts	**129.5**	76.7
Impact of change in tax rate on deferred taxes	**-**	-

Prior year tax adjustments

(0.2)

3.0

Valuation allowance

(17.6)

(18.1)

Other permanent differences

4.4

4.7

Tax expense/(benefit) for the year

4.9

(3.7)

*The statutory rate for 2002 and 2003 was 30%.

Other disclosures
The following information is provided as additional disclosure under US GAAP:

Earnings per share
Under US GAAP, basic earnings/(loss) per share (`EPS') is computed by dividing net earnings/(loss) available to common shareholders by the weighted average number of common shares outstanding for the year. The computation of diluted EPS is similar to basic EPS, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued, and the numerator may be adjusted for the impact the outstanding security had on income available to common shareholders used in the basic EPS calculation.

Diluted EPS is equal to basic EPS for each of the two years ended December 31, 2003 as the exercise of the Senior Management Share Options, Warrants and Mandatorily Exchangeable Notes, are excluded from the computation of diluted EPS in those years as the effect of inclusion is anti-dilutive.

The number of potentially dilutive shares that were excluded from the computation of diluted EPS are as follows:

2003

2002

millions

millions

Senior Management Share Options

3.0

3.0

Warrants

2.3

5.9

Mandatorily Exchangeable Notes

13.9

7.0

19.2

15.9

Revenue recognition

Under UK GAAP, the Company recognizes "estimated" revenue when gold is produced in dore form in the gold room based on the quantity and spot price at that date. Pursuant to the Company's refining and purchase agreements with its customers (i) the actual sales price is the spot price at the date of delivery, and (ii) the actual quantity invoiced is the quantity after the gold is refined (refining is generally completed within one day of delivery.) Consequently, under UK GAAP the Company processes an adjustment on completion of the refining process to adjust revenues recognized at the time of producing dore to actual revenues.

Under US GAAP, the Company recognizes revenue from sales of gold bullion at the date of delivery to the refinery. At this point in time, delivery of third-party refined gold to the customer has occurred, the pricing is either fixed or determinable and collectibility is reasonably assured. Under US GAAP, revenues were lower by US$4.0 million for the year ended December 31, 2003 (2002: US$1.8 million higher). The difference in accounting policy is not material with respect to operating profit/(loss), profit/(loss) attributable to

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shareholders, and shareholders equity under US GAAP for all periods presented. Consequently, no US GAAP adjustments have been recorded.

Gold realization risks
The nature of realization risks inherent in commodity inventories for which revenue has already been recognized relate to the possibility of significant changes in the spot price for gold between the date the gold is poured and the delivery date and differences in quantities between the poured amount and the refined amount.

The overall realization risk is mitigated by the following factors:

- Estimated ounces have never varied significantly from the final quantity declared by the refiner;

- Theft is covered by bullion insurance; and

- Gold is a liquid commodity recognized on international exchanges and, if a customer does not accept delivery, Ashanti can deliver to one of its other customers.

Exceptional items
Under UK GAAP, for the year ended December 31, 2003:
- Exceptional operating costs of US$20.5 million (2002: US$32.3 million) were recognized.
- An exceptional profit on sale of investments of US$8.3 million was recognized (2002: nil).
- An exceptional profit on sale of fixed assets of US$4.7 million was recognized (2002: nil), and
- Exceptional interest income of US$2.7 million was recognized (2002: nil).

Under US GAAP:
- In 2002, US$23.5 million of UK GAAP exceptional operating costs would have been treated as non- operating items. Such costs related to a debt extinguishment.
- In 2003, US$8.3 million and US$4.7 million of UK GAAP non-operating exceptional items relating to profit on sale of investments and profit on sale of fixed assets would have been treated as operating items.
- In 2003, US$2.7 million of non-operating UK GAAP exceptional interest income would have been treated as a non-operating item, before interest and taxation.
- In 2003 and 2002, all other amounts classified as exceptional items would have been treated as operating items and not shown as exceptional items in the profit and loss account.

There is no impact on the US GAAP net loss as a result of the treatment for UK GAAP. Similarly, there is no impact on basic and diluted loss per share as such amounts have been considered in the calculation of such amounts.

