

## Notes to the financial statements

### 1. Accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations adopted for use by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the recording of pension assets and liabilities and the revaluation of biological assets and certain financial instruments. A summary of the principal Group accounting policies is set out below with an explanation of changes to previous policies following adoption of new accounting standards and interpretations in the year.

The details of the elections made on conversion to IFRS were set out in the 31 December 2005 Annual Report.

The preparation of financial statements in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Details of the Group's significant accounting policies and critical accounting estimates are set out in the 'Operating and financial review' and form part of these financial statements; these are set out on page 57.

Significant areas of estimation uncertainty include:

- useful economic lives of assets and ore resources estimates;
- impairment of assets;
- restoration, rehabilitation and environmental costs; and
- retirement benefits.

#### Adoption of standards and changes in accounting policies

The Group has adopted early with effect from 1 January 2007 the revision to IAS 23 *Borrowing costs*. This did not have any impact on the Group.

The Group has adopted IFRS 7 *Financial Instruments: Disclosures* and the associated revisions to IAS 1 *Presentation of Financial Statements*. This has resulted in the financial instrument disclosures previously required by IAS 32 *Financial Instruments: Presentation and Disclosure* being replaced by those required under IFRS 7 as well as the inclusion of capital risk management disclosures.

#### Discontinued operations

On 2 July 2007 the Paper and Packaging business was demerged from the Group by way of a dividend in specie paid to shareholders.

On 2 October 2007 the Group sold 67.1 million shares in AngloGold Ashanti Limited which reduced the Group's shareholding from 41.6% to 17.3%. The Group's representation on the company's board was also withdrawn at this time. The remaining investment is accounted for as a financial asset investment.

Both of these operations are considered discontinued and therefore the prior period Consolidated income statement and Consolidated cash flow statement have been adjusted in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

#### Basis of consolidation

The financial statements incorporate a consolidation of the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the results of subsidiaries, joint ventures and associates to bring their accounting policies into line with those used by the Group. Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

For non-wholly owned subsidiaries, a share of the net assets and profit for the financial year is attributed to the minority interests as shown on the Consolidated income statement and Consolidated balance sheet. Any losses applicable to the minority interests in excess of the total recognised minority interests are allocated against the interests of the parent until such time as future profits have exceeded the losses previously absorbed.

#### Associates

Associates are investments over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Typically the Group owns between 20% and 50% of the voting equity of its associates. Investments in associates are accounted for using the equity method of accounting except when classified as held for sale.

The Group's share of associates' net income is based on their most recent audited financial statements or unaudited interim statements drawn up to the Group's balance sheet date.

The total carrying values of investments in associates represent the cost of each investment including the carrying value of goodwill, the share of post acquisition retained earnings, any other movements in reserves and any long term debt interests which in substance form part of the Group's net investment. The carrying values of associates are reviewed on a regular basis and if an impairment in value has occurred, it is written off in the period in which those circumstances are identified. The Group's share of an associate's losses in excess of its interest in that associate is not recognised unless the Group has an obligation to fund such losses.

#### Joint venture entities

A joint venture entity is an entity in which the Group holds a long term interest and shares joint control over the strategic, financial and operating decisions with one or more other venturers under a contractual arrangement.

The Group's share of the assets, liabilities, income, expenditure and cash flows of such jointly controlled entities are accounted for using proportionate consolidation. Proportionate consolidation combines the Group's share of the results of the joint venture entity on a line by line basis with similar items in the Group's financial statements.

#### Joint venture operations

The Group has contractual arrangements with other participants to engage in joint activities other than through a separate entity. The Group includes its assets, liabilities, expenditure and its share of revenue in such joint venture operations with similar items in the Group's financial statements.

#### Revenue recognition

Revenue is derived principally from the sale of goods and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. Sales of concentrate are stated at their invoiced amount which is net of treatment and refining charges. A sale is recognised when the significant risks and rewards of ownership have passed. This is usually when title and insurance risk have passed to the customer and the goods have been delivered to a contractually agreed location.

Revenue from metal mining activities is based on the payable metal sold.

Sales of certain commodities are 'provisionally priced' such that the price is not settled until a predetermined future date based on the market price at that time. Revenue on these sales is initially recognised (when the above criteria are met) at the current market price. 'Provisionally priced' sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark to market adjustment is recorded in revenue.

Revenues from the sale of material by-products are included within revenue. Where a by-product is not regarded as significant, revenue may be credited against the cost of sales.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### Business combinations and goodwill arising thereon

At the date of acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary, joint venture entity or an associate, which can be measured reliably are recorded at their provisional fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Provisional fair values are finalised within 12 months of the acquisition date.

Goodwill in respect of subsidiaries and joint ventures is included within intangible assets. Goodwill relating to associates is included within the carrying value of the associate.

## Notes to the financial statements continued

**1. Accounting policies continued**

Where the fair value of the identifiable net assets acquired exceeds the cost of the acquisition, the surplus, which represents the discount on the acquisition, is credited to the income statement in the period of acquisition.

For non-wholly owned subsidiaries, minority interests are initially recorded at the minorities' proportion of the fair values for the assets and liabilities recognised at acquisition.

**Tangible assets**

Mining properties and leases include the cost of acquiring and developing mining properties and mineral rights.

Mining properties are depreciated down to their residual values using the unit of production method based on proven and probable reserves. Depreciation is charged on new mining ventures from the date that the mining property is capable of commercial production. When there is little likelihood of a mineral right being exploited, or the value of the exploitable mineral right has diminished below cost, a write down to the recoverable amount is charged to the income statement.

For open pit operations the removal of overburden or waste ore is required to obtain access to the orebody. To the extent that the actual waste material removed per tonne of ore mined (known as the stripping ratio) is higher than the average stripping ratio in the early years of a mine's production phase, the costs associated with this process are deferred and charged to operating costs using the expected average stripping ratio over the average life of the area being mined. This reflects the fact that waste removal is necessary to gain access to the orebody and therefore realise future economic benefit. The average stripping ratio is calculated as the number of tonnes of waste material expected to be removed during the life of mine, per tonne of ore mined. The average life of mine cost per tonne is calculated as the total expected costs to be incurred to mine the orebody divided by the number of tonnes expected to be mined. The cost of stripping in any period will therefore be reflective of the average stripping rates for the orebody as a whole. However, where the pit profile is such that the actual stripping ratio is below the average in the early years no deferral takes place as this would result in recognition of a liability for which there is no obligation. Instead this position is monitored and when the cumulative calculation reflects a debit balance deferral commences. The average life of mine stripping ratio and the average life of mine cost per tonne are recalculated annually in light of additional knowledge and changes in estimates. Changes in the life of mine stripping ratio are accounted for prospectively as a change in estimate.

