Annual Report 2005

# Anglo American: creating long term shareholder value

# Highlights of 2005

- Record underlying earnings* of $3.7 billion, a 39% increase over 2004
- Operating profit* increased to $6.4 billion, up 36%, with record production levels for nickel, zinc, coal, iron ore, vanadium, platinum group metals and diamonds; highest ever profit contributions from Base Metals, Ferrous Metals and Coal
- Cost pressures continue – offset by cost savings and efficiencies of $730 million
- Cash generation at a record level – EBITDA* of $9 billion, up $1.9 billion. Net debt down 39% to $5 billion
- $6.7 billion project pipeline – new projects totalling $3.8 billion approved:
  - Coal ($919 million): Dawson, Lake Lindsay, Mafube
  - Platinum ($1 billion): Mototolo JV, Marikana JV, Potgietersrust
  - Diamonds ($718 million): Snap Lake, Victor, Voorspoed, South African Sea Areas
  - Ferrous Metals ($559 million): Sishen Expansion
  - Gold ($432 million): Boddington
- Normal dividends up 29% to 90 US cents. Special dividend of 33 US cents per share
- $1 billion capital return increased to $1.5 billion – $1 billion buyback in 2006 and $0.5 billion special dividend

* Basis of calculation of underlying earnings is set out in note 11 to the financial statements. Operating profit includes share of associates' operating profit (before share of associates' tax and finance charges) and is before special items and remeasurements unless otherwise stated. See footnote 6 on facing page for definition of EBITDA.

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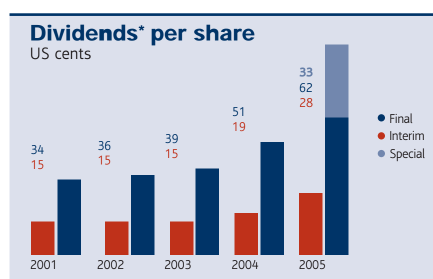
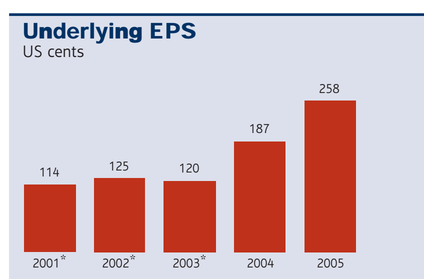
# Financial highlights

| $ million (unless otherwise stated) | Year ended 31 Dec 2005 | Year ended 31 Dec 2004 | % change |
|---|---|---|---|
| Group revenue including associates[1] | 34,472 | 31,938 | 7.9 |
| Operating profit including associates before special items and remeasurements[2] | 6,376 | 4,697 | 35.7 |
| Profit for the financial year attributable to equity shareholders[3] | 3,521 | 3,501 | 0.6 |
| Underlying earnings for the year[4] | 3,736 | 2,684 | 39.2 |
| Net operating assets[5] | 35,753 | 38,222 | (6.5) |
| EBITDA[6] | 8,959 | 7,031 | 27.4 |
| Net cash inflows from operating activities | 6,781 | 5,187 | 30.7 |
| Earnings per share (US$): | | | |
| Basic earnings per share | 2.43 | 2.44 | (0.4) |
| Underlying earnings per share | 2.58 | 1.87 | 38.0 |
| Ordinary dividends declared relating to the year (US cents per share) | 90 | 70 | 28.6 |
| Special dividend declared (US cents per share) | 33 | – | – |
| Total dividends (US cents per share) | 123 | 70 | 75.7 |

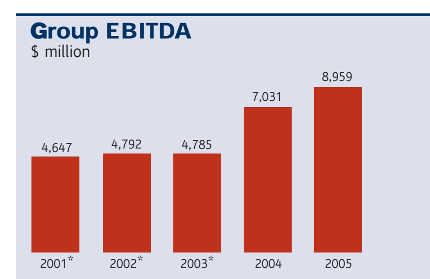
# Selected financial data




*Represents dividends declared relating to the year




*UK GAAP




*UK GAAP

[1] Includes the Group's share of associates' turnover of $5,038 million (2004: $5,670 million). See note 2 to the financial statements.

[2] Operating profit includes share of associates' operating profit (before share of associates' tax and finance charges) and is before special items and remeasurements. See note 2 to the financial statements. For the definition of special items and remeasurements see note 7 to the financial statements.

[3] Profit attributable to equity shareholders does not increase in line with operating results due to a reduction in net profit on disposals compared to prior year.

[4] See note 11 to the financial statements for the basis of calculation of underlying earnings.

[5] Net operating assets are disclosed by segment in note 2 to the financial statements.

[6] EBITDA is operating profit before special items and remeasurements (2001 to 2003: exceptional items) plus depreciation and amortisation of subsidiaries and joint ventures and share of EBITDA of associates.
EBITDA is reconciled to cash inflows from operations in the financial statements below the consolidated statement of recognised income and expense.

Throughout this report 2001 to 2003 are presented under UK GAAP. 2004 and 2005 results are presented under IFRS. 2001 figures have been restated for FRS 19. Unless otherwise stated, throughout this report '$' and 'dollar' denote US dollars.

# Chairman's statement

**2005 was an excellent year for Anglo American. Supported by strong metal prices, the Group once again achieved record earnings. The period was dominated by the continued strength of metal markets and by our strategic review. Conditions were significantly more challenging for our Paper and Packaging and Industrial Minerals businesses. However, despite the strong commercial performance, the Board continues to be profoundly dissatisfied with the Group's safety performance. A new drive is under way to deliver further improvements in 2006.**

The outcome of our strategic review is addressed in detail in the chief executive's statement. It will lead towards a Group that is more focused on core extractive competencies and better able to realise value for shareholders.

Although economic cycles are still with us, we are seeing a more sustained uplift in many commodity prices than has been experienced for some years. This has been driven chiefly by the impact of Chinese growth. Indeed, coupled with growing optimism about India's prospects, we appear to be on the cusp of a realignment in the world economy. This has major implications for our Group. The growth of the leading emerging market economies is relatively materials-intensive as they devote a higher proportion of their growing wealth to infrastructure. China's consumer preferences also mean that it remains the leading market for platinum jewellery and a major source of demand for diamonds. Moreover, Chinese, Indian, Russian and Brazilian multinational companies are emerging both as significant competitors and as potential partners.

## Safety

During 2005, 46 people lost their lives at our managed operations (compared with 49 in 2004). These figures are unacceptable, inconsistent with our values and must be improved. To this end:

- we have established a new peer-review mechanism to identify and spread 'best practice';
- all our senior executives have been through DuPont safety training and a similar leadership programme is being implemented across the organisation;
- we have established a framework of 12 safety management standards; and
- we have developed a comprehensive Safety Improvement Plan.

This plan is based on three pillars: the creation of a mindset that accepts zero injuries as a realistic objective; ensuring that we learn from each incident and take action to prevent repeats; and adherence to a set of simple, non-negotiable standards.

## Sustainable development

In the face of climate change, we must play our part in reducing carbon emissions. We have a number of perspectives: as major consumers of energy; as coal producers; as producers of platinum (a key element in autocatalysts and fuel cells) and as managers of forests. In terms of actions already under way:

- we have set initial targets for improving energy efficiency;
- investment proposals must include an assumed cost of carbon;
- we are investing in coal-bed methane projects; and
- in Australia, we are evaluating an ambitious project involving conversion of coal to liquid fuels and potential carbon capture and storage.

We continue to make good progress in the implementation of our Socio-Economic Assessment Toolbox (SEAT) process. SEAT is being implemented at around 40 major sites in 16 countries. The local reports being generated help to improve our interactions with surrounding communities, our local development impacts and our risk management.

We are involved in a variety of international partnerships, including the UN Global Compact, the Extractive Industries Transparency Initiative, the Voluntary Principles on Human Rights and the Global Business Coalition on HIV/AIDS. We were also strong advocates of the G8 acting to address poverty in Africa, including pledging $2.5 million to support the New Partnership for Africa's Development (NEPAD) Investment Climate Facility. We were pleased to receive Business in the Community's International Award as the company judged to be making the biggest contribution to the Millennium Development Goals in Africa.

## Governance

There have been extensive changes amongst the executive directors. Tony Lea and Barry Davison retired from the Board at the end of 2005. Both are continuing to play a role in the Group and we are grateful to them for their service as directors and for the major contributions which they have made to the Company. We welcomed René Médori to the Board as finance director and David Hathorn and Simon Thompson, respectively chairmen of the Paper and Packaging, and Base Metals and Industrial Minerals divisions.

There have also been changes amongst our non-executive directors. Maria Silvia Bastos Marques is standing down at the annual general meeting and I am grateful for the perspectives that she brought to our deliberations. As anticipated in last year's annual report, Ralph Alexander joined the Board in April 2005 as an independent non-executive director and we were also pleased to welcome Peter Woicke, formerly chief executive officer of the International Finance Corporation, to the Board at the beginning of 2006. For a few months during 2005, due to the importance of ensuring continuity, we were not compliant with the Combined Code's provisions on the composition of the Board. As promised, recent changes have restored us to full compliance.

Sir Mark Moody-Stuart
Chairman

# Chief executive's statement

Anglo American continued on its strong growth path in 2005, with many of the Group's commodities enjoying buoyant market conditions and record prices as China once again proved to be the chief driver of global growth, with the US economy showing its resilience and signs of a long awaited recovery beginning to emerge from Japan.

This upsurge in the prices of many metals and minerals over the past year was further supported by fairly constrained supply-side growth – in part due to some operating constraints, including the ability to access new capital equipment – and low global inventories in a number of metals as well as sustained demand from China. Investment funds have also shown an increasing appetite for investing in underlying metals as a means of diversification, particularly against a background of high liquidity levels.

### Financial results and dividends

We posted record results in 2005, with operating profit increasing by 36% to $6.4 billion and underlying earnings improving by 39% to $3.7 billion. Cash generation reached a new high, with EBITDA at $9 billion.

Our strong financial position affords us the opportunity to return $1.5 billion of capital in 2006 in the form of a $1 billion buyback as well as a $0.5 billion special dividend. The capital structure will be reviewed regularly in light of market conditions, operating cash flows and progress on strategic delivery and capital projects.

In line with our progressive dividend policy, the final dividend has been raised 22% to 62 cents per share. Including the special dividend of 33 cents, our total dividend increased 76% to 123 cents per share for the year.

### Operating performance

Overall, we had a good operating performance during 2005, with highest ever contributions from our base metals, coal and ferrous metals businesses. We achieved record production for nickel, zinc, niobium, zircon, coal, iron ore, vanadium, diamonds and platinum group metals. Our Chilean copper production was impacted by lower grades at Los Bronces, and also at Collahuasi where an earthquake and pit wall failures led to rescheduling of the mining plan, exacerbating the impact of equipment problems. In Namibia, Skorpion zinc mine ramped up to design capacity in May. In Australia, the Dartbrook thermal coal mine was affected by geological difficulties. New production records were achieved across a number of Mondi's paper machines. However, our Industrial Minerals profit performance was slightly weaker, though it was pleasing to note that the ramp-up of production at the Buxton cement plant exceeded expectations, averaging 97.5% of design capacity during the year.

### Cost savings and efficiency improvements

In the field of cost containment, 2005 was a challenging year for all mining groups. Price escalations in excess of inflation over a range of inputs from tyres to fuel, to steel and contractors, exerted material pressure on running costs and capital expenditure. We achieved cost and efficiency savings of $730 million in 2005, up 32% on the prior year, and are targeting $500 million in 2006.

### Safety

After many years of steady improvement, our injury rate appears to have reached a plateau, while our fatality rate improved slightly over the previous year. Nevertheless, we incurred 46 fatalities amongst our own employees and contractors and we continue our efforts to eliminate fatal accidents at our operations.

We are directing many more resources to addressing issues of safety and in trying to instil a safety culture throughout the Group. This has started from the top with myself and the most senior executives all having undergone safety training with DuPont, the recognised leaders in this field.

Mining is generally regarded as a dangerous business – sometimes justifiably so – but that does not mean accepting that injuries are inevitable. It does mean taking greater care and having the right systems in place to manage the risks. People are being needlessly injured and killed in the workplace through individuals taking short cuts and generally not adhering to our rules of safety. We are determined to bring about a permanent lowering of the Group's fatality and injury statistics.

### Strategy

In October 2005 we announced the outcome of our strategic review, which represents a further chapter in our ongoing strategic development over the past six years. Our aim is to further focus the Group on its core mining portfolio and, in the process, simplify our structure and enhance returns and shareholder value. In early 2006, we provided a further update on our strategy.

Regarding our investment in Mondi, one of the largest and most successful paper and packaging groups in Europe, it is clear there are only limited synergies with our mining portfolio. We have therefore decided to list Mondi on the London Stock Exchange in 2006/7. In the meantime, we will continue to support Mondi's growth opportunities as they arise.

The decision to reduce the Group's shareholding in AngloGold Ashanti relates to the higher relative valuations investors attribute to pure-play gold mining stocks, rather than as part of the make-up of a diversified mining group. Anglo American is considering a number of options to effect the reduction.

In the case of Tarmac, the considerably strengthened management team is in the process of undertaking a review of its business with the aim of improving returns on capital invested by turning around, restructuring or divesting underperforming parts of the portfolio while continuing to grow its core businesses. Since the year end the first phase of the review has been completed, with businesses in Germany and Hong Kong identified for disposal as well as the concrete paving business in the UK. Tarmac has also made three acquisitions in its aggregates business in the UK, Poland and, in early 2006, in Romania.

We are also progressing well with the remainder of our industries portfolio. Boart Longyear and Samancor Chrome were sold in mid-2005 and the disposal of our investment in Highveld Steel is progressing. In addition, Tongaat-Hulett has recently announced that it intends to unbundle and list its aluminium business, Hulett Aluminium, and simultaneously introduce black economic empowerment equity participation in both Tongaat-Hulett and Hulett Aluminium.

The Group has approved significant platinum expansion projects and negotiations for a further platinum black empowerment transaction have commenced.

### Growth and projects

Anglo American has one of the strongest growth profiles in the mining industry. Across our portfolio we have a broad suite of approved projects, and others that are being considered, as well as significant exploration prospects. Having completed a number of projects during the year, we boosted our approved pipeline with the addition of a number of new projects totalling $3.8 billion, bringing total projects under development to $6.7 billion. With further major projects, with an estimated potential cost of between $10 billion and $15 billion under consideration, we are building a powerful platform for future growth through the cycle.

Anglo Coal has a substantial near term project portfolio spread across Australia, South Africa and South America. The Dawson and Lake Lindsay expansions in Australia represent a $1.4 billion investment in Australia's coal export industry and will increase Anglo Coal's metallurgical coal capacity by around 50% over the next three years. Subject to regulatory clearances the $264 million Mafube coal project in South Africa will increase attributable thermal coal production by 2.5 million tonnes from 2008. At Cerrejón in Colombia, a $280 million two-phase expansion has been approved to increase production to 32 million tonnes per annum. A pre-feasibility study is currently under way to investigate additional expansion beyond this. In China, the Group has a 60% interest in the Xiwan open cut coal mining project, where the feasibility of a large coal to chemicals project is being investigated with a number of partners. In addition, we invested $153 million in the Initial Public Offering of China Shenhua Energy, the largest coal producer in China and the fifth largest in the world, and we look forward to a mutually beneficial strategic alliance with the company. Subsequent to the year end, we announced that Anglo Coal had entered into a joint coking coal venture in British Columbia in Canada. Work continues on the feasibility study for Monash, a fuel from brown coal project in Australia.