Buyback and reissuance of shares
The Company holds in treasury 556,987 (2002: 556,987) of its own ordinary shares. The purchases of shares were accounted for in accordance with the Ghana Companies Code 1963 (Act 179) in a non-distributable Share deals account within shareholders' equity. Under US GAAP, the cost of the treasury shares is generally presented as a reduction of total shareholders' equity. This difference in presentation has no impact on shareholders' equity. The Company made no purchases of its own shares in any of the periods presented.

Cash
In the UK GAAP balance sheet, `Gold-in-transit' has been included within cash balances but have not been included as part of cash in preparing the UK GAAP cash flow statement in accordance with FRS No.1 (revised) Cash Flow

Statements ("FRS 1"). For cash flow purposes `Gold-in-transit' and `cash held as collateral', together with short-term deposits, are classified as liquid resources. Under US GAAP, `Gold-in- transit' and `cash held as collateral' are classified as other assets in the balance sheet and, similar to UK GAAP, would not be included as part of cash and cash equivalents in preparing the US GAAP cash flow statement.

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Employee stock options
The Company accounts for its stock option and stock-based compensation plans using the intrinsic-value method prescribed in APB Opinion No. 25, Accounting for Stock issued to Employees ("APB 25"). Accordingly, the Company computes compensation costs for each employee stock option granted as the amount by which the fair market value of ordinary shares on the date of the grant exceeds the amount the employee must pay to acquire the shares. Accordingly, where options have been granted at exercise prices equal to fair market value on the date of grant, no compensation expense has been recognized by the Company.

Had compensation cost for the Company's stock option plans been determined consistent with the fair value methodology prescribed under SFAS 123, the Company's net profit/(loss) attributable to shareholders and net profit per share under UK GAAP would have been decreased to the pro forma amounts in the table below:

	2003	2002
	US$m	US$m
Net profit/(loss):		
As reported	**49.2**	56.2
Pro forma	**47.0**	54.5
	2003	2002
	US$	US$
Net profit/(loss) per share:		
Basic:		
As reported		

0.38

0.47

Pro forma

0.37

0.46

Diluted:

As reported

0.37

0.44

Pro forma

0.35

0.43

The following table summarizes option plan activity:

Shares under

Option

Weighted average

Exercise price

No. of shares

US$

Balance, January 1, 2002

2,831,850

2.29

Granted

606,560

4.88

Lapsed

(396,716)

2.34

Balance, December 31, 2002

3,041,694

2.80

Balance, December 31, 2003

3,041,694

2.80

The following table summarizes information about options outstanding at December 31, 2003:

Code

Date of Grant

Number

outstanding

Remaining

contractual life

Exercise

price

Fair value

at grant

Number

exerciseable

Years

US$

US$

A July 13, 2000

40,000

8.53

1.66

1.42

40,000

B August 26, 2000

50,000

8.85 2.55

2.40

50,000

C May 3, 2001

1,445,844

9.34 2.29

1.76

-

D May 3, 2001

906,290

9.34 2.29

1.76

-

E August 22, 2002

599,560

9.65 4.88

3.83

-

3,041,694

90,000

No options were granted in the year ended December 31, 2003.
The weighted average fair value of options granted was US$3.83 for the year ended December 31, 2002.

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The fair values of options granted for fiscal year ended December 31, 2002 have been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Options	2002
Expected option life (years)	10.0
Risk-free interest rates(1)	4.5%
Volatility(2)	60.0%
Dividend yield	-

(1) The risk-free interest rate is based on US Government Benchmark STRIP at each grant date for time period being the difference between last exercisable date and date of grant.

(2) The volatility is estimated at each grant date for time period being the difference between last exercisable date and date of grant. The volatility was estimated by using historical volatility on the London International exchange when trading on the Ghanaian stock exchange was extremely light.

The compensation cost as generated by the Black-Scholes option pricing model may not be indicative of the future benefit, if any, that may be received by the option holder.

Cash flow statement

For UK GAAP reporting purposes, the cash flow statement is prepared in accordance with FRS 1. The objective and principles of FRS 1 are similar to those set out in SFAS No. 95, Statement of Cash Flows ("SFAS 95"). The principle difference between the standards relates to the classification of cash flows. Under FRS 1, the Company presents its cash flows for operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, dividends, management of liquid resources and financing. Pursuant to SFAS 95, however, the Company's cash flows would be analyzed between only three categories of cash flow activity, namely operating, investing and financing.

