(h) Accounting for Income Tax

Income tax has been brought to account using the liability method of tax effect accounting. Future income tax benefits relating to tax losses are only recognised and brought to account to the extent that their realisation is virtually certain.

Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entity were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision.

As a consequence, the Company, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense/(revenue).

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime.

(i) Investments

Investments in listed and unlisted securities, other than controlled entities, are stated at cost unless, in the opinion of the Directors, a provision for diminution in value is considered necessary. Income from investments is brought to account by the consolidated entity when dividends are received. Controlled entities are accounted for as set out in Note 1(b).

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of ore stockpiles and gold stocks includes direct material, direct labour, transportation costs, and variable and fixed overhead costs relating to mining activities.

Costs have been assigned to inventory quantities on hand at balance date using the weighted average basis.

(k) Maintenance and Repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance programme. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(f). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.