We are laying the foundations for a significant expansion of production at our Chilean copper operations. In 2005 we completed the Chagres Smelter de-bottlenecking project and brought on stream, ahead of schedule and under budget, the molybdenum plant at Collahuasi. Also at Collahuasi, a significant de-bottlenecking opportunity that has the potential to increase production at a relatively low capital cost, is currently under evaluation. The pit expansion project at El Soldado is progressing well, while at Los Bronces a feasibility study to examine a possible doubling of production is due for completion in 2007. The feasibility study for the $1 billion Barro Alto nickel project in Brazil is well advanced and Board approval is likely to be sought later this year. In South Africa the Namakwa Sands expansion project, which will increase output of rutile and zircon, is under way.

In May, De Beers gave the go-ahead for the $513 million Snap Lake project and in November approval was given to develop the $791 million Victor diamond deposit, both located in Canada. In February 2006 De Beers announced that it intended to re-open the Voorspoed mine in South Africa and will develop the South African Sea Areas marine mining project.

Anglo Platinum expects to increase platinum production from 2.45 million ounces in 2005 to between 2.7 million and 2.8 million ounces in 2006 and thereafter to grow production by around 5% per annum to meet ongoing demand. During 2005, the company announced the Mototolo and Marikana joint ventures. Anglo Platinum approved mining replacement projects totalling $770 million, including the $230 million Potgietersrust replacement project, and is in the final stages of approving the $692 million Potgietersrust expansion, which will bring on 230,000 ounces of additional platinum production per annum by 2009.

The $559 million Sishen iron ore expansion project in South Africa was approved by Kumba in March, which will raise annual production by 10 million tonnes to 41 million tonnes by 2009. Further projects could see iron ore production more than double from the current level.

Mondi is considering a 1 million tonne softwood pulp expansion at Syktyvkar in north west Russia at a capital cost of around $1.5 billion to meet growing worldwide pulp demand, driven mainly by China.

Tarmac also has several growth and expansion programmes under way to enhance market penetration in key regional markets, mainly in central and eastern Europe.

### Outlook

The outlook for the global economy is encouraging, with leading indicators showing signs of continuing global growth and strong underlying demand for our products. If prices and demand continue at or near current levels the Group should have another strong year.

Every effort will be made to contain cost increases and improve efficiencies against a background of exceptional inflationary pressures in the mining sector.

The Group has real momentum, as evidenced by its performance in 2005. We expect to make significant progress on delivering our recently announced strategy while at the same time pursuing our strong organic project pipeline and looking for further growth and acquisition opportunities.

Tony Trahar
Chief executive

In this chief executive's statement, operating profit includes associates' operating profit and is before special items and remeasurements unless otherwise stated.

# Financial review

## Financial review of Group results

Underlying earnings per share for the year increased to $2.58, an increase of 38% compared with 2004. Underlying earnings totalled $3,736 million, with strong contributions from Base Metals, Ferrous Metals and Industries and Coal as well as a significant increase in contributions from Platinum and De Beers. Paper and Packaging and Industrial Minerals recorded lower contributions owing to tough market conditions. AngloGold Ashanti recorded a lower contribution mainly due to increased net interest costs as well as higher inflation, stronger operating cost currencies and lower grades.

### Underlying earnings

| $ million | Year ended 31 Dec 2005 | Year ended 31 Dec 2004 |
|---|---|---|
| Profit for the financial year attributable to equity shareholders | 3,521 | 3,501 |
| Operating special items including associates | 323 | 92 |
| Operating remeasurements including associates | 317 | – |
| Net profit on disposals including associates | (185) | (1,025) |
| Finance remeasurements: | | |
| Fair value loss on convertible option | 32 | – |
| Exchange (gain)/loss on De Beers' preference shares | (72) | 112 |
| Unrealised gains on non-hedge derivatives including associates | (2) | – |
| Tax on special items and remeasurements including associates | (15) | 2 |
| Related minority interests on special items and remeasurements | (183) | 2 |
| Underlying earnings | 3,736 | 2,684 |
| Underlying earnings per share ($) | 2.58 | 1.87 |

Profit for the year after special items and remeasurements increased by 0.6% to $3,521 million compared with $3,501 million in the prior year. This increase was despite a reduction in net profit on disposals which, including associates, was $840 million higher in 2004, with the $464 million profit on the sale of the Group's interest in Gold Fields and the $415 million gain on the deemed disposal of AngloGold at the time of the merger with Ashanti.

The Group's results are influenced by a variety of currencies owing to the geographic diversity of the Group. The South African rand on average strengthened against the US dollar compared with the prior year, with an average exchange rate of ZAR6.37 compared with ZAR6.44 in 2004. Currency movements negatively impacted underlying earnings by $88 million. Operating results were impacted by stronger average rates for the rand, Chilean peso and Australian dollar, although this was partially offset by the positive impact on monetary assets and liabilities of the weaker closing rand rate. There was also a positive effect of increased prices amounting to $2,176 million.

### Summary income statement

| $ million | Year ended 31 Dec 2005 | Year ended 31 Dec 2004 |
|---|---|---|
| Operating profit before special items and remeasurements | 5,344 | 3,641 |
| Special items | (186) | 25 |
| Operating remeasurements | (301) | – |
| Group operating profit before associates | 4,857 | 3,666 |
| Net profit on disposals | 87 | 1,015 |
| Net income from associates[1] | 657 | 550 |
| Profit before finance costs | 5,601 | 5,231 |
| Net finance costs before remeasurements | (428) | (255) |
| Remeasurement finance income/(charge) | 35 | (112) |
| Profit before tax | 5,208 | 4,864 |
| Income tax expense | (1,275) | (923) |
| Profit after tax | 3,933 | 3,941 |
| Minority interests | (412) | (440) |
| Profit for the financial year attributable to equity shareholders | 3,521 | 3,501 |
| Basic earnings per share ($) | 2.43 | 2.44 |
| Group operating profit including associates before special items and remeasurements | 6,376 | 4,697 |
| [1] Operating profit from associates | 1,032 | 1,056 |
| Operating special items and remeasurements[2] | (153) | (117) |
| Net profit on disposals[2] | 98 | 10 |
| Other special items and remeasurements[2] | 7 | – |
| Net finance costs (before remeasurements) | (51) | (100) |
| Income tax expense (after special items and remeasurements) | (274) | (280) |
| Minority interest (after special items and remeasurements) | (2) | (19) |
| Net income from associates | 657 | 550 |

[2] See note 7 to the financial statements.

## Special items and remeasurements

| $ million | Excluding associates 31 Dec 2005 | Associates 31 Dec 2005 | Total 31 Dec 2005 | Excluding associates 31 Dec 2004 | Associates 31 Dec 2004 | Total 31 Dec 2004 |
|---|---|---|---|---|---|---|
| Operating special (charges)/income | (186) | (137) | (323) | 25 | (117) | 92 |
| Operating remeasurements | (301) | (16) | (317) | – | – | – |
| Operating special items and remeasurements | (487) | (153) | (640) | 25 | (117) | 92 |

Operating special items and remeasurements, including associates, amounted to a charge of $640 million with operating special charges of $323 million and operating remeasurements of $317 million.

Operating special charges in respect of impairments, restructurings and mine and operation closures, including associates, amounted to $210 million. This included a $31 million loss on the closure of Ergo and a $38 million impairment of Bibiani in AngloGold Ashanti as well as impairment and restructuring of Corrugated assets and goodwill of $77 million in Paper and Packaging. Operating special charges also included $113 million for the Group's share of a payment made by its associate De Beers in respect of pending settlement of outstanding legal disputes.

Operating remeasurements, including associates, of $317 million includes $286 million of unrealised losses on non-hedge commodity derivatives at AngloGold Ashanti (2004: nil as IAS 32 and IAS 39 did not apply). The loss in the current year relates to the revaluation of non-hedge derivatives resulting from changes in the prevailing gold price, exchange rates and interest rates and impacts current year earnings due to the adoption of IAS 32 and IAS 39 in 2005.

Net profit on sale of operations, including share of associates of $98 million, amounted to $185 million. This included a $52 million profit on sale of Samancor Chrome, $25 million profit on sale of Acerinox, $21 million profit on disposal of Boart Longyear and $21m profit on disposal of Wendt. There was also a $27 million profit on formation of the Marikana joint venture by Anglo Platinum. These were partially offset by a $57 million loss on disposal of the Hope Downs iron ore project in Australia.

Financing remeasurements, including share of associates, comprise a $32 million fair value loss on the AngloGold Ashanti convertible bond option, unrealised gains of $2 million on non-hedge derivatives and a $72 million foreign exchange gain on De Beers dollar preference shares held by a rand denominated entity.

The option component of the AngloGold Ashanti convertible bond is fair valued at each reporting period and held as a liability. Changes in fair value of the liability are taken to the income statement.

As a result of the adoption of IAS 21 and IAS 28, the De Beers dollar preference shares held by a rand functional currency entity have been reclassified as financial asset investments and are retranslated at each period end. The resulting rand:US dollar foreign exchange gains and losses are reported through the income statement as a remeasurement item. A currency gain of $72 million has been recorded for the year ended 31 December 2005 (2004: loss of $112 million).

## Net finance costs

Net finance costs excluding remeasurement finance income of $35 million (2004: remeasurement loss of $112 million) increased from $255 million in 2004 to $428 million. The increase reflects lower investment income due to the sale of certain investments over the last two years.

## Taxation

| $ million | Before special items and remeasurements 31 Dec 2005 | Associates' tax and minority interests 31 Dec 2005 | Including associates 31 Dec 2005 | Before special items and remeasurements 31 Dec 2004 | Associates' tax and minority interests 31 Dec 2004 | Including associates 31 Dec 2004 |
|---|---|---|---|---|---|---|
| Profit before tax | 5,612 | 285 | 5,897 | 4,007 | 335 | 4,342 |
| Tax | (1,283) | (281) | (1,564) | (885) | (316) | (1,201) |
| Profit for financial year | 4,329 | 4 | 4,333 | 3,122 | 19 | 3,141 |
| Effective tax rate including associates (%) | | | 26.5 | | | 27.7 |

The effective rate of tax, including share of associates' tax before special items, was 26.5%. This was a decrease from the effective rate including share of associates' tax of 27.7% in 2004. The reduction in the effective tax rate was principally due to a reduction in the South African statutory rate from 30% to 29% and a reduction in the Ghanaian tax rate, which together resulted in a $187 million reduction in deferred tax, with most of the benefit taken in the first half of 2005. Without this specific benefit the effective tax rate for the year would have been 29.7%. In future periods it is expected that the effective tax rate, adjusted for associates' tax, will remain at or above the current levels.

## Balance sheet

Total shareholders' equity was $23,621 million compared with $23,125 million as at 31 December 2004.

Net debt was $4,993 million, a decrease of $3,250 million from 31 December 2004. The reduction in debt was a result of cash flow generation from operating activities and disposals. Net debt at 31 December 2005 comprised $8,439 million of debt, offset by $3,446 million of cash, cash equivalents and current financial asset investments. Net debt to total capital, total capital being the sum of net assets and net debt less investment in associates, as at 31 December 2005 was 17.0%, compared with 25.4% at 31 December 2004.

## Cash flow

Net cash inflows from operating activities were $6,781 million compared with $5,187 million in 2004. EBITDA was $8,959 million, a substantial increase of 27% from $7,031 million in 2004. Depreciation and amortisation increased by $334 million to $2,441 million.

Acquisitions expenditure accounted for an outflow of $530 million compared with $1,243 million in 2004. This included $153 million in respect of the Group's investment in the Initial Public Offering of China Shenhua Energy.

Income from disposals totalled $677 million, with proceeds on the sale of Acerinox and Columbus of $173 million (with a further $21 million remitted by associates) and $445 million on the disposal of Boart Longyear and Wendt. Proceeds remitted by associates in respect of disposals included $83 million for the sale of Samancor Chrome.

Repayment of loans and capital from associates amounted to $370 million. Purchases of tangible fixed assets amounted to $3,306 million, an increase of $140 million. Increased capital expenditure by AngloGold Ashanti, Coal and Ferrous Metals and Industries was partially offset by a reduction in capital expenditure at Platinum, Base Metals, Industrial Minerals and Paper and Packaging.

### Analysis of depreciation and amortisation by business segment (subsidiaries and joint ventures)

| $ million | 2005 | 2004 |
|---|---|---|
| Platinum | 428 | 313 |
| Gold | 538 | 398 |
| Coal | 188 | 150 |
| Base Metals | 312 | 339 |
| Industrial Minerals | 248 | 217 |
| Ferrous Metals and Industries | 300 | 274 |
| Paper and Packaging | 411 | 400 |
| Other | 16 | 16 |
| | 2,441 | 2,107 |

### Analysis of capital expenditure on a cash flow basis by business segment (subsidiaries and joint ventures)

| $ million | 2005 | 2004 |
|---|---|---|
| Platinum | 616 | 633 |
| Gold | 722 | 585 |
| Coal | 331 | 218 |
| Base Metals | 271 | 367 |
| Industrial Minerals | 274 | 304 |
| Ferrous Metals and Industries | 373 | 284 |
| Paper and Packaging (excluding biological assets) | 691 | 758 |
| Other | 28 | 17 |
| Purchase of tangible fixed assets | 3,306 | 3,166 |
| Investment in biological assets | 55 | 67 |
| | 3,361 | 3,233 |

## Dividends

The directors recommend a final dividend of 62 US cents per share, together with a special dividend of 33 US cents per share, to be paid on 3 May 2006. Including the special dividend, total dividends for the year amount to 123 US cents per share, a 76% increase on the 2004 total dividend.

## Operations review

In the operations review on the following pages, operating profit includes associates' operating profit and is before special items and remeasurements unless otherwise stated.

## Platinum

| $ million | 2005 | 2004 |
|---|---|---|
| Operating profit | 854 | 536 |
| EBITDA | 1,282 | 853 |
| Net operating assets | 7,018 | 7,560 |
| Capital expenditure | 616 | 633 |
| Share of Group operating profit (%) | 13 | 11 |
| Share of Group net operating assets (%) | 20 | 20 |

Anglo Platinum's operating profit rose by 59% to $854 million, mainly as a result of higher US dollar prices for metals sold and increased sales volumes. The cash operating cost per equivalent refined platinum ounce (equivalent ounces are mine ounces converted to expected refined ounces) increased by 9.4% in rand terms. Cost initiatives, including supply chain savings, yielded additional savings of $36 million compared with 2004.

### Markets

The average dollar price realised for the basket of metals sold was $1,388 per platinum ounce sold, 16% higher than in 2004. Firmer platinum, rhodium and nickel prices made the largest contribution to the increase. The average realised price for platinum of $894 per ounce was $52 higher than in 2004, while rhodium averaged $1,966 per ounce compared with $933. The average realised price for nickel was $6.77 per pound, against $5.92 in 2004.

### Operating performance

While refined platinum group metals (PGM) production increased by 5% when compared with 2004, refined platinum production of 2.45 million ounces was similar to 2004. This was the result of a shutdown at the Polokwane Smelter from September through to December, which will see 123,600 ounces of platinum being refined in 2006 instead of 2005. Equivalent refined platinum production from the operations managed by Anglo Platinum and its joint venture partners increased by 50,000 ounces, or 2%, primarily as a consequence of the expansion of the Kroondal Platinum Mine with Aquarius Platinum, and higher output at Modikwa Platinum Mine, as the mine ramps up further towards steady-state production. Lower production was recorded at the Rustenburg and Amandelbult mines.

At Rustenburg, the ore-source mix continued to change as the currently available Merensky reserves diminish and Merensky ore is replaced with UG2 ore. Operating performance in the second half of the year improved over the first six months as the considerable efforts made to restore production and improve safety and efficiencies started to take hold. The Amandelbult mine continued with efforts to reverse the impact of complex geological and ground conditions at the Nos. 1 and 2 shafts. Again, performance improved in the second half, indicative of progress made with the planned turnaround.