Under SFAS 95 (i) cash flows arising from taxation, returns on investments and servicing of finance and `Gold-in-transit' would be included as operating activities, (ii) cash flows from acquisitions and disposals would be included in investing activities, and (iii) dividend payments, changes in short-term credit facilities and management of liquid resources (excluding `Gold-in-transit') would be disclosed as part of financing activities. In addition, under UK GAAP cash is presented net of overdrafts while under SFAS 95, bank overdrafts are treated as short term credit facilities with movements appearing within financing activities.

A reconciliation between the consolidated statements of cash flows presented in accordance with UK GAAP and US GAAP is presented below for the year ended December 31:

	2003	2002
	US$m	US$m
Operating activities:		
Cash flow from operating activities (UK GAAP)	**86.3**	95.2
Movement in `Gold-in-transit'	**4.0**	(1.8)
Corporation tax paid	**(1.2)**	(2.0)
Interest received	**0.8**	0.8
Interest paid	**(9.1)**	(19.6)
Net cash provided by operating activities (US GAAP)	**80.8**	72.6
Investing activities:		

Net cash outflow from capital expenditure and financial

investment (UK GAAP)

(83.0)

(64.5)

Disposals

16.3

-

Loans repaid by joint venture

30.0

-

Net cash used in activities (US GAAP)

(36.7)

(64.5)

Financing activities:

Cash outflow from financing (UK GAAP)

(8.6)

(19.2)

Change in short-term credit facilities

-

(4.6)

Movement in liquid resources (except `Gold-in-transit')

(0.9)

7.8

Net cash used in financing activities (US GAAP)

(9.5)

(16.0)

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Intangible assets
The following reconciles the UK GAAP reported figures to US GAAP:

	2003	2002
	US$m	US$m
Intangible assets as at December 31 (UK GAAP)	**15.4**	17.3
Brought forward US GAAP difference	**1.8**	0.1
Reduction in cost (note a.)	**1.1**	-
Amortization reversal	**1.5**	1.7
Intangible assets as at December 31 (US GAAP)	**19.8**	19.1

a. The reduction in cost recorded under UK GAAP (see note 11) would not be treated as a reduction in cost under US GAAP. Accordingly, that amount of US$1.1 million is added back here.

The Company adopted SFAS 142, with effect from January 1, 2002. Subsequent to adoption of SFAS 142, the Company does not amortize goodwill and other intangible assets that have an indefinite useful life but rather tests such assets at least annually for impairment. Under US GAAP, as at December 31, 2003, the Company had not recorded any intangible assets other than goodwill. The goodwill balance as at December 31, 2003 related exclusively to the Iduapriem mine. The aggregate amount of goodwill acquired in the year, being US$0.7 million, also related exclusively to that mine.

The transitional provisions of SFAS 142 require disclosure of reported net income in all periods presented, exclusive of amortization expense recognized in those periods related to goodwill and the effects of other accounting changes pursuant to the adoption of SFAS 142. Those disclosures are set forth below, presented as a reconciliation from US GAAP net (loss)/profit as stated.

2003

2002

US$m

Net loss for the year ended December 31, as reported

(381.3)

(182.8)

Amortization expense

-

-

Adjusted net loss for the year ended December 31

(381.3)

(182.8)

US$

Loss per share

Basic

Loss per share, as stated

(2.97)

(1.53)

Amortization expense, per share

-

-

Adjusted loss per share

(2.97)

(1.53)

Diluted

Loss per share, as stated

(2.97)

(1.53)

Amortization expense, per share

-

-

Adjusted loss per share

(2.97)

(1.53)

Tangible assets
The following reconciles the UK GAAP reported figures to US GAAP:

2003

2002

US$m

US$m

Tangible fixed assets as at December 31 (UK GAAP)

603.4

602.7

Brought forward US GAAP difference

(197.6)

(211.9)

Additional impairment charge under US GAAP

(5.5)

-

Depreciation adjustment

13.2

14.3

Tangible fixed assets as at December 31 (US GAAP)

413.5

405.1

Asset retirement obligations
The Company adopted SFAS 143 with effect from January 1, 2003. SFAS 143 provides accounting and reporting guidance for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs.