Land and properties in the course of construction are carried at cost, less any recognised impairment. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated down to their residual values at varying rates, on a straight line basis over their estimated useful lives or the life of mine, whichever is shorter. Estimated useful lives normally vary from up to 20 years for items of plant and equipment to a maximum of 50 years for buildings.

Residual values and estimated useful lives are reviewed at least annually.

Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

**Non-mining licences and other intangibles**

Non-mining licences and other intangibles are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful lives. Estimated useful lives vary between three and five years.

**Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment is recognised immediately as an expense.

Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or CGU in prior years. A reversal of an impairment is recognised as income immediately.

**Impairment of goodwill**

Goodwill arising on business combinations is allocated to the group of CGU that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored by the Group's Board of directors for internal management purposes. Details of the CGU to which goodwill is allocated are provided in note 13. The recoverable amount of the CGU or group of CGU to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when such events or changes in circumstances indicate that it may be impaired.

Any impairment is recognised immediately in the income statement. Impairments of goodwill are not subsequently reversed.

**Research and exploration expenditure**

Research and exploration expenditure is written off in the year in which it is incurred. When a decision is taken that a mining property is economically feasible and should be developed for commercial production, all further directly attributable, pre-production expenditure is capitalised within tangible assets. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Capitalised pre-production expenditure prior to commercial production is assessed for impairment in accordance with the Group accounting policy stated above.

**Biological assets: afforestation and other agricultural activity**

Afforestation and other agricultural assets are measured at their fair values less estimated selling costs during the period of biological transformation, from initial recognition up to the point of harvest. The fair values are determined based on current market prices for the assets in their present location and condition.

Changes in fair value are recognised in the income statement within other gains and losses for the period between planting and harvest. At point of harvest, the carrying value of afforestation and other agricultural assets is transferred to inventory.

Directly attributable costs incurred during the period of biological transformation are capitalised and the associated cash flows are presented within 'Cash flows from investing activities' in the Consolidated cash flow statement.

**Inventory**

Inventory and work in progress are valued at the lower of cost and net realisable value. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following bases:

- Raw materials and consumables are valued at cost on a first in, first out (FIFO) basis.
- Finished products are valued at raw material cost, labour cost and a proportion of manufacturing overhead expenses.
- Metal and coal stocks are included within finished products and are valued at average cost.

At precious metals operations that produce 'joint products', cost is allocated between products according to the ratio of contribution of these metals to gross sales revenues.

**Retirement benefits**

The Group operates both defined benefit and defined contribution schemes for its employees as well as post retirement medical plans. For defined contribution schemes the amount charged to the income statement is the contributions paid or payable during the year.

For defined benefit pension and post retirement medical plans, full actuarial valuations are carried out every three years using the projected unit credit method and updates are performed for each financial year end. The average discount rate for the plans' liabilities is based on AA rated corporate bonds of a suitable duration and currency or, where there is no 'deep market' for such bonds, based on government bonds. Pension plan assets are measured using period end market values.

Actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the 'Consolidated statement of recognised income and expense'. Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating profit. The expected return on plan assets and the expected increase during the period in the present value of plan liabilities are included in investment income and interest expense.

## 1. Accounting policies continued

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

### Tax

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures, and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Leases

In addition to lease contracts, other significant contracts are assessed to determine whether, in substance, they are or contain a lease. This includes assessment of whether the arrangement is dependent on use of a specific asset and right to use that asset is conveyed through the contract.

Rental costs under operating leases are charged to the income statement in equal annual amounts over the lease term.

Assets held under finance leases are recognised as assets of the Group on inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element of the rental is charged against profit so as to produce a constant periodic rate of interest on the remaining balance of the liability, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's general policy on borrowing costs (see below).

### Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when it is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) are classified as held for sale from the date these conditions are met and are measured at the lower of carrying amount and fair value less costs to sell. Any resulting impairment is reported through the income

statement as a special item. On classification as held for sale the assets are no longer depreciated. Comparative amounts are not adjusted.

Where an asset or business has been sold or is classified as held for sale and is either a, or part of a, single co-ordinated plan to dispose of either a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to sale, it is considered to be a 'discontinued operation'. Once an operation has been identified as discontinued, its net profit and cash flows are separately presented from continuing operations. Comparative information is reclassified so that net profit and cash flows of prior periods are also separately presented.

### Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged against profits over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy above.

For some South African operations annual contributions are made to dedicated environmental rehabilitation trusts to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine. The Group exercises full control of these trusts and therefore the trusts are consolidated. The trusts' assets are recognised separately on the balance sheet as non-current assets at fair value. Interest earned on funds invested in the environmental rehabilitation trusts is accrued on a time proportion basis and recognised as interest income.

### Foreign currency transactions and translation

Foreign currency transactions by Group companies are booked in their functional currencies at the exchange rate ruling on the date of transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in profit or loss for the period and are classified as either operating or financing depending on the nature of the monetary item giving rise to them.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period where these approximate the rates at the dates of transactions. Exchange differences arising, if any, are classified within equity and transferred to the Group's cumulative translation adjustment reserve. Exchange differences on foreign currency loans for which settlement is neither planned nor likely to occur and therefore form part of the Group's net investment in these foreign operations are offset in the cumulative translation adjustment reserve.

Cumulative translation differences are recognised as income or expense in the period in which the operation they relate to is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the closing rate.

### Borrowing costs

Interest on borrowings directly relating to the financing of qualifying capital projects under construction is added to the capitalised cost of those projects during the construction phase, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Notes to the financial statements continued

### 1. Accounting policies continued

#### Share-based payments

The Group has applied the requirements of IFRS 2 *Share-based Payments*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested as at 1 January 2005.