Changes in the rhodium refining circuit at the Precious Metals Refinery resulted in a substantial release of metal previously held in the pipeline. Consequently, refined rhodium production increased by 74,800 ounces. The overall process recovery of platinum improved by 3% as a result of new technology introduced in the concentrating and smelting operations.

### Projects

During the year the company announced the following ventures:

- the Marikana Pooling and Sharing agreement with Aquarius Platinum, to jointly mine contiguous properties. Anglo Platinum will share in profits from January 2006 and will treat additional concentrate that arises from the expansion of the Marikana operation. In addition to sales of concentrate in terms of offtake agreements, the venture is expected to produce an additional 90,000 ounces of platinum and 43,000 ounces of palladium in concentrate per annum when it reaches steady-state production in 2007;
- the Mototolo joint venture with Xstrata Alloys, to develop a platinum mine and concentrator. The mine is expected to reach steady-state production in the third quarter of 2007. It will produce approximately 132,000 ounces of platinum and 82,000 ounces of palladium in concentrate per annum. Anglo Platinum will purchase Xstrata's 50% share of PGM concentrate for further smelting, refining and marketing of finished products.

During 2005, mining replacement projects totalling some $770 million were approved. These projects are planned to reach steady state between 2008 and 2012, replacing some 586,000 ounces of platinum production per annum. Included in these projects is the $230 million Potgietersrust replacement project which will produce 200,000 replacement platinum ounces per annum. The Potgietersrust mine will be further expanded to produce an additional 230,000 platinum ounces per annum. Approvals for this expansion project are expected shortly.

### Outlook

Increased mine production and a reduction in the level of pipeline inventories are expected to result in refined platinum production of between 2.7 million and 2.8 million ounces in 2006. Management at Anglo Platinum continues to vigorously address unit costs in conditions of relatively high inflation in the mining environment. The emphasis on increasing volumes at improved operating efficiencies remains.

Demand for platinum continues to be strong and remains supportive of firm platinum prices. The resilience of jewellery demand – particularly in the Chinese market – at prices over $900 per ounce adds confidence to this view. The growth in platinum demand in Europe for diesel autocatalyst systems, both oxidation and now heavily loaded particulate traps, is strong. Tightening diesel emission legislation and its early adoption supports this, as well as the growing popularity of diesel engine powered vehicles. Industrial demand remains firm, particularly in the glass and petroleum sectors.

Industrial palladium demand continues to grow, encouraged by the relatively low price. However, as adequate supplies are available, the relative high ruling prices are the result of investment interest in

the metal. It is notable that palladium demand from Chinese jewellery manufacturers doubled in 2005 and, should sustainable consumer interest be established, this could beneficially alter the nature of palladium supply and demand.

While production and sales volumes will increase in 2006, the most significant variable affecting earnings will be metal prices in rand terms. If the rand basket price remains at current levels, then earnings for 2006 are likely to be higher than those in 2005.

## Gold

| $ million | 2005 | 2004 |
|---|---|---|
| Operating profit | **332** | 296 |
| EBITDA | **871** | 694 |
| Net operating assets | **6,982** | 7,124 |
| Capital expenditure | **722** | 585 |
| Share of Group operating profit (%) | **5** | 6 |
| Share of Group net operating assets (%) | **20** | 19 |

In 2005, operating profit of $332 million was 12% higher compared with the previous year (2004: $296 million). At the end of 2005, the gold price was more than 11% higher than at the beginning of 2005, while the average local price received for the year was 9% higher than for 2004. Total cash costs were $13 per ounce higher, at $281 per ounce, mainly resulting from stronger operating currencies, inflation and lower grades.

### Markets

The return of investor interest in gold continued throughout 2005, with a sustained rise in the gold price. The average gold price received increased by $45 per ounce to $439. In the final quarter of the year, the spot gold price broke through $500 per ounce on a number of occasions. This momentum has continued into 2006, with the spot gold price currently well above the $500 per ounce mark.

### Operating performance

In 2005, AngloGold Ashanti's production from ongoing operations was 6.17 million ounces, 6% higher than the previous year, and was largely attributable to the inclusion of a full year's production of the Ashanti assets, in addition to record performances from Sunrise Dam in the first two quarters of the year and production improvements at Morila and Mponeng of 28% and 27% respectively. These increases were offset by a reduction in output from key South African assets, including Great Noligwa and TauTona.

The optimisation of the Ashanti assets is ongoing and management has implemented programmes to ensure that these operations, starved of working capital for an extended period, realise their ore reserve, profit margin and growth potential.

During the year AngloGold Ashanti was advised that its applications for the conversion of its old order mining rights to new order mining rights had been approved.

Current growth projects will maintain AngloGold Ashanti's production in excess of 6 million ounces through to 2013. In addition to that, management is focused on growing the reserve and resource base, both through exploration and through a disciplined, value adding mergers and acquisitions programme. In respect of both of these activities, the company is now looking outside of the world's mature gold regions and has announced exploration projects in Africa in the Democratic Republic of Congo and in South America in Colombia.

In Russia, AngloGold Ashanti has acquired productive capacity with its 30% share in London based Trans-Siberian Gold as an entry point to this region. In China, strategic alliances are being pursued to allow the company to successfully extract value from a region undergoing significant economic and regulatory change. Exploration partnerships in the Philippines, Laos and Mongolia have resulted in land positions being acquired in several prospective areas.

### Outlook

The gold price has now risen for five years in succession, a phenomenon not seen since the deregulation of the gold market in the developed markets in 1971. Ongoing strong demand from growing economies in China and India, as well as continued investor speculation and official sector activities, are seen as supportive of the gold price.

## Diamonds

| $ million | 2005 | 2004 |
|---|---|---|
| Share of associate's operating profit | **583** | 573 |
| EBITDA | **655** | 655 |
| Group's share of De Beers' net assets | **2,056** | 2,199 |
| Share of Group operating profit (%) | **9** | 12 |

The Group's share of operating profit from De Beers increased by $10 million over the 2004 figure to $583 million.

### Markets

Overall, 2005 proved to be quite a good year for the diamond industry. Preliminary reports point to global retail sales of diamond jewellery for the year rising by 6% to 7%. The diamond trade experienced growth in all major regions with the exception of Europe, where sales were generally flat. The US, which accounts for around 50% of world jewellery sales by value, had a satisfactory Christmas season and mirrored the upward world trend. In the Asia-Pacific region there was a low single digit increase in sales, with Japan's steady economic revival being reflected in a modest increase in growth for the third year running; China, meanwhile, had a much better second six months. In the Middle East, the Gulf region experienced growth well in excess of targets.

For most of the year, demand for rough diamonds from the cutting centres was strong. Sales by The Diamond Trading Company (the DTC), the marketing arm of De Beers, were a record $6,539 million, 15% higher than in 2004. During the year the DTC raised its rough diamond prices on two occasions, the cumulative effect being that sales were at prices 9.5% higher on average than in 2004. The first sight of 2006 was slightly down on that of a year earlier, while in February this year the DTC raised its rough diamond prices by an average of 2% on the evidence of continuing underlying demand growth.

### Operating performance

De Beers group production, which includes the joint ventures in Botswana and Namibia, increased by 4% to 49 million carats. The South African operations lifted output by 10% to 15.2 million carats. However, in future years there will be no contribution from the Kimberley underground mines or from Koffiefontein as these loss making operations have been closed. Debswana raised production by 2% to a record 31.9 million carats, while the combined land and offshore operations at Namdeb totalled 1.86 million carats, down 5%.

De Beers is spending $1.6 billion on expanding diamond production. During the year, De Beers announced the approval of the $513 million Snap Lake underground project in Canada's Northwest Territories, which will be the company's first mine outside Africa and the first fully underground diamond mine in Canada. This was followed by the go-ahead being given for a second Canadian project, the $791 million Victor project in Ontario. Snap Lake is due to enter production in late 2007, with start up at Victor, which received environmental approval in October, scheduled to commence in the third quarter of 2008. In South Africa, approval has been given for the re-opening of the $177 million Voorspoed mine, while $115 million has been allocated to the South African Sea Areas marine mining project.

Agreement has been reached, and a preliminary order issued, to settle the majority of civil class action suits filed against De Beers in the USA. This settlement does not involve any admissibility on the part of De Beers and, if finally approved, will bring an end to a number of outstanding disputes. A total of $250 million has been paid in escrow pending conclusion of the settlement process, of which the Group's share is $113 million.

In 2005, De Beers and Ponahalo Investment Holdings signed a Memorandum of Understanding relating to the proposed sale of a 26% equity interest in De Beers Consolidated Mines Limited to Ponahalo, a broad based South African black economic empowerment company, for approximately $597 million. The sale is likely to be completed in April 2006.

### Outlook

Demand for rough diamonds continues to be steady, though stocks of both rough and polished diamonds in the cutting centres are at relatively high levels, as are aggregate debt levels. Consequently, the price of outside diamonds has dropped significantly, with a concomitant effect on the DTC's rough stones. In spite of the current strain, however, the outlook for diamonds in 2006 is a positive one, in line with macro-economic forecasts of another good year of growth for the global economy.

## Base Metals

| $ million | 2005 | 2004 |
|---|---|---|
| Operating profit | **1,678** | 1,276 |
| Copper | **1,381** | 1,048 |
| Nickel, Niobium and Mineral Sands | **249** | 224 |
| Zinc | **102** | 38 |
| Other | **(54)** | (34) |
| EBITDA | **1,990** | 1,625 |
| Net operating assets | **4,785** | 4,952 |
| Capital expenditure | **271** | 367 |
| Share of Group operating profit (%) | **26** | 27 |
| Share of Group net operating assets (%) | **13** | 13 |

Base Metals generated its highest ever operating profit of $1,678 million (2004: $1,276 million) on the back of record production of nickel, zinc, niobium, zircon and rutile from ongoing operations, with significantly higher metal prices. Controllable costs were well contained. However, margins at all operations came under pressure from significant rises in the costs of energy and most key consumables, as well as higher freight rates, treatment and refining charges in the copper market and increased zinc smelter price participation. The strength of the Chilean, South African and Brazilian currencies against the dollar also adversely impacted operating profit.

### Markets

| Average prices (c/lb) | 2005 | 2004 |
|---|---|---|
| Copper | **167** | 130 |
| Nickel | **668** | 628 |
| Zinc | **63** | 48 |
| Lead | **44** | 40 |

Average base metal prices in 2005 exceeded the most optimistic of expectations. Notwithstanding reasonable GDP growth, notably in China and the US, slower industrial production and manufacturing growth precipitated destocking which, when combined with price induced substitution and increased scrap usage, resulted in only a modest increase in metal demand. Offsetting this was a muted mine supply-side response to higher prices, especially in the case of copper where unexpected supply disruptions led to output being some 1 million tonnes lower than forecast. Substantial speculative investment inflows were a significant feature of the market in 2005.

### Operating performance

| Copper division | 2005 | 2004 |
|---|---|---|
| Operating profit ($ million) | **1,381** | 1,048 |
| Attributable production (000 tonnes) | **635** | 766 |

Attributable copper production decreased by 74,300 tonnes due to the disposal of Hudson Bay. Mantoverde increased output by 3% to 62,000 tonnes, reflecting higher treatment rates. Production at Mantos Blancos declined by 8% to 87,700 tonnes, as a result of a planned reduction in dump leach treatment rates and grades. Los Bronces (227,300 tonnes) and El Soldado (66,500 tonnes) also experienced small reductions in production owing to lower grades. Attributable production from Collahuasi was 187,900 tonnes (2004: 211,600 tonnes). This was mainly due to lower sulphide mill throughput following outages of the ore conveyor and SAG mill No. 3, and lower sulphide ore grades after an earthquake and pit wall failures necessitated a rescheduling of the mine plan.

The $80 million El Soldado pit extension project remains on schedule and within budget. The $21 million Chagres de-bottlenecking project, which increases production capacity from 162,000 to 184,000 tonnes per annum (tpa) of anode/blister from 2006, was successfully completed. The $47 million Collahuasi molybdenum plant was completed under budget and ahead of time and will produce between 5,000 and 8,000 tpa of molybdenum, dependent on grade. It entered production in November 2005 and is expected to pay back its initial investment within the first six months. Los Bronces is scheduled to complete a feasibility study into a possible doubling of production, due for completion in 2007, while a significant de-bottlenecking opportunity is currently under evaluation at Collahuasi.

In May 2005, the final tranche of the Disputada purchase was paid, bringing the total acquisition cost to $1,395 million. In the period from 2003 to 2005 Disputada generated an EBITDA of $1,648 million.

| Nickel, Niobium and Mineral Sands division | 2005 | 2004 |
|---|---|---|
| Operating profit ($ million) | **249** | 224 |
| Attributable nickel production (000 tonnes) | **27** | 24 |

Production at Loma de Níquel was marginally down for the year, although output at Codemin rose to 9,600 tonnes (2004: 6,500 tonnes) following the successful completion, within budget and on time, of the Codemin 2 project. After successful commissioning of the scalping project, niobium production rose 14% to 4,000 tonnes. Improved mineral recoveries resulted in a 23% increase in rutile and an 8% rise in zircon production at Namakwa Sands.

The feasibility study for the $1 billion Barro Alto nickel project (33,000 tpa) is well advanced and Board approval is likely to be sought later this year. Namakwa Sands' $43 million project to increase output of rutile by 26% and high margin zircon by approximately 20% commencing from 2008 is under way.

| Zinc division | 2005 | 2004 |
|---|---|---|
| Operating profit ($ million) | **102** | 38 |
| Attributable zinc production (000 tonnes) | **324** | 411 |
| Attributable lead production (000 tonnes) | **63** | 55 |

Attributable zinc production decreased by 107,000 tonnes due to the disposal of Hudson Bay. Skorpion has consistently achieved design capacity since May 2005, following a fire in the tankhouse in February that interrupted ramp up. Production for the year increased 11% to 132,800 tonnes. Improved performance of the new backfill plant at Lisheen allowed secondary mining to commence, resulting in higher head grades and production of zinc (159,300 tonnes) and lead (20,800 tonnes) (2004: 156,300 tonnes and 17,200 tonnes respectively). The Black Mountain Deeps project was substantially completed, with finalisation of the development of the Deeps mine

and the ramping up of production now well advanced. With increased access to the Deeps orebody, mining flexibility began to improve and zinc and lead grades rose materially, yielding 32,100 tonnes of zinc and 42,200 tonnes of lead, representing increases of 14% and 13% respectively.

### Outlook

The outlook for 2006 is good, with strong demand and constrained production increases across the industry. Cost pressures are expected to remain intense as the entire supply chain to the industry operates at, or close to, capacity. However the current consensus is one of relatively strong global growth and a weaker dollar, as structural issues resurface and US interest rates approach their peak. Metal inventories are low (in the case of copper and nickel) or tightening (in respect of zinc). With the possible exception of zinc, however, and in the absence of further supply-side disruptions, base metal markets seem likely to move into a small surplus during 2006 on the back of increased primary production, substitution and scrap usage. Fluctuating levels of fund interest in the sector may, however, influence short term price movements to a greater extent than fundamentals.

## Coal

| $ million | 2005 | 2004 |
|---|---|---|
| Operating profit | 1,019 | 497 |
| South Africa | 463 | 252 |
| Australia | 316 | 78 |
| South America | 240 | 167 |
| EBITDA | 1,243 | 687 |
| Net operating assets | 2,244 | 2,303 |
| Capital expenditure | 331 | 218 |
| Share of Group operating profit (%) | 16 | 11 |
| Share of Group net operating assets (%) | 6 | 6 |

Anglo Coal lifted operating profit by 105% to a record $1,019 million. The increase was attributable to improved export prices realised during the year and a 4% rise in production to 93 million tonnes. South Africa, Australia and South America contributed 45%, 31% and 24%, respectively, to operating profit.