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Under SFAS 143, the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased to reflect an interest element (accretion) considered in its initial measurement of fair value, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, a gain or loss is recorded if the actual cost incurred is different than the liability recorded.

On adoption of SFAS 143 on January 1, 2003, the Company recognized a US$4.0 million decrease in the carrying value of liabilities related to a future reclamation and other asset retirement obligations and an increase in retained earnings of US$4.0 million as a cumulative effect of the change in accounting principle.

The following is a reconciliation of the total liabilities for asset retirement obligations:

US$m

Balance as at January 1, 2003, as adjusted by the adoption of SFAS 143

20.6

Additions to liabilities in the year

5.6

Liabilities settled in the year

(2.8)

Balance as at December 31, 2003

23.4

The results for the years ended December 31, 2002 on a historical basis do not reflect the provisions of SFAS 143. Had the Company adopted SFAS 143 on January 1, 2002, the net loss and basic and diluted loss per share before cumulative effect of accounting change would have been the pro forma amounts reported below:

Year ended December 31, 2002

Net loss

(US Dollar million)

Net loss per basic

common share

(US Dollar)

Net loss per

diluted common

share (US Dollar)

As reported - historical basis

(182.8)

(1.53)

(1.53)

Less: Impact on earnings before tax

0.5

-

-

Adjusted

(182.3)

(1.53)

(1.53)

Segmental analysis
SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information ("SFAS 131"), which requires that an enterprise report financial and descriptive information about its reportable operating segments. The Company is primarily engaged in the exploration, development and mining of gold on the African continent.

The Company's operations are managed and internally reported on a mine-by-mine basis on which basis the Company has identified its reportable segments. The Company's country of domicile is Ghana.

The location of individual mines along with the relevant financial disclosures required by SFAS 131, are identified in the following tables for the years ending December 31, 2003 and 2002 and as at December 31, 2003 and 2002 (under UK GAAP):

ASHANTI GOLDFIELDS COMPANY LIMITED
40
12 Months to December 31, 2003
Obuasi
Iduapriem
Bibiani
Siguiri
Freda-
Rebecca
Treasury Exploration Corporate
Admin
Geita
Total
Ghana
Ghana
Ghana Guinea Zimbabwe
Tanzania
US$m
50%
Revenue (external)
187.1
89.8
77.6
91.7
18.6
(7.9)
-
-
108.0
564.9
Cash operating costs
(111.2)
(58.5)
(46.0)
(70.6)
(13.7)
-
-
-
(56.3)
(356.3)
Other operating costs
-
(1.2)
(0.3)
(2.3)
-
-
(4.5)
(22.0)
(3.9)

(34.2)
Depreciation and
amortization
(30.8)
(6.0)
(11.2)
(12.6)
(5.6)
-
-
(0.7)
(12.9)
(79.8)
Royalties
(6.0)
(2.7)
(2.3)
(3.0)
-
-
-
-
(3.6)
(17.6)
Exceptional operating
(5.4)
-
-
-
(15.1)
-
-
-
-
(20.5)
Operating profit/(loss)
33.7
21.4
17.8
3.2
(15.8)
(7.9)
(4.5)
(22.7)
31.3
56.5
Interest payable
(0.8)
(1.8)
-
-

(0.4)
-
-
(11.0)
(4.6)
(18.6)
Interest
receivable/other income
-
-
0.1
-
-
0.1
-
4.1
0.1
4.4
Property, plant and
equipment (net)
451.2
32.3
22.6
93.2
-
-
-
4.1
110.4
603.4
Total assets
491.4
58.8
41.3
113.1
7.4
30.3
-
41.5
142.3
783.8
Capital expenditure
37.6
12.5
6.4
24.6
1.1
-
-
0.8
16.1

83.0
12 Months to December 31, 2002
Obuasi
Iduapriem
Bibiani
Siguiri
Freda-
Rebecca
Treasury Exploration Corporate
Admin
Geita
Total
Ghana
Ghana
Ghana
Guinea
Zimbabwe
Tanzania
US$m
50%
Revenue (external)
167.8
57.8
76.1
83.9
30.7 51.2
-
-
84.7
552.2
Operating costs
(106.4)
(43.0)
(43.6)
(61.9)
(21.0)
-
-
-
(47.2)
(323.1)
Other operating costs
(0.5)
(0.9)
(0.3)
(4.8)
-
-
(3.8)
(16.5)
(4.8)