The Group makes equity settled share-based payments to certain employees, which are measured at fair value at the date of grant. For those share schemes, excluding share options, which do not include non-market vesting conditions, the fair value is determined using the Monte Carlo method at the grant date and expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The fair value of share options issued with non-market vesting conditions has been calculated using the Black Scholes model. For all other share awards, the fair value is determined by reference to the market value of the share at the date of grant. For all share schemes with non-market related vesting conditions, the likelihood of vesting has been taken into account when determining the relevant charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

#### Black economic empowerment (BEE) transactions

Where the Group disposes of a portion of a South African based subsidiary or operation to a BEE company at a discount to fair value, the transaction is considered to be a share-based payment (in line with the principle contained in South Africa interpretation AC 503 *Accounting for Black Economic Empowerment (BEE Transactions)*). The discount provided or value given is calculated in accordance with IFRS 2 and included in the determination of the profit or loss on disposal.

#### Employee benefit trust

The carrying value of shares held by the employee benefit trust are recorded as treasury shares, shown as a reduction in retained earnings within shareholders' equity.

#### Presentation currency

As permitted by UK company law, the Group results are presented in US dollars, the currency in which most of its business is conducted.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits, together with short term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are, however, shown within short term borrowings in current liabilities on the balance sheet. Cash and cash equivalents in the cash flow statement are shown net of overdrafts.

#### Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value (with the exception of receivables relating to provisionally priced sales – as set out in the revenue recognition accounting policy) net of appropriate allowance for estimated irrecoverable amounts. Such allowances are raised based on an assessment of debtor ageing, past experience or known customer circumstances.

#### Trade payables

Trade payables are not interest bearing and are stated at their nominal value with the exception of amounts relating to purchases of provisionally priced concentrate which are marked to market (using the appropriate forward price) until settled.

#### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### Investments

Investments, other than investments in subsidiaries, joint ventures and associates, are financial asset investments and are initially recorded at fair value. At subsequent reporting dates, financial assets that the Group has the expressed intention and ability to hold to maturity ('held to maturity') as well as loans and receivables are measured at amortised cost, less any impairment. The amortisation of any discount or premium on the acquisition of a held to maturity investment is recognised in the income statement in each period using the effective interest method.

Investments other than those classified as held to maturity or loans and receivables are classified as either at fair value through profit or loss (which includes investments held for trading) or available for sale investments. Both sub-categories are measured at each reporting date at fair value. Where investments are held for trading purposes, unrealised gains and losses for the period are included in the income statement within other gains and losses. For available for sale investments, unrealised gains and losses are recognised in equity until the investment is disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement.

Current financial asset investments consist mainly of bank term deposits and fixed and floating rate debt securities. Debt securities that are intended to be held to maturity are recorded on the amortised cost basis. Debt securities that are not intended to be held to maturity are recorded at the lower of cost and market value.

Provision is raised against these assets when there is doubt over the future realisation of value as a result of a known event or circumstance.

#### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified and accounted for as debt or equity according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### Convertible debt

Convertible bonds denominated in the functional currency of the entity issuing the shares are regarded as compound instruments, consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt and is recorded within borrowings. The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Where the embedded option is in a convertible bond denominated in a currency other than the functional currency of the entity issuing the shares, the option is classified as a liability. The option is marked to market with subsequent gains and losses being recorded through the income statement within net finance costs.

Issue costs are apportioned between the liability and equity components of the convertible bonds where appropriate based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the effective interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible bond.

#### Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis and charged to the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### Derivative financial instruments and hedge accounting

In order to hedge its exposure to foreign exchange, interest rate and commodity price risk, the Group enters into forward, option and swap contracts. The Group does not use derivative financial instruments for speculative purposes. Commodity based (normal purchase or normal sale) contracts that meet the requirements of IAS 39 are recognised in earnings when they are settled by physical delivery.

All derivatives are held at fair value in the balance sheet within other financial assets (derivatives) or other financial liabilities (derivatives) and, when designated as hedges, are classified as current or non-current depending on the maturity of the derivative. Derivatives that are not designated as hedges are classified as current, in accordance with IAS 1, even when their actual maturity is expected to be greater than one year.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects profit or loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from remeasuring the associated derivative are recognised in profit or loss.

## 1. Accounting policies continued

The gain or loss on hedging instruments relating to the effective portion of a net investment hedge is recognised in equity. The ineffective portion is recognised immediately in the income statement. Gains or losses accumulated in equity are included in the income statement when the foreign operations are disposed of.

Changes in the fair value of any derivative instruments that are not hedge accounted are recognised immediately in the income statement and are classified within other gains and losses or net finance costs depending on the type of risk the derivative relates to.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, revoked, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included in the income statement for the period.

Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts themselves are not carried at fair value with unrealised gains or losses reported in the income statement.

### Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the asset have expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the associated obligation has been discharged, cancelled or has expired.

### New IFRS accounting standards and interpretations not yet adopted

IFRS 8 *Operating Segments* replaces the segmental reporting requirements of IAS 14 *Segment Reporting*. The key change is to align the determination of segments in the financial statements with that used by management in their resource allocation decisions. This standard is not expected to have significant impact on existing disclosure.

The amendment to IAS 1 *Financial statement presentation* released in September 2007 redefines the primary statements and expands on certain disclosures within these. Once adopted the Group's primary statements will be amended to reflect the presentation required.

IFRIC 11 *Group and Treasury Share Transactions* clarifies that the manner in which an entity obtains the shares to satisfy its obligations in terms of a share-based payment transaction does not influence the classification of that transaction as equity settled or cash settled. In addition, where an entity satisfies a share-based payment by issue of its parent's shares (rather than the parent making the share-based payment directly) the interpretation requires that these be treated as cash settled rather than equity settled. From the Group perspective this is not expected to have a material impact.

IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding requirements and their Interaction* clarifies when refunds and reductions in future contributions would be regarded as available in determining the appropriate defined benefit asset to be recognised under IAS 19 *Employee benefits*. It further clarifies the impact of minimum funding requirements. This is not expected to have a material impact for the Group.

## 2. Segmental information

Based on risks and returns the directors consider the primary reporting format is by business segment and the secondary reporting format is by geographical segment.

The analysis of associates' revenue by business segment is provided here for completeness and consistency. The segmental analysis of associates' net income is shown below and the Group's aggregate investment in those associates required by IAS 14 *Segment Reporting*, is set out in note 17.