### Markets

During the year, global demand and supply fundamentals for coal were reasonably well balanced, driven by generally strong world economic activity and continued robust commodity demand from the steel and power sectors, led by China. Domestic demand in China for thermal coal remained firm and so capped that country's export volumes. Indonesian supplies grew sufficiently to make it the largest thermal coal exporter in the world. However, the impact of supply growth was moderated to some extent by infrastructure constraints or operating problems in several other regions of the world.

Metallurgical prices remained firm, particularly for hard coking coals, but there was a softening of prices towards year end for semi-soft coking and pulverised coal injection (PCI) coals. Thermal coal prices moved down from 2004 peak levels as the year progressed, but were significantly ahead, on average, of the previous year's prices. Thermal coal markets remain volatile, moving quickly – particularly in Europe – in response to fluctuations in the price of competing fuels.

The introduction of the European Union Emissions Trading Scheme (EU ETS) had a tangible effect on the thermal coal market during 2005, as the cost of $CO_2$ emissions now features in the determination of power generating margins when using all fossil fuels. Nevertheless, the EU ETS allowance provisions in individual countries, coupled with high alternative fuel prices, have permitted coal to maintain a competitive position as a critical power generation fuel.

### Operating performance

Operating profit for South African sourced coal, at $463 million, was 84% higher than for the previous year. Export prices were 35% up on those for 2004. Production rose by 4% to 56.9 million tonnes following the start-up of the Isibonelo mine in July and a general improvement in production at the other mines. Most notable was the excellent performance of the Goedehoop mine, despite having to recover from an underground fire. Total sales of 56.8 million tonnes were also 4% higher due to the rise in production supported by improved performance by the rail utility, Spoornet, and continued growth in local electricity demand.

Operating profit for the Australian operations climbed by 305% to $316 million. Higher prices for all types of coal, particularly metallurgical coal, contributed strongly to the result as did an overall production volume increase of 0.5 million tonnes to 26.1 million tonnes. This increase in production was mainly a result of improved performance at Moranbah North, where a solid operational perfomance resulted in a 205% increase in production. Production at Dartbrook was restricted by difficult geological conditions. Strong demand across the industry for key resources created contractor and equipment availability shortfalls that limited production at some sites and resulted in increased costs for both directly price linked costs, such as royalties and fuel, and other key inputs, including labour and consumables, at all operations.

In South America, operating profit was up by 44% to $240 million on the back of coal price increases and a 5% increase in production volume to 10.1 million tonnes. These gains were counteracted in part by increases in operating costs caused by rising fuel prices, royalties and the strengthening of the Colombian peso and Venezuelan bolivar against the dollar. Operations were also affected by higher than expected rainfall during the year.

In Australia, capital expenditure for the year was 36% higher at $185 million, mainly as a result of the ramp up of the $835 million Dawson expansion project and the $151 million Grasstree project, which is planned to start production during the second half of 2006. The feasibility study for the $516 million Lake Lindsay project was completed and the project started in early 2006.

In South Africa, the Isibonelo and Kleinkopje expansion projects, both of which were completed during the year, represented the main items of capital expenditure. Subject to regulatory clearances, the $264 million Mafube coal project in South Africa will increase thermal coal production by 5.0 million tonnes (Anglo Coal share 2.5 million tonnes) from 2008. Feasibility studies are in progress on a number of other expansion projects in response to the increased domestic demand for coal.

In South America, Cerrejón is continuing with the expansion to 28 million tonnes per annum (Mtpa) which should be completed by the end of 2006. Further expansion of the operation to 32 Mtpa was approved during the year and has commenced. A pre-feasibility study is currently under way to investigate additional expansion beyond 32 Mtpa.

### Outlook

Firm hard coking coal prices are anticipated in the coming year, but prices for semi-soft coking and PCI coals will reflect the downward trend that commenced in 2005. That trend will have an impact on thermal coal prices, particularly in the Indo-Pacific region. Although thermal coal demand for 2006 appears to be generally firm, improved supply infrastructure performance, combined with incremental supply increases, will have a moderating influence. Consequently, average thermal coal prices in 2006 are expected to be slightly lower than in 2005.

Substantial capital expenditure will continue to be incurred in all regions, with the resulting increases in production, especially in Australia, coming through over the next two years. In February 2006, Anglo Coal announced it had entered into a joint coking coal venture in British Columbia, Canada. In China, the Group has a 60% interest in the Xiwan open cut coal mine where the feasibility of a large coal to chemicals project is being investigated with a number of partners. Work continues on the feasibility study for Monash, a fuel from brown coal project in Australia.

### Ferrous Metals and Industries

| $ million | 2005 | 2004 |
|---|---|---|
| Operating profit | 1,456 | 887 |
| Kumba | 568 | 203 |
| Highveld Steel | 436 | 169 |
| Scaw Metals | 121 | 85 |
| Samancor Group | 144 | 241 |
| Tongaat-Hulett | 131 | 69 |
| Boart Longyear | 67 | 72 |
| Terra | – | 55 |
| Other | (11) | (7) |
| EBITDA | 1,779 | 1,231 |
| Net operating assets | 4,439 | 5,302 |
| Capital expenditure | 373 | 284 |
| Share of Group operating profit (%) | 23 | 19 |
| Share of Group net operating assets (%) | 12 | 14 |

Ferrous Metals and Industries' operating profit reached a record $1,456 million, up 64% on 2004. This was as a result of substantially higher prices for iron ore and vanadium, generally higher volumes and increased cost savings, partially offset by the strong rand and lower manganese alloy prices.

#### Markets

Global crude steel production for 2005 was 1,129 million tonnes (Mt), an increase of 6% over 2004. China's share of world output increased from 26% in 2004 to 31% in 2005, making it the largest global producer. The global iron ore market continues its very strong trend, with prices forecast to rise further in 2006. Demand for vanadium weakened in the second half of 2005. Ferrovanadium prices, although off their mid-2005 record highs, are still averaging over $38/kgV. Manganese ore prices softened in the second half in response to weakening demand as manganese alloy margins came under pressure.

#### Strategic review

Significant progress in restructuring the division was made during 2005, with further asset disposals for a total attributable enterprise value for Anglo American of $1,029 million. In January and May, Highveld sold its stainless steel investments in Acerinox and Columbus for an enterprise value of $136 million. The sales of Boart Longyear's subsidiary, Wendt, and the remaining Boart Longyear group were concluded in March and July respectively for a combined enterprise value of $635 million. Anglo American and BHP Billiton sold their respective 40% and 60% shareholdings in Samancor Chrome in June for a combined enterprise value of $469 million. Samancor also disposed of half its shareholding in Acerinox, as well as other interests, for a combined enterprise value of $149 million. The sale of ferrochrome producer Zimbabwe Alloys for an enterprise value of $10 million was completed in September. In October, Anglo American announced its decision to seek to dispose of its shareholding in Highveld. Tongaat-Hulett has recently announced its intention to unbundle and list its aluminium business, Hulett Aluminium, and simultaneously introduce black economic empowerment equity participation in both Tongaat-Hulett and Hulett Aluminium.

#### Operating performance

Kumba achieved an operating profit of $568 million (2004: $203 million). The impact of stronger commodity prices and higher sales volumes, together with solid operational performances and the benefits of its business improvement programme, were partially offset by the strong rand. With effect from the second quarter, Kumba benefited from the international annual dollar denominated benchmark price increase of 71.5%. Production of iron ore was 31 Mt, of which 71% was exported. In March 2005, Kumba announced the approval of a $559 million expansion project at its Sishen iron ore mine in South Africa. This will increase production by 10 million tonnes per annum (Mtpa) to 41 Mtpa by 2009. Construction started in mid-2005, with production ramp up to commence by mid-2007.

Kumba's local partner in the Hope Downs iron ore project in Australia exercised an option to acquire Kumba's interest in the project, resulting in a $176 million pre-tax settlement. Kumba announced a major restructuring of its operations in October. As part of this black economic empowerment transaction, Kumba's iron ore assets are to be partially unbundled to Kumba shareholders and two separate listed entities – Kumba Iron Ore and Newco – will be established. Following the transaction, Anglo American will own 66% of Kumba Iron Ore and 17% of Newco, of which 10% will be a long term holding.

Highveld Steel had a record year, with an operating profit of $436 million (2004: $169 million). This was largely due to significantly higher vanadium prices, relatively strong sales into the South African steel market and cost saving initiatives. Ferrovanadium prices averaged $66/kgV in 2005, up threefold on 2004.

Scaw also produced record results, with operating profit rising to $121 million (2004: $85 million). Strong demand for cast and forged products, particularly in the second half, offset a weaker performance from rolled products. Cost savings also contributed to the higher earnings.

The attributable share of Samancor's operating profit amounted to $144 million (2004: $241 million). Samancor's manganese operations were affected by reduced sales volumes and substantially lower alloy prices, while Samancor Chrome only contributed for the first six months due to its disposal in June 2005.

Boart Longyear's operating profit was $67 million (2004: $72 million), representing a seven month contribution until its effective sale date at the end of July.

Tongaat-Hulett's operating profit increased to $131 million (2004: $69 million). Hulett Aluminium grew its rolled products volumes by 20% to 173,000 tonnes and reduced unit conversion costs. Earnings from Tongaat-Hulett Sugar increased as a result of higher South African and export sales volumes and a better world sugar price. African Products continued its profit recovery, with an increase in sales volumes and lower maize costs. Moreland Properties continued to accelerate its development pace, with strong contributions across its portfolios.

#### Outlook

Global iron ore demand should be maintained in the coming year. Market consensus is that iron ore prices should rise by 10% to 20% in 2006. The outlook for vanadium remains positive but the price levels seen in 2005 are not expected to be repeated in 2006. Manganese alloy markets are expected to strengthen.

Prospects for continued real growth in global steel demand remain positive in 2006, with the strongest growth again expected to come from China. Increasing raw material and energy costs will, however, present major challenges to steel producers.

# Financial review continued

## Industrial Minerals

| $ million | 2005 | 2004 |
|---|---|---|
| Operating profit | 370 | 421 |
| Tarmac | 340 | 354 |
| Copebrás | 30 | 67 |
| EBITDA | 618 | 638 |
| Net operating assets | 3,982 | 4,480 |
| Capital expenditure | 274 | 304 |
| Share of Group operating profit (%) | 6 | 9 |
| Share of Group net operating assets (%) | 11 | 12 |

Industrial Minerals generated an operating profit of $370 million. Tarmac's operating profit was 4% lower than 2004 at $340 million. Trading conditions in the UK were challenging, particularly in the second half of 2005, as the effects of higher energy costs and flat volumes impacted performance. Tarmac's contribution from its international businesses was in line with last year, reflecting strong second half business performance in France, Spain and the Middle East, offset by weaker demand in Germany. Tarmac's European portfolio grew during the year with a number of small bolt-on acquisitions in Poland, France and the UK. The acquisition of a developing business in Romania in early 2006 further strengthened Tarmac's position in central Europe, identified as a key focus of the company's growth strategy. The appreciation of the Brazilian currency, the real, was almost entirely responsible for operating profit at Copebrás being $37 million down on 2004.

### Markets and operating performance

In the UK, Tarmac realised price increases of between 3% and 7% across various product groups, though margins were impacted by increased operating and energy related costs. Volumes were generally flat and leading market positions were maintained. However, margins in the coated stone and concrete markets were particularly challenging, reflecting high fuel costs and competitive pressures in an oversupplied marketplace. The Buxton cement plant, which started up in March 2004, exceeded project appraisal production by 43% and averaged 97.5% of design capacity during the year. The weak housing market affected demand for concrete products, particularly Aircrete blocks, where the market declined by some 11%. This sharp fall in demand contributed to a significant erosion of margins, exacerbated by fuel costs and ongoing operational issues.

Operating profits in France were considerably better than in 2004, reflecting the contribution of new acquisitions, improved prices and good cost control. In Germany, operating profits were affected by delays and reductions in infrastructure projects in a significantly oversupplied marketplace, which depressed prices. In the Middle East, Tarmac's operations continue to benefit from strong local demand. Trading in Spain and the Czech Republic was in line with the previous year. In China, production increased substantially at the start of 2006 despite production delays at Yang Quarry in the Shanghai region.

Copebrás' underlying business performed well, although the stronger Brazilian currency resulted in a substantial increase in local costs, in dollar terms. Selling prices and raw material costs are essentially dollar denominated and rose in tandem. Copebrás' fertiliser sales held up well despite a 13% drop in the overall fertiliser market in Brazil resulting from the effects of the 17% appreciation of the real on the Brazilian agricultural sector, compounded by low rainfall.

Adapting to changing market dynamics, Tarmac significantly restructured and strengthened its management and organisational structure in 2005. The UK business is now divided into Aggregates Products, with enhanced local presence, and Building Products, which reflects the more national focus of its customer base. The structure further facilitates continuous improvement in production and logistics and also in sales and back office activities. During 2005, the division achieved $86 million of cost savings and efficiency improvements.

The business development resource has been strengthened, with a Frankfurt base, to better position Tarmac to grow its international business. The company recently made three acquisitions in its aggregates business in the UK, Poland and, in early 2006, Romania. Tarmac has also embarked on a strategic portfolio review designed to increase focus and improve performance and is currently planning to exit certain non-core businesses in Germany and Hong Kong as well as concrete paving in the UK. The disposal of Tarmac's business in India was completed in 2005.

### Outlook

Market conditions in the UK are expected to remain difficult with sluggish demand and high cost pressures, particularly energy costs. Tarmac announced price increases across its product range in January 2006 but, in a highly competitive marketplace, margins will be influenced by the degree to which these hold.

## Paper and Packaging

| $ million | 2005 | 2004 |
|---|---|---|
| Operating profit | 495 | 569 |
| Packaging | 293 | 297 |
| Business Paper | 163 | 180 |
| Other | 39 | 92 |
| EBITDA | 916 | 978 |
| Net operating assets | 6,365 | 6,596 |
| Capital expenditure (including biological assets) | 746 | 818 |
| Share of Group operating profit (%) | 8 | 12 |
| Share of Group net operating assets (%) | 18 | 17 |

Operating profit declined 13% from $569 million to $495 million, reflecting the continued difficult trading conditions across Mondi's key markets. In response to the tough business environment, the company has delivered $223 million in cost savings and profit improvement initiatives, underpinning the goal of profitability and competitive advantage in all trading conditions.

### Markets and operating performance

Mondi Packaging's operating profit was $293 million, slightly below that of the previous year. The marginal impact of acquisitions made in early 2004, along with benefits of $103 million from significant cost saving and profit improvement initiatives, was offset by continued weak trading conditions. These were brought about mainly by a combination of over capacity and lacklustre manufacturing growth in western European markets and the strong euro eroding competitiveness internationally. The most difficult market was sackpaper, which saw substantial price declines. Notably, a number of paper machines achieved all-time production records. Productivity, measured in output per employee, improved by 8% across the business. In the latter part of the year there were signs of improvements in the markets, as a weakening euro, a pick up in European manufacturing activity and restructuring among key producers in the corrugated packaging sector led to improved trading conditions.

Management has responded to the structural overcapacity in the corrugated sector by undertaking a significant restructuring. This involved the closure of four plants in the UK and France, the disposal of a further nine plants in the UK and other rationalisation measures across the remaining operations. One-off cash costs associated with these restructurings amounted to $15 million, with a further $62 million in asset and goodwill write downs and provisions. These costs are defined as operating special items and so are excluded from operating profit. The restructuring programme is expected to yield annual cash flow benefits in excess of $22 million,

of which $12 million has been realised in 2005. This is in addition to steps taken over the past 18 months to rationalise the upstream paper business, including the closure of two high cost recycled containerboard mills with a combined capacity of 100,000 tonnes per annum (tpa), representing around 14% of Mondi Packaging's total capacity in these grades.