(31.6)
Depreciation and
amortization
(33.0)
(7.6)
(11.7)
(17.7)
(3.7)
-
(0.1)
(1.3)
(13.3)
(88.4)
Royalties
(5.0)
(1.7)
(2.3)
(2.9)
-
-
-
-
(2.7)
(14.6)
Other income
-
-
-
-
-
-
-
3.3
-
3.3
Refinancing and restructuring costs
-
-
-
-
-
-
-
(23.5)
-
(23.5)
Operating profit/(loss)
22.9
4.6
18.2
(3.4)

6.0
51.2
(3.9)
(38.0)
16.7
74.3
Interest payable
(2.1)
(1.3)
-
-
(0.6)
-
-
(15.3)
(5.3)
(24.6)
Interest
receivable/other income
-
-
0.1
-
0.3
0.2
-
1.2
0.2
2.0
Property, plant and
equipment (net)
444.2
27.4
25.8
78.0
19.5
-
-
7.8
103.5
602.7
Total assets
485.4
44.6
49.6
92.6
35.0
10.0
-
26.2
150.3

743.4
Capital expenditure
35.1
10.5
2.9
9.4
6.4
-
-
0.2
9.2
64.5
Each mine generates all of its revenues from sales to a single refiner. Because of the active worldwide market for gold, the Company believes that the loss of any of these customers will not have a material impact on the Company.

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Deferred stripping costs

The full amount of deferred stripping costs may not be expensed until the end of the life of the mine. There were no deferred stripping cost liabilities as at December 31, 2003 and 2002. The strip ratio for each mine, calculated as the ratio of waste mined to ore production, is as follows, for the years ended December 31:

	Obuasi(*)	Iduapriem	Bibiani	Siguiri	Geita
2003	3.5	3.9	1.8	0.8	9.5
2002	5.8	3.4	4.2	0.9	7.4

(*) Obuasi has both underground and open pit mining operations. Data relates to the open pit mining operations of Obuasi.

Ore in stockpiles

Under UK GAAP, ore in stockpiles of US$17.0 million and US$20.1 million as at December 31, 2003 and 2002 respectively, are recorded in current assets, within stocks, while under US GAAP, ore in stockpiles is included in non-current assets. Under US GAAP the classification of ore in stockpiles in non-current assets is appropriate given that, while it is management's current intention to process the stockpiled ore prior to the end of the mine life, there is not reasonable certainty that that ore will be processed within the next 12 months.

New accounting standards not yet adopted as of December 31, 2003
In May 2003 the FASB issued SFAS No. 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("SFAS 150").

SFAS 150 modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. SFAS 150 requires that those instruments be classified as liabilities in statements of financial position.

SFAS 150 affects an issuer's accounting for three types of freestanding financial instruments, namely:

- mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash

or other assets.

- instruments, other than outstanding shares, that do or may require the issuer to buy back some of its shares

in exchange for cash or other assets. These instruments include put options and forward purchase contracts.

- obligations that can be settled with shares, the monetary value of which is fixed, tied solely or

predominantly to a variable such as a market index, or varies inversely with the value of the issuer's shares.

SFAS 150 does not apply to features embedded in financial instruments that are not derivatives in their entirety.

In addition to its requirements for the classification and measurement of financial instruments within its scope, SFAS 150 also requires disclosures about alternative ways of settling those instruments and the capital structure of entities, all of whose shares are mandatorily redeemable.

SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of SFAS 150 and still existing at the beginning of the interim period of adoption. Restatement is not permitted.

The Company is currently evaluating the impact of SFAS 150 on its results of operations and financial position.

ASHANTI GOLDFIELDS COMPANY LIMITED

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In December 2003, the FASB issued a revision ("FIN 46R") to Interpretation No. 46 "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" (the "Interpretation"). FIN 46R clarifies the application of ARB No. 51, "Consolidated Financial Statements", to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN 46R requires the consolidation of those entities, known as variable interest entities ("VIEs"), by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's residual returns, or both.