In 2007 Copebrás and Yang Quarry have been reclassified from Industrial Minerals to Base Metals and from Industrial Minerals to Coal respectively. This is to align with internal management reporting. As such, the comparative data has been reclassified.

Discontinued operations comprise the Paper and Packaging and Gold segments. The Paper and Packaging segment was demerged from the Group on 2 July 2007 and following a partial disposal on 2 October 2007 (which reduced the Group's shareholding from 41.6% to 17.3%) the Group ceased to equity account for the Gold segment. The results for discontinued operations are disclosed in note 33.

## Primary reporting format – by business segment

US\$ million	Segment revenue		Segment result before special items and remeasurements <sup>(1)</sup>		Segment result after special items and remeasurements <sup>(1)</sup>	
	2007	2006 <sup>(2)</sup>	2007	2006 <sup>(2)</sup>	2007	2006 <sup>(2)</sup>
<b>Subsidiaries and joint ventures</b>						
Platinum	6,673	5,766	2,635	2,337	2,635	2,337
Coal	2,880	2,757	365	605	224	452
Base Metals	7,129	6,534	4,338	3,897	4,338	3,905
Ferrous Metals and Industries	4,207	5,973	1,155	1,303	1,158	1,324
Industrial Minerals	4,581	3,961	474	315	407	46
Exploration	–	–	(157)	(132)	(157)	(132)
Corporate Activities	–	–	(292)	(277)	(333)	(290)
<b>Total subsidiaries and joint ventures – continuing operations</b>	<b>25,470<sup>(3)</sup></b>	<b>24,991<sup>(3)</sup></b>	<b>8,518</b>	<b>8,048</b>	<b>8,272</b>	<b>7,642</b>
<b>Revenue and net income from associates</b>						
Platinum	116	95	38	40	38	40
Diamonds	3,076	3,148	223	199	(229)	337
Coal	694	607	190	185	190	185
Ferrous Metals and Industries	1,193	546	189	38	198	44
Industrial Minerals	10	17	–	1	–	1
<b>Total associates – continuing operations</b>	<b>5,089</b>	<b>4,413</b>	<b>640</b>	<b>463</b>	<b>197</b>	<b>607</b>
<b>Total Group operations including net income from associates – continuing operations</b>						
	<b>30,559</b>	<b>29,404</b>	<b>9,158</b>	<b>8,511</b>	<b>8,469</b>	<b>8,249</b>
<b>Net profit on disposals – continuing operations</b>						
					<b>460</b>	<b>265</b>
<b>Total profit from operations and associates – continuing operations</b>						
					<b>8,929</b>	<b>8,514</b>

<sup>(1)</sup> Segment result is defined as being segment revenue less segment expense; that is operating profit. In addition 'Share of net income from associates' is shown by segment. There are no material inter-segment transfers or transactions that would affect the segment result. Special items and remeasurements are set out in note 7.

<sup>(2)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations.

<sup>(3)</sup> This represents segment revenue; the Group's share of associates' revenue figures are provided for additional information.

The table above represents continuing operations only, as disclosed in the income statement. Total Group revenue including share of revenue from associates and revenue from discontinued operations is \$35,674 million (2006: \$38,637 million) being \$30,559 million (2006: \$29,404 million) from continuing operations and \$5,115 million (2006: \$9,233 million) from discontinued operations. See note 33 for summarised segmental disclosures relating to discontinued operations.

## Notes to the financial statements continued

### 2. Segmental information continued

For information, a segmental analysis of associates' operating profit is set out below to show operating profit for the Group's continuing operations including associates.

US\$ million	Operating profit before special items and remeasurements <sup>(1)</sup>		Operating profit after special items and remeasurements <sup>(1)</sup>	
	2007	2006 <sup>(2)</sup>	2007	2006 <sup>(2)</sup>
<b>Total subsidiaries and joint ventures – continuing operations</b>	<b>8,518</b>	<b>8,048</b>	<b>8,272</b>	<b>7,642</b>
<b>Associates</b>				
Platinum	62	61	62	61
Diamonds	484	463	19	446
Coal	249	257	249	257
Ferrous Metals and Industries	277	57	277	57
Industrial Minerals	–	2	–	2
<b>Total associates – continuing operations</b>	<b>1,072</b>	<b>840</b>	<b>607</b>	<b>823</b>
<b>Total Group operations including operating profit from associates – continuing operations</b>	<b>9,590</b>	<b>8,888</b>	<b>8,879</b>	<b>8,465</b>

<sup>(1)</sup> Associates' operating profit is reconciled to 'Share of net income from associates' as follows:

US\$ million	2007	2006 <sup>(2)</sup>
Operating profit from associates before special items and remeasurements – continuing operations	1,072	840
Operating special items and remeasurements	(465)	(17)
Operating profit from associates after special items and remeasurements – continuing operations	607	823
Net profit on disposals	24	182
Net finance costs (before remeasurements)	(85)	(70)
Financing remeasurements	(4)	1
Income tax expense (after special items and remeasurements)	(303)	(300)
Minority interests (after special items and remeasurements)	(42)	(29)
<b>Share of net income from associates – continuing operations</b>	<b>197</b>	<b>607</b>

<sup>(2)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations.

The segment result and associates' operating profit before special items and remeasurements, as shown above, is reconciled to 'Profit for the financial year' as follows:

US\$ million	2007	2006 <sup>(1)</sup>
<b>Operating profit, including associates, before special items and remeasurements – continuing operations</b>	<b>9,590</b>	<b>8,888</b>
Operating special items and remeasurements		
Subsidiaries and joint ventures	(246)	(406)
Coal	(141)	(153)
Base Metals	–	8
Ferrous Metals and Industries	3	21
Industrial Minerals	(67)	(269)
Corporate Activities	(41)	(13)
Associates	(465)	(17)
Diamonds	(465)	(17)
<b>Operating profit, including associates, after special items and remeasurements – continuing operations</b>	<b>8,879</b>	<b>8,465</b>
Net profit on disposals		
Subsidiaries and joint ventures	460	265
Associates	24	182
Associates' net finance costs	(85)	(70)
Associates' financing remeasurements	(4)	1
Associates' income tax expense	(305)	(278)
Associates' tax on special items and remeasurements	2	(22)
Associates' minority interests	(42)	(29)
<b>Total profit from operations and associates – continuing operations</b>	<b>8,929</b>	<b>8,514</b>
Net finance costs before special items and remeasurements	(137)	(110)
Financing special items	–	(4)
Financing remeasurements	29	43
<b>Profit before tax – continuing operations</b>	<b>8,821</b>	<b>8,443</b>
Income tax expense	(2,693)	(2,518)
<b>Profit for the financial year – continuing operations</b>	<b>6,128</b>	<b>5,925</b>

<sup>(1)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations.