The acquisition of release liner manufacturer Akrosil, completed in early January 2006, will result in further expansion into the US, while consolidating Mondi Packaging as one of the major players in the global merchant release liner sector. The acquisition of Paper Factory Stambolijski in Bulgaria strengthens Mondi Packaging's position as one of the leading global suppliers of sack kraftliner. Completion of the transaction remains subject to competition clearance. A recently approved project to rebuild the PM1 machine at Swiecie in Poland, at a cost of €39 million, will increase the company's exposure to the fast growing lightweight kraftliner market.

Mondi Business Paper's operating profit declined by 9% to $163 million. Although demand remained reasonable, pricing was under pressure during the year owing to a combination of the strong euro, which attracts dollar denominated imports, as well as over capacity in core European markets. Uncoated woodfree sales volumes increased by 3.3%. This was mainly as a result of additional volumes from the successful rebuild of Ruzomberok's PM18 paper machine, offset in part by reduced volumes from Merebank during the rebuild of PM31. A major focus on cost saving and profit improvement initiatives has yielded benefits of $104 million. The Richards Bay RB720 expansion project and the Merebank PM31 rebuild have been commissioned successfully and full production is expected to be achieved during 2006. Incremental uncoated woodfree paper volumes coming on to the market as a result of the PM31 rebuild will be offset by a reduction of around 100,000 tonnes from Hungary. This follows the sale of the Dunaujvaros paper mill, which will be converted by the new owners to the production of paper for release liner during 2006.

The remaining businesses in the Mondi portfolio underperformed when compared with 2004. Rand strength has had a negative impact on local market pricing and export revenues in the South African based packaging and newsprint businesses, while difficult trading conditions in key markets are putting pressure on the European paper merchant, Europapier.

### Outlook

The company will continue to focus on attaining operational excellence across its operations, integrating and optimising the significant new investments in Richards Bay, Merebank, Akrosil and Stambolijski, and achieving further cost reductions and profit improvements at existing facilities. Together with the specific restructuring initiatives undertaken in the corrugated operations in 2005, this will position the business to benefit from any upturn in the markets.

Mondi is considering a 1 million tpa softwood pulp expansion at a capital cost of $1.5 billion at its Syktyvkar plant in north west Russia in order to meet growing worldwide pulp demand, driven mainly by China.

While it is still too early to call a sustained turnaround in trading conditions, there are signs of improvement. The recently implemented price increases in containerboard and uncoated woodfree reflect the benefit of industry rationalisation and improved demand, although sustained dollar weakness may undermine any recovery.

## Exploration

As the prelude to any new mining project, exploration is fundamental to the Group's success. And as the world becomes increasingly well prospected, Anglo American is searching for new deposits in remoter regions, such as the Arctic Circle and central Africa. In 2005 it spent $150 million on exploration across 32 countries.

Anglo Base Metals (which spent $50 million) has found significant new resources close to the Chilean copper mines of Los Bronces and El Soldado and near Catalão niobium mine in Brazil. Elsewhere, work continues on extending the copper resource discovered by Anglo American at Boyongan in the Phillipines, while greenfield exploration is in progress in Chile, Brazil, Indonesia, Mexico and Peru. Nickel sulphide mineralisation has been discovered at West Raglan, Canada, and drilling continues for nickel resources at the Mosku project in Finland and the MAN project in Alaska. Delineation of the nickel laterite discovery at Jacaré, Brazil, is under way.

Anglo Coal ($13 million) is assessing the viability of methane production in South Africa's Waterberg coalfield. It completed scoping studies on China's Xiwan Project and began drilling on the Guxian prospect. Coal exploration is also being carried out in Canada.

Anglo Ferrous Metals ($21 million) is exploring for iron ore in South Africa on both greenfield and brownfield sites and continues to evaluate opportunities in West Africa.

Anglo Platinum ($21 million) is exploring near existing operations and in South Africa's Bushveld Complex. Early-stage drilling at China's Danba project has been encouraging and programmes continued in Brazil, Canada, Russia and Zimbabwe.

AngloGold Ashanti ($45 million) is exploring around many of its existing operations, as well as in China, Colombia, the Democratic Republic of Congo, Laos, Mongolia, the Philippines and Russia.

## Principal risks and uncertainties

Anglo American is exposed to a variety of risks and uncertainties which may have a financial impact on the Group and which may also impact the achievement of social, economic and environmental objectives. These risks include strategic, commercial, operational, compliance and financial risks and are further categorised into Headline Risk Areas to facilitate consolidated risk reporting across the Group.

## Risk management

The Group's approach to risk management is set out in the corporate governance section on pages 20 to 24 and also referred to under Treasury risk management below.

### Treasury risk management

The Group's principal treasury policies are set by the Board. The Board delegates responsibility for managing financial risk to the Executive Board. The Group treasury acts as a service centre and operates within clearly defined guidelines that are approved by the Board. Treasury front office and treasury back office are segregated and report to separate executive positions. The Anglo American accounting department provides an independent control function to monitor and report on treasury activities, which are also subject to regular review by internal and external audit.

The treasury of the Group's associate De Beers is independently managed as are the treasuries of the non-wholly owned subsidiaries such as AngloGold Ashanti and Anglo Platinum.

### Commodity risk

Anglo American is exposed to fluctuations in metal and other commodity prices, which are mostly determined by international markets and fundamentally based on supply and demand. Other than AngloGold Ashanti, Anglo American does not normally hedge the price risk and is predominantly a price-taker in the markets that it deals in. Some hedging may be undertaken for strategic reasons and derivatives

could be used to optimise the value of Anglo American's production of these commodities. Gold hedging is independently managed by AngloGold Ashanti.

### Currency risk

The scale of the Group's operations, earnings, cash flows and asset values can be significantly influenced by a wide variety of currencies.

The Group publishes its financial statements in US dollars and a substantial proportion of the Group's sales are denominated in US dollars. However, the Group conducts business in many currencies and, as a result, it is subject to currency risks owing to exchange rate movements which will affect the Group's costs and the translation of the profits of subsidiaries, joint ventures and associates whose functional currency is not the US dollar.

Anglo American retains a significant proportion of its assets within subsidiaries, joint ventures and associates located in countries, principally South Africa, where the local currency is treated as the functional currency and is used for reporting purposes.

In the consolidated financial statements, the exchange differences arising on the translation of net assets of these non-dollar denominated subsidiaries, joint ventures and associates less any offsetting exchange differences on foreign currency financing of these assets, are dealt with in equity in accordance with IAS 21 *The effects of changes in foreign exchange rates*. Accordingly, the currency translation differences of $1,908 million recorded in note 33 to the financial statements have been reported through the consolidated statement of recognised income and expenses on page 49 and appear as a decrease in shareholders' funds. These differences do not affect the consolidated profit and loss account or the consolidated cash flow statement.

The currency translation differences which have arisen are mainly attributable to the depreciation of the South African rand against the US dollar since 1 January 2005, although the depreciation of the Australian dollar, euro and sterling against the US dollar have also contributed. If the rand and other currencies appreciate or depreciate against the US dollar in future reporting periods, currency translation differences will continue to appear as an increase or a reduction in shareholders' funds, respectively.

### Exchange rates against the US dollar

| Average | 2005 | 2004 |
|---|---|---|
| South African rand | 6.37 | 6.44 |
| Sterling | 0.55 | 0.55 |
| Euro | 0.80 | 0.80 |
| Australian dollar | 1.31 | 1.36 |
| Chilean peso | 559 | 609 |
| **Year end** | | |
| South African rand | 6.35 | 5.65 |
| Sterling | 0.58 | 0.52 |
| Euro | 0.85 | 0.74 |
| Australian dollar | 1.36 | 1.28 |
| Chilean peso | 512 | 556 |

### Sensitivity analysis in respect of currency and commodity prices

Set out below is the impact on underlying earnings of a 10% fluctuation in some of the Group's commodity prices and exchange rates.

| Average | US$ million[1] |
|---|---|
| 10% change in gold price | ± 120 |
| 10% change in platinum price | ± 119 |
| 10% change in palladium price | ± 14 |
| 10% change in coal price | ± 193 |
| 10% change in copper price | ± 168 |
| 10% change in nickel price | ± 26 |
| 10% change in zinc price | ± 48 |
| 10% change in iron ore price | ± 34 |
| 10% movement in ZAR/US$ | ± 486 |
| 10% movement in AUD/US$ | ± 94 |
| 10% movement in CHP/US$ | ± 22 |
| 10% movement in Euro/US$ | ± 17 |
| 10% movement in GBP/US$ | ± 9 |

[1] Excludes the effect of any hedging activities. Stated after tax at marginal rate. Sensitivities are the average of the positive and negative and reflect the impact of a 10% change in the average prices and exchange rates during 2005. Increases in commodity prices increase underlying earnings and vice versa. A strengthening of the rand, Australian dollar, pound sterling and Chilean peso relative to the US dollar reduces underlying earnings and vice versa. A strengthening of the euro relative to the US dollar increases underlying earnings and vice versa.

### Political, legal and regulatory

Businesses may be affected by any political or regulatory developments in any of the countries and jurisdictions in which they operate, including risks such as restrictions on the export of currency or expropriation of assets. The Group has no control over changes in local inflation or market interest rates.

### Interest rate risk

The Group is exposed to interest rate risk, in particular to changes in US dollar, rand, sterling and euro interest rates. Corporate policy is to maintain a high proportion of floating rate debt, although strategic hedging using fixed rate debt may be undertaken from time to time if considered appropriate. The policy is to invest cash at floating rates of interest and cash reserves are maintained in relatively short term investments in order to maintain liquidity while achieving a satisfactory return for shareholders.

### Counterparty risk

Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. The Group controls and monitors the distribution of these exposures against approved limits to minimise the risk of loss in the event of non-performance by a counterparty. The limits involved relate to minimum credit ratings, exposure limits and shareholders' equity. The possibility of material loss arising in the event of non-performance by a counterparty is considered unlikely.

### Liquidity risk and financing

The Group maintains sufficient committed loan facilities to ensure that short term business requirements can be met.

At 31 December 2005, the Group had access to the following facilities:

- a $2.5 billion committed facility, incorporating a $750 million tranche maturing in July 2006 and a $1,750 million tranche maturing in July 2009;
- a $1.3 billion Canadian Commercial Paper Programme;
- a $1.0 billion European Commercial Paper Programme.

At the year end these facilities were undrawn. The Group did not have any financing requirements that necessitated access to the capital markets in 2005.

The Group is assigned short term ratings of P-2 and A-2 and long term ratings of A3 (stable outlook) and A- (stable outlook) from Moody's and Standard and Poor's respectively.

Non-wholly owned subsidiaries in general will arrange and maintain their own financing and funding requirements. In most cases the financing will be non-recourse to Anglo American. In addition, certain projects are financed by means of limited recourse project finance, if appropriate.

It is believed that the Group's net cash flow from operations, its holdings of cash and cash equivalents and access to credit facilities and capital markets will be sufficient to cover the likely short and long term cash requirements of the Group. At the end of 2005, net debt was $4,993 million, being gross debt of $8,439 million offset by $3,446 million of cash and cash equivalents and current financial asset investments. At 31 December 2005, the Group had available undrawn, committed borrowing facilities totalling $7,565 million. The maturity profile for the Group's available undrawn, committed borrowing facilities is as follows:

**Committed bank facilities** $ million

| Expiring | Facility amount | Drawn | Available |
|---|---|---|---|
| 2006 | 5,354 | 1,392 | 3,962 |
| 2007 | 334 | 259 | 75 |
| 2008 | 2,547 | 830 | 1,717 |
| 2009 | 179 | 179 | – |
| 2010 | 1,962 | 178 | 1,784 |
| 2011 | 174 | 147 | 27 |
| After 2011 | 373 | 373 | – |
| Total | 10,923 | 3,358 | 7,565 |

The maturity profile of net debt is shown below:

**Debt and (cash) maturity profile** $ million

| Maturing | Gross cash[(1)] | Gross debt | Net debt | Cumulative net debt |
|---|---|---|---|---|
| 2006 | (3,446) | 2,076 | (1,370) | (1,370) |
| 2007 | – | 1,523 | 1,523 | 153 |
| 2008 | – | 2,393 | 2,393 | 2,546 |
| 2009 | – | 1,197 | 1,197 | 3,743 |
| 2010 | – | 791 | 791 | 4,534 |
| After 2010 | – | 459 | 459 | 4,993 |
| Total | (3,446) | 8,439 | 4,993 | 4,993 |

[(1)] Gross cash comprises cash and cash equivalents of $3,430 million and current financial asset investments of $16 million.

The Group adopted IAS 32 *Financial Instruments: Presentation and disclosure* and IAS 39 *Financial Instruments: Measurement* from 1 January 2005. The key changes in accounting policy upon adoption of these two standards are the recognition of derivatives and embedded derivatives on the Group balance sheet at fair value, fair value measurement of investments previously held at cost and separation of the conversion option within convertible debt. Where the instrument does not qualify for hedge accounting, fair value changes on derivative instruments are recognised in the income statement, with the consequence that earnings can be more volatile from period to period.

### Acquisitions

The Group has undertaken a number of acquisitions in the past. With these, as with any such future transaction, there is the risk that any benefits or synergies identified at acquisition may not be achieved. Rigorous guidelines are applied to the evaluation and execution of all acquisitions, which require approval of the Investment Committee and Executive Board and, in the case of acquisitions beyond a certain value, the approval of the Board.

### Natural resource base

The Group's mineral resources and ore reserves estimates are subject to a number of assumptions, including the price of commodities, production costs and recovery rates. Fluctuations in these variables may have an impact on the long term financial condition and prospects of the Group.

In South Africa, the Minerals and Petroleum Resources Development Act (2002) provides for conversion of existing mining and exploration rights to 'new order rights'. Conversion of these rights is subject to a variety of conditions and undertakings by the applicant, including employment, skills development and ownership by historically disadvantaged South Africans, specifically 15% ownership within five years and 26% within 10 years.

### Health, safety and environment

The Group operates in heavy and hazardous industries and safety remains a major challenge. Although we have made major strides in improving our performance in recent years, much remains to be done. The matter is addressed in more detail in our *Report to Society*.

We are subject to numerous health, safety and environmental laws and regulations in each of the jurisdictions in which we operate. Any changes in laws, regulations or community expectations can result in increased compliance and remediation costs. The HIV/AIDS epidemic in sub-Saharan Africa is a significant threat to economic growth and development. Providing access to treatment in developing countries has become a humanitarian as well as an economic and social imperative. In 2002 the Group announced it would provide anti-retroviral therapy to employees with HIV/AIDS.

### Operational and natural risks

The Group's operations can be exposed to natural risks such as flood, weather or difficult geological conditions. Appropriate insurance provides protection from some, but not all, of the costs that may arise from unforeseen events.

## Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are presented in note 1 to the financial statements, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact on the financial statements. The most critical of these are:

### Useful economic lives of assets and ore reserves estimates

The Group's mining properties, classified within tangible assets, are depreciated over the respective life of mine using the unit of production (UOP) method based on proven and probable reserves. When determining ore reserves, assumptions that were valid at the time of estimation may change when new information becomes available. Any changes could affect prospective depreciation rates and asset carrying values.

The calculation of the UOP rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proven and probable mineral reserves. This would generally result, to the extent that there are significant changes in any of the factors or assumptions used, in estimating mineral reserves.