Among other changes, the revisions of FIN 46R (a) clarified some requirements of the original FIN 46, which was issued in January 2003, (b) eased some implementation problems, and (c) added new scope exceptions. FIN 46R deferred the effective date of the Interpretation for public companies, to the end of the first reporting period ending after March 15, 2004, except that all public companies must at a minimum apply the provisions of the Interpretation to entities that were previously considered "special-purpose entities" under the FASB literature prior to the issuance of FIN 46R by the end of the first reporting period ending after December 15, 2003. The Company does not currently have any interests that it believes fall within the scope of FIN 46 or FIN 46R and so anticipates that the adoption of FIN 46 and FIN 46R will have no impact on its financial position, cash flows and results of operations.

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ASHANTI GOLDFIELDS COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Ashanti Goldfields Company Limited, Accra, Ghana.

We have audited the accompanying consolidated balance sheets of Ashanti Goldfields Company Limited and its subsidiary undertakings ("the Company") as of December 31, 2003 and 2002, and the related consolidated profit and loss accounts, cash flow statements, statements of total recognised gains and losses and the reconciliation of movements in shareholders' funds for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of shareholders' equity at December 31, 2003 and 2002 and the profit attributable to shareholders for each of the years then ended to the extent summarized in note 29.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Note 1 details the refinancing requirements of the Company and the Company's refinancing plans. These matters raise substantial doubt about the Company's ability to continue as a going concern and in view of this we consider that it should be drawn to your attention, but our opinion is not qualified in this respect. The financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

Deloitte & Touche
Accra, Ghana

February 18, 2004

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Reconciliation of certain non-GAAP measures of Ashanti Goldfields Company Limited to GAAP measures

The financial information set forth below has been extracted from Ashanti Goldfields Company Limited's consolidated financial statements prepared in accordance with generally accepted accounting principles in the United Kingdom and audited by Deloitte and Touche, included elsewhere in this Form 6-K as an exhibit.

ASHANTI GOLDFIELDS COMPANY LIMITED

For the year ended December 31, 2003

Total production costs per operation

Obuasi Iduapriem

Bibiani

Siguiri

Freda-

Rebecca

Geita

Total

US$m

Cash operating costs

111.2

58.5

46.0

70.6

13.7

56.3

356.3

Royalties

6.0

2.7

2.3

3.0

-

3.6

17.6

Total operating costs

117.2

61.2

48.3

73.6

13.7

59.9

373.9

Plus :

Depreciation and amortization

30.8

6.0

11.2

12.6

5.6

12.9

79.1

Other operating costs

-

1.2

0.3

2.3

-

3.9

7.7

Exceptional cost

(1)

5.4

-

-

-

15.1

-

20.5

Total production costs

(2)

153.4

67.2

59.5

86.2

34.4

72.8

473.5

Gold produced

(3)

(000' ounces)

513

244

213

253

51

330

1,604

Total cash operating cost per ounce

217

240

216

279

268

170

222

Total production cost per ounce

299

275

279

341

675

221

295

For the year ended December 31, 2002

Total production costs per operation

Obuasi Iduapriem

Bibiani

Siguiri

Freda-

Rebecca

Geita

Total

US$m

Cash operating costs

106.4

43.0

43.6

61.9

21.0

47.2

323.1

Royalties

5.0

1.7

2.3

2.9

-

2.7

14.6

Total operating costs

111.4

44.7

45.9

64.8

21.0

49.9

337.7

Plus :

Depreciation and amortization

33.0

7.6

11.7

17.7

3.7

13.3

87.0

Other operating costs

0.5

0.9

0.3

4.8

-

4.8

11.3

Total production costs

(2)

144.9

53.2

57.9

87.3

24.7

68.0

436.0

Gold produced

(3)

(000' ounces)

537

185

243

269

98

290

1,622

Total cash operating cost per ounce

198

232

180

230

214

163

199

Total production cost per ounce

270

288

238

325

252

234

269

Notes:
(1) Exceptional cost comprises redundancy cost of US$5.4 million and an impairment charge of US$15.1 million
(2) Production costs exclude corporate administration cost and exploration costs
(3) Gold production comprises 50% of Geita's production plus 100% of all other mines production

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, AngloGold Limited has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANGLOGOLD LIMITED

Date:
March 19, 2004
By: /s/ C R B
ULL
Name: C R Bull
Title:
Company Secretary