Primary segment disclosures for segment assets, liabilities and capital expenditure are as follows:

US\$ million	Segment assets <sup>(1)</sup>		Segment liabilities <sup>(2)</sup>		Net segment assets		Capital expenditure <sup>(3)</sup>	
	2007	2006	2007	2006	2007	2006	2007	2006
Platinum	9,926	7,721	(692)	(643)	9,234	7,078	2,512	935
Coal	4,987	3,661	(1,003)	(791)	3,984	2,870	1,052	791
Base Metals	5,897	5,291	(908)	(692)	4,989	4,599	582	315
Ferrous Metals and Industries	4,517	3,529	(530)	(733)	3,987	2,796	2,412	660
Industrial Minerals	5,370	5,080	(861)	(895)	4,509	4,185	352	383
Exploration	1	1	–	(2)	1	(1)	–	–
Corporate Activities	225	200	(346)	(404)	(121)	(204)	44	29
<b>Continuing operations</b>	<b>30,923</b>	<b>25,483</b>	<b>(4,340)</b>	<b>(4,160)</b>	<b>26,583</b>	<b>21,323</b>	<b>6,954</b>	<b>3,113</b>
Gold	–	–	–	–	–	–	–	196
Paper and Packaging	–	8,113	–	(1,094)	–	7,019	198	704
<b>Discontinued operations</b>	<b>–</b>	<b>8,113</b>	<b>–</b>	<b>(1,094)</b>	<b>–</b>	<b>7,019</b>	<b>198</b>	<b>900</b>
<b>Total Group</b>	<b>30,923</b>	<b>33,596</b>	<b>(4,340)</b>	<b>(5,254)</b>	<b>26,583</b>	<b>28,342</b>	<b>7,152</b>	<b>4,013</b>
<b>Unallocated</b>								
Investments in associates	3,341	4,780	–	–	3,341	4,780		
Financial asset investments	4,780	1,973	–	–	4,780	1,973		
Deferred tax assets/(liabilities)	474	372	(4,650)	(3,687)	(4,176)	(3,315)		
Cash and cash equivalents	3,129	3,004	–	–	3,129	3,004		
Other financial assets/(liabilities) – derivatives	535	329	(586)	(520)	(51)	(191)		
Other non-operating assets/(liabilities)	1,580	2,429	(2,264)	(3,308)	(684)	(879)		
Other provisions	–	–	(293)	(339)	(293)	(339)		
Borrowings	–	–	(8,299)	(6,248)	(8,299)	(6,248)		
<b>Net assets</b>	<b>44,762</b>	<b>46,483</b>	<b>(20,432)</b>	<b>(19,356)</b>	<b>24,330</b>	<b>27,127</b>		

<sup>(1)</sup> Segment assets at 31 December 2007 are operating assets and consist of tangible assets of \$23,534 million (2006: \$23,498 million), intangible assets of \$1,556 million (2006: \$2,134 million), biological assets of \$3 million (2006: \$324 million), environmental rehabilitation trusts of \$252 million (2006: \$197 million), inventories of \$2,344 million (2006: \$2,974 million), pension and post retirement healthcare assets of \$52 million (2006: \$110 million) and operating receivables of \$3,182 million (2006: \$4,359 million).

<sup>(2)</sup> Segment liabilities at 31 December 2007 are operating liabilities and consist of non-interest bearing current liabilities of \$2,965 million (2006: \$3,732 million), restoration and decommissioning provisions of \$931 million (2006: \$747 million) and retirement benefit obligations of \$444 million (2006: \$775 million).

<sup>(3)</sup> Capital expenditure reflects cash payments and accruals in respect of additions to tangible assets of \$4,129 million (2006: \$3,702 million), intangible assets of \$9 million (2006: \$9 million) (see notes 14 and 13 respectively) and additions resulting from acquisitions through business combinations of \$3,014 million (2006: \$302 million).

Other primary segment items included in the income statement are as follows:

US\$ million	Depreciation and amortisation		(Impairments)/reversal <sup>(1)(2)</sup>		Other non-cash expenses <sup>(3)</sup>	
	2007	2006	2007	2006	2007	2006
Platinum	455	444	–	–	8 <sup>(4)</sup>	72
Coal	221	173	(153)	(143)	42	27
Base Metals	344	357	–	–	94	124
Ferrous Metals and Industries	100	199	–	11	48	37
Industrial Minerals	258	224	(43)	(255)	55	20
Exploration	–	–	–	–	–	2
Corporate Activities	20	17	–	(13)	45	40
<b>Continuing operations</b>	<b>1,398</b>	<b>1,414</b>	<b>(196)</b>	<b>(400)</b>	<b>292</b>	<b>322</b>
Gold	–	183	–	–	32	12
Paper and Packaging	234	439	(5)	(100)	12	21
<b>Discontinued operations</b>	<b>234</b>	<b>622</b>	<b>(5)</b>	<b>(100)</b>	<b>44</b>	<b>33</b>
<b>Total Group</b>	<b>1,632</b>	<b>2,036</b>	<b>(201)</b>	<b>(500)</b>	<b>336</b>	<b>355</b>

<sup>(1)</sup> See operating special items in note 7.

<sup>(2)</sup> Amounts include negative goodwill in 2006.

<sup>(3)</sup> Other non-cash expenses include share-based payment charges and charges in respect of environmental rehabilitation provisions and other provisions.

<sup>(4)</sup> Includes the reversal of a share-based payment over provision of \$30 million relating to prior periods.

## 2. Segmental information continued

### Secondary reporting format – by geographical segment

The Group's geographical analysis of revenue, allocated based on the country in which the customer is located, is as follows. The geographical analysis of the Group's attributable revenue from associates is provided for completeness and consistency.