# Financial review continued

These factors could include:

- changes of proven and probable mineral reserves;
- the grade of mineral reserves varying significantly from time to time;
- differences between actual commodity prices and commodity price assumptions used in the estimation of mineral reserves;
- unforeseen operational issues at mine sites; and
- changes in capital, operating mining, processing and reclamation costs, discount rates and foreign exchange rates possibly adversely affecting the economic viability of mineral reserves.

The majority of other tangible assets are depreciated on a straight line basis over their useful economic lives. Management reviews the appropriateness of assets useful economic lives at least annually and, again, any changes could affect prospective depreciation rates and asset carrying values.

### Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of those assets, or CGU, is measured as the higher of their fair value less costs to sell and value in use.

Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGUs, and also in estimating the timing and value of underlying cash flows within the value in use calculation. Subsequent changes to the CGU allocation or to the timing of cash flows could impact the carrying value of the respective assets.

### Restoration, rehabilitation and environmental costs

Provision is made, based on net present values, for restoration, rehabilitation and environmental costs as soon as the obligation arises. Costs incurred at the start of each project are capitalised and charged to the profit and loss account over the life of the project through depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage are provided at net present value and charged against profits as extraction progresses. Environmental costs are estimated using either the work of external consultants or internal experts. Management uses its judgement and experience to provide for and amortise these estimated costs over the life of the mine.

### Retirement benefits

The expected costs of providing pensions and post-retirement benefits under defined benefit arrangements relating to employee service during the period are charged to the income statement. Any 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.

Assumptions in respect of the expected costs are set after consultation with qualified actuaries. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the earnings of the Group.

### Special items

Operating special items are those that management considers, by virtue of their size or incidence, should be disclosed separately to ensure that the financial information also allows an understanding of the underlying performance of the business. The determination as to which items should be disclosed separately requires a degree of judgement.

## Management of our people

### Anglo American's people

The Group's strategy is centred around achieving world class performance in all areas of our business with and through our people. We employ more than 128,000 permanent employees who are located in over 50 countries around the globe (excluding joint ventures and our independently managed businesses).

During 2005 we identified 14 core Group Human Resource (HR) principles and policies which applied to all employees throughout our Group and which we use as a basis for our people management policy. These appear on the following pages.

### Talent management

Over the past five years we have focused our attention on investing in our top talent identification and development processes. All our businesses conduct annual talent reviews, which feed into our biannual strategic Group talent reviews. These reviews are led by the CEO and operating committee of Anglo American plc, and provide us with assurance about our succession plans, the health of our key functions and identify areas in which we need to take further action to strengthen our executive pipeline.

During 2005 we refined our talent development programme with the launch of a suite of executive programmes designed to address the development needs of our leadership cadre. In addition, our operations have been collaborating at regional level to sponsor development programmes ranging from graduate entry to middle managers.

These formal programmes are supplemented by experience enhancing career moves and the opportunity to gain experience in different businesses and different countries.

Our skills development programmes have evolved to meet the varying demands of our operations and the launch of our Group wide portal heralds a new opportunity for us in sharing our skills and knowledge more effectively across our businesses globally.

### Resourcing and reward

Attracting and retaining high calibre people is a major aim of our recruitment and reward activities and we have undertaken a number of regional and global initiatives to increase our profile as a preferred employer.

This has included launching our Anglo Alumni programme and our MBA website, continuing our bursary and student internship activities, our graduate and experienced hire campaigns and selective senior level recruitment, particularly in areas of new or developing interest. We currently offer more than 1,250 bursaries per annum and take into employment over 2,000 graduate trainees, in excess of 780 apprentices and over 3,000 other trainees each year.

Our Group reward process is closely aligned to our performance contract and development review cycle. Since moving our primary listing to London in 1999, we have introduced performance linked incentive programmes which start at Board level and cascade downwards within the organisation. Our long term incentive programmes are subject to regular review by the Remuneration Committee to ensure their ongoing appropriateness and effectiveness.

### Transformation in Anglo American

We have continued to make good progress with transformation initiatives within our South African operations. We have increased the representation of historically disadvantaged South Africans (HDSA) at management levels to 40% and women now constitute 13% of the management ranks within our South African businesses.

We have made significant progress in changing the way in which Anglo American operates, through the commitment and support of our top leadership for a range of initiatives. These include diversity awareness and management programmes, employee climate and culture surveys, mentoring support, focus on entrenching a value system based on improved performance and innovation, and our extensive programmes within the communities within which we operate.

## Anglo American Group human resources principles and policies

The essence of these principles and policies is to create an environment that encourages our employees to give of their best and enables all individuals who have the will and the competence to develop rewarding careers with us.

1. **Discrimination**
   Anglo American plc and its subsidiaries promote workplace equality and will seek to eliminate all forms of unfair or arbitrary discrimination.

   It is our policy to provide equitable access to employment opportunities and to employ the best person for any role.

   We will put in place meaningful support structures based on individual needs for those who may have been previously disadvantaged, to enable every employee to realise his/her full potential.

2. **Harassment**
   All employees of the Company have a right to be treated with dignity and respect in the workplace. The Company is committed to keeping the work environment free from harassment and intimidation.

   Any employee who harasses or intimidates any other employee will be disciplined, and in serious cases this could lead to dismissal.

3. **Compliance with the law**
   All employees are required to comply with the laws of the countries within which they operate.

4. **Ethical conduct**
   We are committed to good corporate governance and require our employees to perform their duties conscientiously, honestly and with due regard for the avoidance of conflicts between any personal financial or commercial interests and their responsibilities to their employer.

5. **Protection over disclosure of misconduct**
   We encourage employees to take personal responsibility for ensuring that our Company conduct complies with our Business Principles. Issues may be raised directly with management or through the Company's anonymous whistleblowing facilities.

   Employees who, in good faith, raise a concern about any violation of our policies and principles or any other legal or ethical issue will be protected from victimisation or harassment.

6. **Fair labour practices**
   We are committed to the adoption of fair labour practices at our workplaces.

   We will not tolerate any inhumane treatment of our employees, including any form of forced labour, physical punishment or other abuse. We prohibit the use of child labour.

   We will operate fair and appropriate means for determining conditions of employment in the countries where we operate, in accordance with local employment legislation and industry standards.

7. **Working hours and time off**
   Working hours and working patterns within our different operations will be determined by local, national, seasonal and industry norms and will comply with local employment legislation.

8. **Remuneration**
   We will pay employees according to local market conditions and in accordance with local legislation and will not pay below the local living wage.

9. **Grievance procedure**
   All employees will have access to a formal grievance procedure in the event that informal means of redressing a problem have failed. This procedure will be based on the principles of fairness, representation and right of appeal.

10. **Disciplinary procedure**
    All employees facing disciplinary action will have access to a formal disciplinary procedure, which will be based on the principles of fairness, representation and right of appeal.

11. **Right to freedom of association**
    We recognise the right of our employees to freedom of association.

12. **Employee communication**
    We seek to maintain a regular two-way flow of information with employees through appropriate communication mechanisms in our operations.

13. **Provision of safe and healthy work environment**
    Senior executives and line managers are held accountable for safety and occupational health issues. Through a continuous focus on safety we strive to prevent any incident that may result in a work-related injury, fatality or the health impairment of our employees and contractors.

    Management and employees at all levels are required to take responsibility for their own health and safety and to report any potential health and safety related issues.

14. **Opportunities to enhance skills and capabilities**
    We recognise the critical contribution that our people make to our current and future business and we will invest in them appropriately.

    We will work jointly with employees to identify opportunities to enhance their skills and capabilities, enabling them to develop fulfilling careers and to maximise their contribution to the business. All employees will be encouraged to own and manage their own careers.

    All employees, either individually or as members of a team, will have performance targets, which will be regularly reviewed.

    All managerial and professional employees will have a performance contract and an annual performance, learning and development review. These employees will be encouraged to own and manage their own personal development plans.

# Directors' report

The directors have pleasure in submitting the statutory financial statements of the Group for the year ended 31 December 2005.

## Principal activities and business review

Anglo American plc is the holding company of the Anglo American group of companies (the 'Group'). The Group continues to be a global leader in the mining and natural resources sectors, with significant interests in platinum group metals, gold, diamonds, coal, base metals, industrial minerals, paper and packaging and ferrous metals and industries.

More detailed information about the Group's businesses, activities and financial performance can be found in the chairman's and chief executive's statements, and financial review on pages 2 to 17.

## Going concern

The Group's business is a going concern as interpreted by the Guidance on Going Concern and Financial Reporting for directors of listed companies registered in the UK, published in November 1994.

## Dividends

An interim dividend of 28 US cents per ordinary share was paid on 20 September 2005. The directors are recommending that a final dividend of 62 US cents per ordinary share, together with a special dividend of 33 US cents per ordinary share, be paid on 3 May 2006, subject to shareholder approval at the AGM to be held on 25 April 2006. This would bring the total dividend in respect of 2005 to 123 US cents per ordinary share. However, in accordance with International Financial Reporting Standards ('IFRS'), the final dividend will be accounted for in the financial statements for the year ended 31 December 2006.

Two shareholders have waived their rights to receive dividends. In both cases, these shareholders act as trustees / nominees holding shares for use solely in relation to the Group's employee share plans. These shareholders and the value of dividends waived during the year were;

| | |
|---|---|
| Greenwood Nominees Limited | $39,136,845 |
| Security Nominees Limited | $43,682 |

## Share capital

The Company's authorised and issued share capital as at 31 December 2005, together with details of shares allotted during the year, is set out in note 29 on page 72.

The Company was authorised by shareholders at the 2005 AGM to purchase its own shares in the market up to a maximum of 10% of the issued share capital. This authority will expire at the 2006 AGM and a resolution to renew it for a further year will be proposed. No shares were purchased during the year.

## Material shareholdings

Details of interests of 3% or more in the ordinary share capital of the Company are shown within the shareholder information section of the enclosed booklet.

## Directors

Biographical details of the directors currently serving on the Board are given on pages 24 and 25 of the Annual Review. Details of directors' interests in shares and share options of any Group company can be found in the Directors' Remuneration Report on pages 25 to 42. Sir David Scholey and Göran Lindahl retired from the Board at the conclusion of the AGM on 20 April 2005, and Tony Lea and Barry Davison retired from the Board on 30 December 2005. David Hathorn and Simon Thompson were appointed to the Board on 20 April 2005 and René Médori was appointed on 1 June 2005, each as executive directors. Ralph Alexander was appointed as an independent non-executive director on 20 April 2005 and Peter Woicke was appointed as an independent non-executive director with effect from 1 January 2006.

## Sustainable development

The Report to Society 2005 will be available from the Company in April. This report focuses on the safety, sustainable development, health and environmental performance of the Group's managed operations, their performance with regard to the Company's *Good Citizenship: Our Business Principles* and the operational dimensions of their social programmes.

## Payment of suppliers

Anglo American plc is a holding company and, as such, has no trade creditors.

Businesses across the Group are responsible for agreeing the terms under which transactions with their suppliers are conducted, reflecting local and industry norms. The Group values its suppliers and recognises the benefits to be derived from maintaining good relationships with them. Anglo American acknowledges the importance of paying invoices, especially those of small businesses, promptly.

## Value of land

Land is mainly carried in the financial statements at cost. It is not practicable to estimate the market value of land and mineral rights, since these depend on product prices over the next 20 years or longer, which will vary with market conditions.

## Post balance sheet events

With the exception of the proposed final dividend for 2005, there have been no material reportable events since 31 December 2005.

## Audit information

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

## Employment and other policies

The Anglo American Group is managed along decentralised lines. Each key operating business is empowered to manage, within the context of its own industry, and the different legislative and social demands of the diverse countries in which those businesses operate, subject to the standards embodied in Anglo American's *Good Citizenship: Our Business Principles*.

Within all the Group's businesses, the safe and effective performance of employees and the maintenance of positive employee relations are of fundamental importance. Managers are charged with ensuring that the following key principles are upheld:

- adherence to national legal standards on employment and workplace rights at all times;
- adoption of fair labour practices;
- prohibition of child labour;
- prohibition of inhumane treatment of employees and any form of forced labour, physical punishment or other abuse;
- continual promotion of safe and healthy working practices;
- promotion of workplace equality and elimination of all forms of unfair discrimination;
- provision of opportunities for employees to enhance their work-related skills and capabilities;
- recognition of the right of our employees to freedom of association; and
- adoption of fair and appropriate procedures for determining terms and conditions of employment.

Copies of the *Good Citizenship: Our Business Principles* booklet are available from the Company and may be accessed on the Company's website – **www.angloamerican.co.uk**

As in previous years, numerous employee communication and education presentations and workshops took place covering, amongst others, areas as diverse as talent management, sustainable development and group strategy. The aim was to inform and consult employees on matters of concern to them and also to raise awareness of financial and economic factors affecting the performance of the Group.

In addition, a survey of employee communication was conducted and the chief executive gave presentations to staff across the Group on lessons learned from the survey and also on the Company's strategy. The Company regularly publishes *Optima* (available on the Company's website) and *AngloWorld*, which contain items of news, current affairs and information relevant to Group employees. During the year, the Company launched a new intranet portal – 'the**source**' – aimed at promoting knowledge-sharing across the Group and keeping employees up to date with developments in those business sectors in which the Group is active.

## Charitable donations

During the year, Anglo American and its subsidiaries made donations for charitable purposes or wider social investments amounting to $56.7 million (1% of pre-tax profit). Charitable donations of $1.5 million were made in the UK, consisting of payments in respect of education, sport and youth $240,000 (16%); community development $11,000 (1%); health and HIV/AIDS $208,000 (14%); environment $296,000 (20%); arts, culture and heritage $219,000 (14%), housing/homelessness $316,000 (21%) and other charitable causes $220,000 (14%). These figures were compiled with reference to the London Benchmarking Group model for defining and measuring social investment spending. A fuller analysis of the Group's social investment activities can be found in the 2005 Report to Society.

## Political donations

No political donations were made during 2005. Anglo American has an established policy of not making donations to, or incurring expenses for the benefit of, any UK political party or any other EU political organisation as defined in the Political Parties, Elections and Referendums Act 2000.

## Annual general meeting

The AGM will be held on 25 April 2006. A separate booklet enclosed with this report contains the notice convening the meeting together with a description of the business to be conducted.

By order of the Board
Nicholas Jordan
Company Secretary
21 February 2006

# Corporate governance

## Combined Code compliance

Anglo American is committed to the highest standards of corporate governance – the way in which the Company is directed and controlled – and, except as set out below, the Company complied fully with the Combined Code on Corporate Governance (the 'Code') throughout the year under review.

As highlighted by the chairman in the 2004 Annual Review, the Company was briefly non-compliant with the Code from June to December 2005 in that less than half the Board, excluding the chairman, were independent non-executive directors. The Board considers this was fully justified in ensuring continuity and a smooth handover between Tony Lea and René Médori, Anglo American's new finance director. The Company became compliant again on 30 December 2005 upon the retirement of Messrs Davison and Lea.

## Role of the Board

The Board of directors is responsible to shareholders for the performance of the Company. Its role includes the establishment, review and monitoring of strategic objectives, approval of major acquisitions, disposals and capital expenditure and overseeing the Group's systems of internal control, governance and risk management. A schedule of matters reserved for the Board's decision details key aspects of the Company's affairs that the Board does not delegate (including, among other things, approval of business plans and budgets, material expenditure and alterations to share capital).

## Board composition and directors' independence

The Board is chaired by Sir Mark Moody-Stuart. The chairman is responsible for leading the Board and for its effectiveness. Tony Trahar is the chief executive and is responsible for the execution of strategy and the day-to-day management of the Group, supported by the Executive Board which he chairs. Rob Margetts is the senior independent non-executive director.

The Board has a strong independent element and currently comprises, in addition to the chairman, four executive and ten non-executive directors, eight of whom are independent according to the definition contained in the Code. The independent directors are indicated within the table below, and full biographical details for each director are given in the Annual Review. The letters of appointment of the non-executive directors are available for inspection at the registered office of the Company.

The Company is conscious of the need to maintain an appropriate mix of skills and experience on the Board, and to progressively refresh its composition over time. In this respect, 2005 saw the appointment of three new executive directors (David Hathorn, René Médori and Simon Thompson) and the appointment of Ralph Alexander as a new independent non-executive director. With effect from 1 January 2006, Peter Woicke was appointed to the Board as a new independent non-executive director. Tony Lea and Barry Davison retired from the Board on 30 December 2005 and Maria Silvia Bastos Marques has indicated her wish to retire from the Board at the AGM in April 2006. To provide the necessary flexibility to continue the process of progressively refreshing the composition of the Board, authority will be sought from shareholders at the AGM to amend the Company's Articles of Association to increase the maximum number of directors from 16 to 18.

## Frequency of meetings

The Board met eight times in 2005, the Audit, the Nomination and the Safety and Sustainable Development Committees four times and the Remuneration Committee three times. Directors' attendance was as follows:

| Current directors | Independent in terms of Code? | Board (eight meetings) | Audit (four meetings) | S&SD (four meetings) | Remuneration (three meetings) | Nomination (four meetings) |
|---|---|---|---|---|---|---|
| Sir Mark Moody-Stuart | n/a | All | n/a | 3 | n/a | All |
| Tony Trahar | No | All | n/a | All | n/a | n/a |
| David Hathorn[(1)] | No | 4 | n/a | n/a | n/a | n/a |
| Rob Margetts[(2)] | Yes | 7 | All | n/a | All | All |
| René Médori[(1)] | No | All | n/a | n/a | n/a | n/a |
| Simon Thompson[(1)] | No | All | n/a | n/a | n/a | n/a |
| Ralph Alexander[(1)] | Yes | All | n/a | n/a | n/a | n/a |
| David Challen[(3)] | Yes | 7 | All | n/a | All | n/a |
| Chris Fay | Yes | All | All | All | All | n/a |
| Bobby Godsell | No | All | n/a | 2 | n/a | n/a |
| Maria Silvia Bastos Marques[(3)] | Yes | 7 | n/a | 2 | n/a | n/a |
| Nicky Oppenheimer[(3)] | No | 7 | n/a | n/a | n/a | All |
| Fred Phaswana | Yes | All | All | n/a | All | All |
| Karel Van Miert[(4)] | Yes | 6 | All | n/a | n/a | All |
| Peter Woicke[(5)] | Yes | n/a | n/a | n/a | n/a | n/a |
| **Former directors** | | | | | | |
| Tony Lea | No | All | n/a | n/a | n/a | n/a |
| Barry Davison | No | All | n/a | 3 | n/a | n/a |
| Göran Lindahl[(6)] | Yes | 1 | n/a | All | n/a | n/a |
| Sir David Scholey | No | All | n/a | n/a | n/a | All |

(1) David Hathorn, René Médori, Simon Thompson and Ralph Alexander were appointed during the year and attended all Board meetings following their appointment, save for one meeting which David Hathorn missed owing to a schedule conflict arising from a meeting being called at short notice.

(2) Rob Margetts missed one Board meeting owing to a schedule conflict arising from a meeting being called at short notice.

(3) David Challen, Maria Silvia Bastos Marques and Nicky Oppenheimer missed one Board meeting each owing to conflicts in schedules.

(4) Karel Van Miert missed one Board meeting owing to a technical problem that prevented his attendance by teleconference and one owing to a schedule conflict.

(5) Peter Woicke was appointed with effect from 1 January 2006.

(6) Göran Lindahl, who retired during the year, was eligible to attend three Board meetings.

### Directors' training
Anglo American's directors have a wide range of expertise as well as significant experience in strategic, financial, commercial and mining activities. Training and briefings are also available to all directors on appointment and subsequently, as necessary, taking into account existing qualifications and experience. Directors also have access to management, and to the advice of the Company Secretary. Furthermore, all directors are entitled to seek independent professional advice concerning the affairs of Anglo American at its expense, although no such advice was sought during 2005. Presentations are made to the Board by business management on the activities of operations. Directors undertake regular visits to operations and projects and, in 2005, operations in Brazil, Chile, China and South Africa were visited. In addition, during the year directors attended workshops on corporate governance, taxation, operating and financial reviews and the functioning of remuneration committees.

### Board effectiveness
A formal evaluation of the performance of the Board, its committees and individual directors is carried out annually by means of detailed questionnaires and interviews. For the first time in 2005, the results of the evaluation were collated and analysed by an independent reviewer (from the London Business School) and were presented to the Board at its December meeting. The aim is to ensure continuous improvement in the functioning of the Board. The analysis confirmed that the Board and its committees were functioning correctly. It is the Board's current intention to engage an external reviewer for this process once every two years, the process being managed internally in the intervening year. As in past years, the evaluation process also included a review, chaired by the senior independent non-executive director (without the chairman present), of the performance of the chairman. As a result of the evaluation process, certain changes to committee membership are under consideration and a detailed external study of the internal audit function was commissioned. This study was completed in early 2006 and its findings are in the process of being implemented. In addition, changes were made to the strategic planning process.

### Committees of the Board
Subject to those matters reserved for its decision, the Board delegates certain responsibilities to a number of standing committees – the Audit, Remuneration, Nomination and Safety & Sustainable Development Committees. The terms of reference for each of these committees are published on the Company's website.

#### Remuneration Committee
The Remuneration Committee is responsible for establishing and developing the Group's general policy on executive and senior management remuneration and determining specific remuneration packages for executive directors.

The directors' remuneration report, setting out Anglo American's policy on executive remuneration, is set out on pages 25 to 42 of this Annual Report. A resolution to approve the remuneration report will be proposed at the forthcoming AGM.

The Remuneration Committee presently comprises: Rob Margetts (chairman), David Challen, Chris Fay and Fred Phaswana, all of whom are independent non-executive directors.

#### Safety & Sustainable Development Committee (S&SD)
The S&SD Committee is responsible for developing framework policies and guidelines for the management of sustainable development issues, including safety, health and environment matters, and ensuring their progressive implementation throughout the Group.

The S&SD Committee normally meets three or four times each year, including a visit to an operation, and business unit heads are invited to attend Committee meetings. Each business unit head makes a safety and sustainable development presentation to the Committee. A separate Report to Society 2005 will be published in April. This report focuses on the safety, sustainable development, health and environmental performance of the Group's managed operations, their performance with regard to the Company's '*Good Citizenship*' principles and the operational dimensions of their social programmes.

The S&SD Committee presently comprises: Chris Fay (chairman), Maria Silvia Bastos Marques, Bobby Godsell, Sir Mark Moody-Stuart, Bill Nairn, Tony Redman and Tony Trahar.

#### Nomination Committee
The Nomination Committee makes recommendations to the Board on the appointment of new executive and non-executive directors, including making recommendations as to the composition of the Board and its committees and the balance between executive and non-executive directors. The Nomination Committee meets as and when required and engages external consultants to identify appropriate candidates. During the year, the Committee managed the selection and appointment of Peter Woicke as a new independent non-executive director with effect from 1 January 2006.

The Board, via the Nomination Committee, has taken steps to ensure that the Human Resources function of the Group regularly reviews and updates the succession plans of directors and senior managers.

The Nomination Committee presently comprises: Fred Phaswana (chairman), Rob Margetts, Sir Mark Moody-Stuart, Nicky Oppenheimer and Karel Van Miert. In accordance with the provisions of the Combined Code, the majority of members and the chairman of the committee are independent non-executive directors.

#### Audit Committee
The primary role of the Audit Committee is to ensure the integrity of financial reporting and the audit process, and that a sound risk management and internal control system is maintained. In pursuing these objectives, the Audit Committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function. The Committee also monitors developments in corporate governance to ensure the Group continues to apply high and appropriate standards.

In fulfilling its responsibility of monitoring the integrity of financial reports to shareholders, the Audit Committee has reviewed accounting principles, policies and practices adopted in the preparation of public financial information and has examined documentation relating to the Annual Report, Annual Review, Interim Report, preliminary announcements and related public reports. The clarity of disclosures included in the financial statements was reviewed by the Audit Committee, as was the basis for significant estimates and judgements. In assessing the accounting treatment of major transactions open to different approaches, the Committee considered written reports by management and the external auditors. The Committee's recommendations are submitted to the Board for approval.

The chief financial officers of all operations have provided confirmation, on a six monthly basis, that financial and accounting control frameworks operate satisfactorily. The Committee considered summaries of the significant risk and control issues arising from these reports. The Committee also received regular internal and external audit reports on the results of audits at various operations. Further information on risk management processes is provided in the internal control disclosure statement on page 23.

### External audit

Anglo American's policy on auditors' independence, which came into effect on 1 January 2003, is consistent with the ethical standards published by the Auditing Practices Board in December 2004.

A key factor that may impair auditors' independence is a lack of control over non-audit services provided by the external auditors. In essence, the external auditors' independence is deemed to be impaired if the auditors provide a service which:

- results in auditing of own work by the auditors;
- results in the auditors acting as a manager or employee of the Group;
- puts the auditors in the role of advocate for the Group; or
- creates a mutuality of interest between the auditors and the Group.

Anglo American addresses this issue through three primary measures, namely:

- disclosure of the extent and nature of non-audit services;
- the prohibition of selected services; and
- prior approval by the Audit Committee chairman of non-audit services where the cost of the proposed assignment is likely to exceed $50,000.

Disclosure entails reporting non-audit services to the Group's audit committees and inclusion of prescribed detail, i.e. the breakdown of fees paid to external auditors for audit and non-audit work in the Annual Reports of listed entities. The policy's definition of prohibited non-audit services corresponds with the European Commission's recommendations on auditors' independence.

Other safeguards encapsulated in the policy include:

- the external auditors are required to adhere to a rotation policy based on best practice and professional standards in the United Kingdom. The standard period for rotation of the audit engagement partner is five years and, for any key audit principal, seven years.
- any partner designated as a key audit principal of Anglo American will not be employed by Anglo American in a key management position unless a period of at least two years has elapsed since the conclusion of the last relevant audit.
- the external auditors are required to periodically assess, in their professional judgement, whether they are independent from the Group.
- the Audit Committee ensures that the scope of the auditors' work is sufficient and that the auditors are fairly remunerated.
- the Audit Committee has primary responsibility for making recommendations to the Board on the appointment, reappointment and removal of the external auditors.
- the Audit Committee has the authority to engage independent counsel and other advisors as they determine necessary in order to resolve issues on auditor independence.

The Audit Committee has satisfied itself that the United Kingdom professional and regulatory requirements for audit partner rotation and employment of former employees of the external auditors have been complied with.

The Audit Committee considered information pertaining to the balance between fees for audit and non-audit work for the Group in 2005 and concluded that the nature and extent of non-audit fees do not present a threat to the external auditors' independence. Furthermore, after reviewing a report from the external auditors on all their relationships with Anglo American that might reasonably have a bearing on the external auditors' independence and the audit engagement partner and staff's objectivity, and the related safeguards and procedures, the Committee has concluded that the external auditors' independence was not impaired.

The Audit Committee approved the external auditors' terms of engagement, scope of work, the process for the 2005 interim review, the annual audit and the applicable levels of materiality. Based on written reports submitted, the Committee reviewed, with the external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved.

The Committee's assessment of the external auditors' performance and independence underpins its recommendation to the Board to propose to shareholders the re-appointment of Deloitte & Touche LLP as auditors until the conclusion of the AGM in 2007. Resolutions to authorise the Board to re-appoint and determine their remuneration will be proposed at the AGM on 25 April 2006.

### Internal audit

Internal audit functions operated in all of the Group's principal divisions in the period under review, reporting to local senior management with direct access to local audit committees. Each internal audit function at business or listed company level is accountable to the Group's head of internal audit for maintaining Group auditing standards, including risk reporting. Internal audit functions' mandates and annual audit coverage plans were approved by the relevant audit committees. Each audit committee considers reports on the results of internal audit work performed.

The internal audit activities are performed either by teams of appropriate, qualified and experienced employees, or through the engagement of external practitioners upon specified and agreed terms. A summary of audit results and risk-management information was presented to the Committee at regular intervals throughout the year. The Group's head of internal audit reports to the Audit Committee on internal audit functions' performance against Group standards.

Assurance regarding the accuracy and reliability of mineral resources and ore reserves disclosures is provided through a combination of internal technically proficient staff and independent third parties.

The Group's internal audit arrangements are independently reviewed every three years. An independent review was completed in early 2006 and its findings are in the process of being implemented. The previous review was completed during 2002.

### Composition

The Audit Committee presently comprises: David Challen (chairman), Chris Fay, Rob Margetts, Fred Phaswana and Karel Van Miert, all of whom are independent non-executive directors. The Board, in consultation with the audit committee chairman, makes appointments to the Committee. The Board has determined that the Committee members have the skills and experience necessary to contribute meaningfully to the Committee's deliberations. In addition, the chairman has requisite experience in accounting and financial management.

The Committee met four times during 2005, and on three of those occasions the members held discussions with the external audit partners and the head of internal audit in the absence of management.

### Effectiveness of internal control and risk management

The Executive Board, as mandated by the Board, has established a Group-wide system of internal control to manage significant Group risks. This system, which has been operating throughout the year and to the date of this report, supports the Board in discharging its responsibility for ensuring that the wide range of risks associated with the Group's diverse international operations is effectively managed

in support of the creation and preservation of shareholder wealth. Where appropriate, necessary action has been or is being taken to remedy any failings or weaknesses identified from review of the effectiveness of the internal control system.

### Internal control

The system of internal control, which is embedded in all key operations, provides reasonable rather than absolute assurance that the Group's business objectives will be achieved within the risk tolerance levels defined by the Board. Regular management reporting, which provides a balanced assessment of key risks and controls, is an important component of Board assurance. In addition, certain Board committees focus on specific risks such as safety and capital investment and provide assurance to the Board on those matters. The chief financial officers provide confirmation, on a six monthly basis, that financial and accounting control frameworks have operated satisfactorily. The Board also receives assurance from the Audit Committee, which derives its information, in part, from regular internal and external audit reports on risk and internal control throughout the Group. The Group's internal audit functions have a formal collaboration process in place with the external auditors to ensure efficient coverage of internal controls. The Anglo American internal audit function is responsible for providing independent assurance to the Executive Board and the Board on the effectiveness of the risk management process throughout the Group.

Anglo American seeks to have a sound system of internal control, based on the Group's policies and guidelines, in all material associates and joint ventures. In those companies that are independently managed, as well as joint ventures, the directors who are represented on these organisations' boards seek assurance that significant risks are being managed.

### Risk management

The Board's policy on risk management encompasses all significant business risks to the Group, including, financial, operational and compliance risk, which could undermine the achievement of business objectives. This system of risk management is designed so that the different businesses are able to tailor and adapt their risk management processes to suit their specific circumstances. This flexible approach has the commitment of the Group's senior management. There is clear accountability for risk management, which is a key performance area of line managers throughout the Group. The requisite risk and control capability is assured through Board challenge and appropriate management selection and skills development. Managers are supported in giving effect to their risk responsibilities through policies and guidelines on risk and control management. Continuous monitoring of risk and control processes, across headline risk areas and other business-specific risk areas, provides the basis for regular and exception reporting to business management and boards, the Executive Board and the Board.

Some of the headline risk areas, which have been elaborated upon in the financial review, set out on page 5 to 17 are:

- commodity price risk;
- currency risk;
- interest rate risk;
- counterparty risk; and
- liquidity and financing risks.