US\$ million	Revenue	
	2007	2006 <sup>(1)</sup>
<b>Subsidiaries and joint ventures</b>		
South Africa	4,014	4,767
Rest of Africa	178	276
Europe	10,718	9,142
North America	1,686	1,817
South America	2,545	2,797
Australia and Asia	6,329	6,192
<b>Total subsidiaries and joint ventures – continuing operations</b>	<b>25,470</b>	<b>24,991</b>
<b>Associates</b>		
South Africa	796	467
Rest of Africa	82	40
Europe	1,498	1,532
North America	520	421
South America	52	41
Australia and Asia	2,141	1,912
<b>Total associates – continuing operations</b>	<b>5,089</b>	<b>4,413</b>
<b>Total Group operations including associates – continuing operations</b>	<b>30,559</b>	<b>29,404</b>

<sup>(1)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations.

The Group's geographical analysis of segment assets, liabilities and capital expenditure, allocated based on where assets and liabilities are located, is as follows:

US\$ million	Segment assets		Segment liabilities		Net segment assets		Capital expenditure	
	2007	2006	2007	2006	2007	2006	2007	2006
South Africa	13,879	14,144	(1,661)	(2,056)	12,218	12,088	3,303	1,935
Rest of Africa	526	732	(32)	(82)	494	650	64	75
Europe	5,658	11,208	(1,057)	(1,858)	4,601	9,350	526	927
North America	465	388	(106)	(108)	359	280	151	202
South America	7,212	4,594	(935)	(646)	6,277	3,948	2,436	301
Australia and Asia	3,183	2,530	(549)	(504)	2,634	2,026	672	573
	<b>30,923</b>	<b>33,596</b>	<b>(4,340)</b>	<b>(5,254)</b>	<b>26,583</b>	<b>28,342</b>	<b>7,152</b>	<b>4,013</b>

Additional disclosure of secondary segmental information by origin (including attributable revenue and operating profit from associates) is as follows:

US\$ million	Revenue		Operating profit/(loss) before special items and remeasurements <sup>(1)</sup>		Operating profit/(loss) after special items and remeasurements <sup>(1)</sup>	
	2007	2006 <sup>(2)</sup>	2007	2006 <sup>(2)</sup>	2007	2006 <sup>(2)</sup>
<b>Subsidiaries and joint ventures</b>						
South Africa	12,003	11,693	4,043	3,692	4,044	3,704
Rest of Africa	540	417	351	213	351	214
Europe	4,995	5,395	425	476	320	193
North America	230	185	30	29	31	43
South America	6,234	5,687	3,697	3,389	3,697	3,389
Australia and Asia	1,468	1,614	(28)	249	(171)	99
<b>Total subsidiaries and joint ventures – continuing operations</b>	<b>25,470</b>	<b>24,991</b>	<b>8,518</b>	<b>8,048</b>	<b>8,272</b>	<b>7,642</b>
<b>Associates</b>						
South Africa	1,374	943	248	162	222	170
Rest of Africa	2,160	2,094	342	295	342	295
Europe	872	469	88	98	88	98
North America	63	38	17	25	(422)	–
South America	96	542	198	190	198	190
Australia and Asia	524	327	179	70	179	70
<b>Total associates – continuing operations</b>	<b>5,089</b>	<b>4,413</b>	<b>1,072</b>	<b>840</b>	<b>607</b>	<b>823</b>
<b>Total Group operations including associates – continuing operations</b>	<b>30,559</b>	<b>29,404</b>	<b>9,590</b>	<b>8,888</b>	<b>8,879</b>	<b>8,465</b>

<sup>(1)</sup> Special items and remeasurements are set out in note 7.

<sup>(2)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations.

## Notes to the financial statements continued

### 3. Profit for the financial year

The table below analyses the contribution of each business segment to the Group's operating profit including operating profit from associates for the financial year and its underlying earnings, which the directors consider to be a useful additional measure of the Group's performance. A reconciliation from 'Profit for the financial year' to 'Underlying earnings for the financial year' is given in note 12.

In 2007 Copebrás and Yang Quarry have been reclassified from Industrial Minerals to Base Metals and from Industrial Minerals to Coal, respectively. This is to align with internal management reporting. The comparative data has been reclassified.

Group operating profit including operating profit from associates is reconciled to 'Underlying earnings' and 'Profit for the financial year attributable to equity shareholders of the Company' in the table below:

							2007
US\$ million	Operating profit/(loss) before special items and remeasurements <sup>(1)</sup>	Operating profit/(loss) after special items and remeasurements	Operating special items and remeasurements <sup>(2)</sup>	Net profit on disposals <sup>(2)</sup>	Financing special items and remeasurements <sup>(2)</sup>	Net interest, tax and minority interests	Total
<b>By business segment</b>							
Platinum	2,697	2,697	–	–	–	(1,398)	1,299
Diamonds	484	19	465	–	–	(245)	239
Coal	614	473	141	–	–	(124)	490
Base Metals	4,338	4,338	–	–	–	(1,238)	3,100
Ferrous Metals and Industries	1,432	1,435	(3)	–	–	(827)	605
Industrial Minerals	474	407	67	–	–	(90)	384
Exploration	(157)	(157)	–	–	–	12	(145)
Corporate Activities	(292)	(333)	41	–	–	(203)	(495)
<b>Total/Underlying earnings – continuing operations</b>	<b>9,590</b>	<b>8,879</b>	<b>711</b>	<b>–</b>	<b>–</b>	<b>(4,113)</b>	<b>5,477</b>
Underlying earnings adjustments – continuing operations			(711)	484	25	19	(183)
<b>Profit for the financial year attributable to equity shareholders of the Company – continuing operations</b>							<b>5,294</b>
<b>Total/Underlying earnings – discontinued operations</b>							
	526	291	235	–	–	(242)	284
Underlying earnings adjustments – discontinued operations			(235)	2,086	13	(138)	1,726
<b>Profit for the financial year attributable to equity shareholders of the Company – discontinued operations</b>							<b>2,010</b>
<b>Total/Underlying earnings – total Group</b>							
	10,116	9,170	946	–	–	(4,355)	5,761
Underlying earnings adjustments – total Group			(946)	2,570	38	(119)	1,543
<b>Profit for the financial year attributable to equity shareholders of the Company – total Group</b>							<b>7,304</b>

<sup>(1)</sup> Operating profit includes associates' operating profit which is reconciled to 'Share of net income from associates' in note 2.

<sup>(2)</sup> Special items and remeasurements are set out in note 7.

							2006
US\$ million	Operating profit/(loss) before special items and remeasurements <sup>(1)</sup>	Operating profit/(loss) after special items and remeasurements	Operating special items and remeasurements <sup>(2)</sup>	Net profit on disposals <sup>(2)</sup>	Financing special items and remeasurements <sup>(2)</sup>	Net interest, tax and minority interests	Total
<b>By business segment</b>							
Platinum	2,398	2,398	–	–	–	(1,133)	1,265
Diamonds	463	446	17	–	–	(236)	227
Coal	862	709	153	–	–	(225)	637
Base Metals	3,897	3,905	(8)	–	–	(1,242)	2,655
Ferrous Metals and Industries	1,360	1,381	(21)	–	–	(777)	583
Industrial Minerals	317	48	269	–	–	(56)	261
Exploration	(132)	(132)	–	–	–	19	(113)
Corporate Activities	(277)	(290)	13	–	–	(219)	(496)
<b>Total/Underlying earnings – continuing operations</b>	<b>8,888</b>	<b>8,465</b>	<b>423</b>	<b>–</b>	<b>–</b>	<b>(3,869)</b>	<b>5,019</b>
Underlying earnings adjustments – continuing operations			(423)	447	40	66	130
<b>Profit for the financial year attributable to equity shareholders of the Company – continuing operations</b>							<b>5,149</b>
<b>Total/Underlying earnings – discontinued operations</b>							
	944	376	568	–	–	(492)	452
Underlying earnings adjustments – discontinued operations			(568)	920	(14)	247	585
<b>Profit for the financial year attributable to equity shareholders of the Company – discontinued operations</b>							<b>1,037</b>
<b>Total/Underlying earnings – total Group</b>							
	9,832	8,841	991	–	–	(4,361)	5,471
Underlying earnings adjustments – total Group			(991)	1,367	26	313	715
<b>Profit for the financial year attributable to equity shareholders of the Company – total Group</b>							<b>6,186</b>

<sup>(1)</sup> Operating profit includes associates' operating profit which is reconciled to 'Share of net income from associates' in note 2.

<sup>(2)</sup> Special items and remeasurements are set out in note 7.

4. Group operating profit from subsidiaries and joint ventures

US\$ million	2007	2006 <sup>(1)</sup>
Group revenue	25,470	24,991
Cost of sales <sup>(2)</sup>	(14,095)	(14,115)
Gross profit – continuing operations	11,375	10,876
Selling and distribution costs	(1,453)	(1,276)
Administrative expenses <sup>(2)</sup>	(1,510)	(1,857)
Other gains and losses (see below)	17	31
Exploration expenditure (see note 5)	(157)	(132)
Group operating profit from subsidiaries and joint ventures – continuing operations	8,272	7,642

<sup>(1)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations.

<sup>(2)</sup> Includes special items of \$251 million (2006: \$424 million), see note 7.

US\$ million	2007	2006 <sup>(1)</sup>
<b>Operating profit is stated after charging:</b>		
Depreciation of tangible assets (see note 14)	1,396	1,413
Amortisation of intangible assets (see note 13)	2	1
Rentals under operating leases	183	147
Research and development expenditure	41	37
Operating special items <sup>(2)</sup>	251	424
Employee costs (see note 6)	3,691	3,511
Foreign currency losses/(gains)	4	(39)
Adjustment due to provisional pricing <sup>(3)</sup>	4	282

Other gains and losses comprise:

Fair value gains on derivatives – unrealised	5	18
Fair value losses on derivatives – realised	–	(32)
Cash flow hedge ineffectiveness on operating items	–	(1)
Fair value (losses)/gains on other monetary assets	(4)	39
Gains on valuation of biological assets (see note 15)	16	7
On initial recognition	–	–
Change in fair value less estimated point of sale costs	16	7
Total other gains and losses	17	31

US\$ million	2007	2006
<b>Auditors' remuneration – continuing operations</b>		
Audit		
United Kingdom	3	3
Overseas	7	7
Other services provided by Deloitte <sup>(4)</sup>		
United Kingdom	2	1
Overseas	2	4

<sup>(1)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations.

<sup>(2)</sup> For further information on special items and remeasurements see note 7.

<sup>(3)</sup> Provisionally priced contracts resulted in a total (realised and unrealised) gain in revenue of \$38 million (2006: \$323 million gain) and loss in operating costs of \$34 million (2006: \$41 million loss).

<sup>(4)</sup> 'Other services provided by Deloitte' includes charges incurred in respect of the interim review.

A more detailed analysis of auditors' remuneration is provided below. This information for both years includes continuing and discontinued operations.

US\$ million	Paid/payable to Deloitte			Paid/payable to auditor (if not Deloitte)		
	United Kingdom	Overseas	Total	United Kingdom	Overseas	Total
<b>Statutory audit services<sup>(1)</sup></b>						
Anglo American plc Annual Report paid to the Company's auditor	2.2	–	2.2	–	–	–
Subsidiary entities – for purposes of Anglo American plc Annual Report	–	4.8	4.8	–	0.1	0.1
Subsidiary entities – additional local statutory requirements	0.5	4.6	5.1	–	–	–
Subsidiary entities – total	0.5	9.4	9.9	–	0.1	0.1
Total	2.7	9.4	12.1	–	0.1	0.1
<b>Other services<sup>(1)</sup></b>						
Other services pursuant to legislation	0.7	0.5	1.2	–	–	–
Tax services	0.4	0.7	1.1	–	0.1	0.1
Internal audit services	–	–	–	–	–	–
Corporate finance	–	0.1	0.1	–	–	–
Other	0.9	1.1	2.0	–	0.2	0.2
Total	2.0	2.4	4.4	–	0.3	0.3

<sup>(1)</sup> \$0.1 million was paid/payable in respect of the audit of Group pension schemes. Other services to these schemes amounted to \$0.1 million.

US\$ million	Paid/payable to Deloitte			Paid/payable to auditor (if not Deloitte)		
	United Kingdom	Overseas	Total	United Kingdom	Overseas	Total
<b>Statutory audit services<sup>(2)</sup></b>						
Anglo American plc Annual Report paid to the Company's auditor	1.7	–	1.7	–	–	–
Subsidiary entities – for purposes of Anglo American plc Annual Report	–	5.8	5.8	0.1	1.6	1.7
Subsidiary entities – additional local statutory requirements	1.4	4.6	6.0	–	1.0	1.0
Subsidiary entities – total	1.4	10.4	11.8	0.1	2.6	2.7
Total	3.1	10.4	13.5	0.1	2.6	2.7
<b>Other services<sup>(2)</sup></b>						
Other services pursuant to legislation	5.5	1.9	7.4	–	1.2	1.2
Tax services	0.1	1.7	1.8	–	0.2	0.2
Internal audit services	–	0.1	0.1	–	0.9	0.9
Corporate finance	0.1	–	0.1	0.5	0.2	0.7
Other	0.8	2.0	2.8	–	1.1	1.1
Total	6.5	5.7	12.2	0.5	3.6	4.1

<sup>(1)</sup> The comparatives have been reclassified to align with current year presentation.

<sup>(2)</sup> \$0.1 million was paid/payable in respect of the audit of Group pension schemes. Other services to these schemes amounted to less than \$0.1 million.

Fees payable to Deloitte and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

## Notes to the financial statements continued

### 5. Exploration expenditure

US\$ million	2007	2006
<b>By business segment</b>		
Platinum	36	30
Coal	32	24
Base Metals	77	53
Ferrous Metals and Industries	12	9
Gold	–	16
	<b>157</b>	<b>132</b>

### 6. Employee numbers and costs

The average number of employees, excluding associates' employees and including a proportionate share of employees within joint venture entities, for continuing operations was:

Thousands	2007	2006 <sup>(1)</sup>
<b>By business segment</b>		
Platinum	53	44
Coal	12	10
Base Metals	10	8
Ferrous Metals and Industries	13	37
Industrial Minerals	11	13
Corporate Activities	1	1
<b>Continuing operations</b>	<b>100</b>	<b>113</b>

<sup>(1)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations. Amounts relating to discontinued operations are disclosed in note 33. Average number of employees, excluding associates' employees and including a proportionate share of employees within joint venture entities, for continuing and discontinued operations was 116,000 (2006: 162,000).

The average number of employees for continuing operations by principal location of employment was:

Thousands	2007	2006 <sup>(1)</sup>
South Africa	76	77
Rest of Africa	1	14
Europe	11	12
North America	1	–
South America	7	6
Australia and Asia	4	4
<b>Continuing operations</b>	<b>100</b>	<b>113</b>

<sup>(1)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations.

Payroll costs in respect of the employees included in the tables above were:

US\$ million	2007	2006 <sup>(1)</sup>
Wages and salaries	3,145	2,955
Social security costs	158	142
Post retirement healthcare costs	13	6
Defined contribution pension plan costs	180	170
Defined benefit pension plan costs	57	56
Share-based payments	138	182
<b>Continuing operations</b>	<b>3,691</b>	<b>3,511</b>

<sup>(1)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations. Amounts relating to discontinued operations are disclosed in note 33. Total payroll costs, including discontinued operations, were \$4,266 million (2006: \$4,860 million).

In accordance with IAS 24 *Related Party Disclosures*, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (executive and non-executive) of the Group.

Compensation for key management was as follows:

US\$ million	2007	2006
Salaries and short term employee benefits	28	19
Post employment benefits	4	7
Termination benefits	4	–
National insurance and social security	6	3
Share-based payments	9	10
<b>Continuing operations</b>	<b>51</b>	<b>39</b>

Key management includes members of the Board, the Chief Executive's Committee (CeCom) and business unit heads.

Disclosure of directors' emoluments, pension entitlements, share options and long term incentive plan awards required by the Companies Act 1985 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Remuneration report.

### 7. Special items and remeasurements

'Special items' are those items of financial performance that the Group believes should be separately disclosed on the face of the income statement to assist in the understanding of the underlying financial performance achieved by the Group and its businesses. Such items are material by nature or amount to the year's results and require separate disclosure in accordance with IAS 1 paragraph 86. Special items that relate to the operating performance of the Group are classified as operating special items and include impairment charges and reversals and other exceptional items, including significant legal provisions. Non-operating special items include profits and losses on disposals of investments and businesses.

Remeasurements comprise other items which the Group believes should be reported separately to aid an understanding of the underlying performance of the Group. This category includes (i) unrealised gains and losses on 'non-hedge' derivative instruments open at year end (in respect of future transactions) and the reversal of the historical marked to market value of such instruments settled in the year. The full realised gains or losses are recorded in underlying earnings in the same year as the underlying transaction for which such instruments provide an economic, but not formally designated, hedge and (ii) foreign exchange gains and losses arising on the retranslation of dollar denominated De Beers preference shares held by a rand functional currency subsidiary of the Group. Remeasurements are defined as operating, non-operating or financing according to the nature of the underlying exposure.

#### Subsidiaries and joint ventures' special items and remeasurements

##### Operating special items

US\$ million	2007	2006
Impairment of Coal Australia assets	(153)	–
Costs associated with proposed sale of Tarmac	(55)	–
Impairment of Tarmac assets and restructuring costs	(43)	(250)
Impairment of Yang Quarry	–	(28)
Impairment and closure costs of Dartbrook	–	(125)
Other	–	(21)
<b>Total operating special items – continuing operations</b>	<b>(251)</b>	<b>(424)</b>
Tax	60	88
Minority interests	–	1
<b>Net total attributable to equity shareholders of the Company – continuing operations</b>	<b>(191)</b>	<b>(335)</b>

Operating special items relate principally to impairment, restructuring and closure costs.

Anglo Coal has recorded an impairment of \$153 million against certain Australian operations to reflect the latest commercial and operational conditions relating to those operations. The impairment brings the carrying value in line with value in use. Value in use was determined using discounted cash flow models (with a discount rate of 6%).

##### Operating remeasurements

US\$ million	2007	2006
Unrealised net gains on non-hedge derivatives	5	18
Tax	(1)	–
<b>Net total attributable to equity shareholders of the Company – continuing operations</b>	<b>4</b>	<b>18</b>