The risk assessment and reporting criteria are designed to provide the Board with a consistent, Group-wide perspective of the key risks. The reports to the Board, which are submitted at least every six months, include an assessment of the likelihood and impact of risks materialising, as well as risk mitigation initiatives and their effectiveness.

In conducting its annual review of the effectiveness of risk management, the Board considers the key findings from the ongoing monitoring and reporting processes, management assertions and independent assurance reports. The Board also takes account of material changes and trends in the risk profile and considers whether the control system, including reporting, adequately supports the Board in achieving its risk management objectives.

During the course of the year the Board considered the Group's responsiveness to changes within its business environment. The Board is satisfied that there is an ongoing process, which has been operational during the year, and up to the date of approval of the Annual Report, for identifying, evaluating and managing the significant risks faced by the Group in accordance with the Turnbull guidelines. This includes social, environmental and ethical risks as highlighted in the Disclosure Guidelines on Socially Responsible Investment issued by the Association of British Insurers. A detailed report on social, environmental and ethical issues will be included in the Company's Report to Society 2005.

### Accountability and audit

The Board is required to present a balanced and understandable assessment of Anglo American's financial position and prospects. Such assessment is provided in the chairman's and chief executive's statements and the financial review set out on pages 2 to 17 of this Annual Report. The respective responsibilities of the directors and external auditors are set out on page 88. As referred to in the directors' report on page 18, the directors have expressed their view that Anglo American's business is a going concern.

### Whistleblowing programme

Following adoption in December 2003 of a whistleblowing policy that is aligned with the Public Interest Disclosure Act 1998, the Group has implemented a whistleblowing programme in virtually all of the managed operations. The programme, which is monitored by the Audit Committee, is aimed at enabling employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns in cases where conduct is deemed to be contrary to our values. It may include:

- actions that may result in danger to the health and / or safety of people or damage to the environment;
- unethical practice in accounting, internal accounting controls, financial reporting and auditing matters;
- criminal offences, including money laundering, fraud, bribery and corruption;
- failure to comply with any legal obligation;
- miscarriage of justice;
- any conduct contrary to the ethical principles embraced in our *Good Citizenship: Our Business Principles* or any similar policy;
- any other legal or ethical concern; and
- concealment of any of the above.

The programme makes available a selection of telephonic, e-mail, web-based and surface mail communication channels to any person in the world who has information about unethical practice in Anglo American and its managed operations. The multilingual communication facilities are operated by independent service providers who remove all indications from information received as to the identity of the callers before submission to designated persons in the Group.

During 2005, 247 reports were received via the global Speakup facility, covering a broad spectrum of concerns, including ethical, criminal, supplier relationships, health and safety, and human resource-type issues. Reports received were kept strictly confidential and were referred to appropriate line managers within the Group for resolution. Where appropriate, action was taken to address the issues raised.

## Executive management

### Executive Board

The Executive Board is responsible for implementing the strategies and policies determined by the Board, managing the business and affairs of the Company, prioritising the allocation of capital, technical and human resources and establishing best management practices. The Executive Board is also responsible for senior management appointments and monitoring their performance and acts as the Anglo American risk committee for the purpose of reviewing and monitoring Anglo American's systems of internal control.

The Executive Board presently comprises: Tony Trahar (chairman), Philip Baum, David Hathorn, René Médori, Simon Thompson, Russell King, Tony Redman and Lazarus Zim.

### Investment Committee

The role of the Investment Committee, which is a sub-committee of the Executive Board, is to manage the process of capital allocation by ensuring that investments and divestments increase shareholder value and meet Anglo American's financial criteria. The Committee makes recommendations to the Executive Board and/or the Board on these matters. The Committee meets as required.

The Investment Committee presently comprises: René Médori (chairman), David Hathorn, Simon Thompson, Tony Redman and Peter Whitcutt.

## Relations with shareholders

The Company maintains an active dialogue with its key financial audiences, including institutional shareholders and sell-side analysts. The Investor and Corporate Affairs department manages the ongoing dialogue with these audiences and regular presentations take place at the time of interim and final results as well as during the rest of the year. An active programme with potential shareholders is also maintained.

Any concerns raised by a shareholder in relation to the Company and its affairs are communicated to the Board as a whole. The Board is briefed on a regular basis by the Investor and Corporate Affairs Department and analysts' reports are circulated to the directors.

During the year there have been regular presentations and meetings with institutional investors in the UK, South Africa, continental Europe, Australia, the USA and Canada to communicate the strategy and performance of Anglo American. Executive directors as well as key corporate officers host such presentations and meetings. The chairman is also available to shareholders to discuss any matter they wish to raise. The Company's website (**www.angloamerican.co.uk**) provides the latest and historical financial and other information on Anglo American.

Shareholders will have the opportunity at the forthcoming AGM, notice of which is contained in the booklet enclosed herewith, to put questions to the Board, including the chairmen of the various committees. Facilities have been put in place to enable shareholders on the UK register to receive Company communications electronically rather than by mail and, for those unable to attend the meeting, to cast their AGM votes by electronic means including those shareholders whose shares are held in the CREST system.

Voting on each resolution to be proposed at the AGM will be conducted on a poll rather than by a show of hands. The results of the poll will be announced to the press and on the Company's website.

# Remuneration report

## 1. Remuneration Committee

### 1.1 Role of the Remuneration Committee and terms of reference

The Remuneration Committee (the Committee) is responsible for considering and making recommendations to the Board on:

- the Company's general policy on executive and senior management remuneration;
- the specific remuneration packages for executive directors of the Company, including basic salary, performance-based short and long term incentives, pensions and other benefits; and
- the design and operation of the Company's share incentive schemes.

The full Terms of Reference of the Committee can be found on the Anglo American website (**www.angloamerican.co.uk**) and copies are available on request. The Committee met three times during 2005.

### 1.2 Membership of the Committee

The Committee comprised the following independent non-executive directors during the year ended 31 December 2005:

- Rob Margetts (chairman);
- David Challen;
- Chris Fay; and
- Fred Phaswana.

The Company's chairman and the chief executive attend the Committee meetings by invitation and assist the Committee in its considerations, except when issues relating to their own compensation are discussed. No directors are involved in deciding their own remuneration. In 2005, the Committee was advised by Russell King and Chris Corrin (Group Human Resources) and the Company's Finance function. It also took external advice from:

| Advisers | Services provided to the Committee | Other services provided to the Company |
|---|---|---|
| Monks Partnership (a subsidiary of PricewaterhouseCoopers LLP) | Appointed by the Company, with the agreement of the Committee, to provide market remuneration data | |
| PricewaterhouseCoopers LLP | Appointed by the Company, with the agreement of the Committee, to provide specialist valuation services | Investment advisers, actuaries and auditors for various pension schemes; advisors on internal audit projects and the adoption of International Financial Reporting Standards; taxation and payroll advice |
| Linklaters | Appointed by the Company, with the agreement of the Committee, to provide legal advice on long term incentives and directors' service contracts | Legal advice on certain corporate matters |
| Hewitt Bacon and Woodrow LLP | Appointed by the Company, with the agreement of the Committee, to advise on the pension arrangements of executive directors | Investment advisers and actuaries for various pension schemes |
| Mercer Human Resource Consulting Limited | Engaged by the Committee to review the Committee's processes on an annual basis, in order to provide shareholders with assurance that the remuneration processes the Committee has followed are in line with the stated policy as set out below and that the Committee has operated within its Terms of Reference | Investment advisers and actuaries for various pension schemes |
| Deloitte & Touche LLP | | In their capacity as Group auditors, Deloitte undertakes an audit of sections 10 and 11 of the remuneration report annually. However, no advice is provided to the Committee |

Certain overseas operations within the Group are also provided with audit and non-audit related services from PricewaterhouseCoopers' and Mercer's worldwide member firms.

A summary of the letter from Mercer containing the conclusions of their review of the Committee's executive remuneration processes for 2005 can be found on page 42, whilst the full letter can be found on the Company's website.

## 2. Remuneration policy on executive directors' remuneration

The Company's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the Company's business strategy in order to optimise long term shareholder value creation. It is the intention that this policy should conform to best practice standards and that it will continue to apply for 2006 and subsequent years, subject to ongoing review as appropriate. The policy is framed around the following key principles:

- total rewards will be set at levels that are sufficiently competitive to enable the recruitment and retention of high-calibre executives;
- total incentive-based rewards will be earned through the achievement of demanding performance conditions consistent with shareholder interests;
- incentive plans, performance measures and targets will be structured to operate soundly throughout the business cycle;
- the design of long term incentives will be prudent and will not expose shareholders to unreasonable financial risk;
- in considering the market positioning of reward elements, account will be taken of the performance of the Company and of the individual executive director; and
- reward practice will conform to best practice standards as far as reasonably practicable.

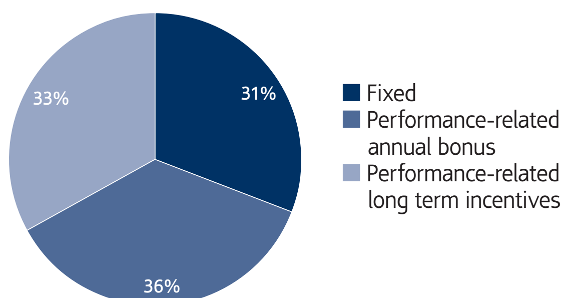
Representatives of the Company's principal investors are consulted on changes to remuneration policy.

## 3. Elements of executive director remuneration

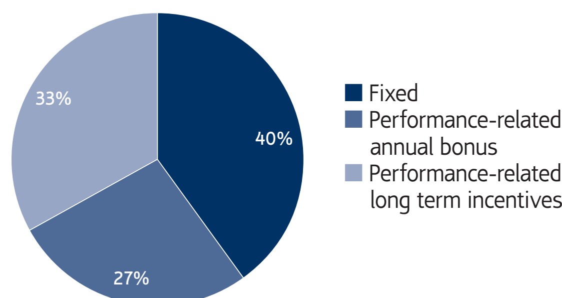
### 3.1 Remuneration mix

Each executive director's total remuneration consists of salary, annual bonus, long term incentives and benefits. An appropriate balance is maintained between fixed and performance-related remuneration and between elements linked to short term financial performance and those linked to longer term shareholder value creation.

Assuming on-target performance, the Committee's policy is that at least 50% (60% for the chief executive) or more of total executive director remuneration is performance-related. In 2005, 69% of the chief executive's remuneration on an expected-value basis was performance-related; for the other executive directors, on average, the figure was 60%[1] (see illustrative charts below).




CEO – expected values




Average other executive directors – expected values

The Bonus Share Plan (BSP) and the Long Term Incentive Plan (LTIP) are designed to align the longer term interests of shareholders and executives and to underpin the Company's performance culture. The Committee monitors the relevance and appropriateness of the performance measures and targets applicable to both plans.

Following a review of these measures, the Committee has decided to make an adjustment to the LTIP performance condition for awards made from 2005 onwards. The proposed changes are described in detail in the section of this report describing the LTIP on pages 28 and 29.

As in previous years, LTIP awards are divided, so that 50% of the award is based on Return on Capital Employed (ROCE) targets and 50% is based on Total Shareholder Return (TSR) against selected peer groups of companies. The changes to the LTIP apply only to the portion of the award that depends on TSR. The ROCE element of the award has remained unchanged for 2005, although the Committee intends to review the effectiveness of this element of the LTIP next year following a wider review of operational performance metrics across the business.

In summary, the changes are as follows:

- to reflect the Company's diverse shareholder base, which includes both sector and balanced fund investors, one half of the TSR condition will now measure performance against the FTSE 100, with the remaining half measuring performance against a sector group, as now; and
- the definition of above-target performance levels for the sector comparator group will be adjusted to avoid problems arising from the distorting effect of single-commodity companies.

In combination, these changes will better ensure that the TSR measure reflects the Company's status as a diversified resources company, that the measure will operate soundly throughout the business cycle and that the LTIP remains relevant and motivational for participants and rewards the creation of long term shareholder value.

[1] Based on expected value of share-based awards.

### 3.2 Basic salary

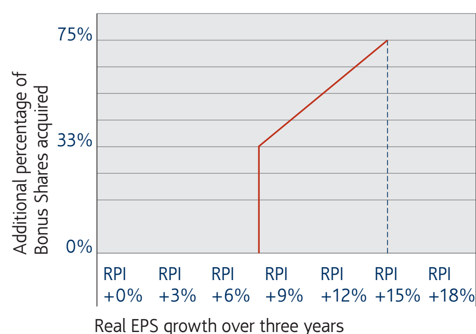
The basic salary of the executive directors is reviewed annually and is targeted at the median of companies of comparable size, market sector, business complexity and international scope. Company performance, individual performance and changes in responsibilities are also taken into consideration in setting salary levels each year.

### 3.3 Bonus Share Plan

The BSP was first operated in 2004 and all executive directors (except for those within one year of their anticipated retirement date) are normally eligible to participate in it. Barry Davison, however, did receive awards under the BSP and under the LTIP during 2005 because, at the time of the awards, it was anticipated that he would be requested to continue in employment after his contractual retirement date.

The BSP requires executive directors to invest a significant proportion of their remuneration in shares, thereby more closely aligning their interests with those of shareholders, and encourages management at all levels to build up a meaningful personal stake in the Company. Awards under the BSP are made annually and consist of three elements: a performance-related cash element, Bonus Shares as a conditional award to a value equal to the cash element and an additional performance-related element in the form of Enhancement Shares. These bonus awards are not pensionable. The BSP operates as follows:

- the value of the bonus is calculated by reference to achievement against annual performance targets which include measures of corporate (and, where applicable, business unit) performance as well as the achievement of specific individual objectives. For executive directors, the corporate element is based on stretching Earnings Per Share (EPS) targets which are calculated using underlying earnings (reconciled in note 11 of the financial statements). The key individual objectives are designed to support the Company's strategic priorities and in 2005 included safety improvement, strategy implementation, production growth, people management, cost reduction and operational performance;
- the Committee reviews these measures annually to ensure they remain appropriate and sufficiently stretching in the context of the economic and performance expectations for the Company and its operating businesses;
- it has been the Committee's usual policy to base 70% of each annual bonus award on the corporate or business measure and the remaining 30% on key personal performance measures. However, given the importance of recent strategy announcements to the overall objectives of members of the executive team, the Committee has decided that a greater weighting be given to key personal performance measures during 2006. The level of bonuses payable will be reduced if certain overall safety improvement targets are not met. Bonus parameters are set on an individual basis;
- in the case of the directors and top tier of management, half of the bonus is payable in cash. From 2006, the cash element has been adjusted to a maximum of 90% (from 75%) of basic salary in the case of the chief executive and to 75% (from 60%) of basic salary for the other executive directors to sustain a competitive market position with companies of a similar size and complexity. The maximum bonus would only be paid for meeting targets which, in the opinion of the Committee, represent and exceptional performance for the Group and take account of the increased bonus potential. The other half of the bonus is in the form of a conditional award of Bonus Shares equal in value to the cash element. These Bonus Shares vest only if the participant remains in employment with the Group until the end of a three-year holding period or is regarded by the Committee as a 'good leaver'; and
- in order to provide continuing focus on medium term performance, executive directors also receive a conditional award of Enhancement Shares at the same time as the award of Bonus Shares. The maximum potential, at face value, of the Enhancement Shares is 75% of the face value of the Bonus Shares (i.e. in the case of the CEO a maximum of 68% of basic salary). Awards of Enhancement Shares made in 2005 will vest after three years only to the extent that a challenging performance condition (real EPS growth, based on earnings per share growth against growth in the UK Retail Price Index (RPI)) is met, as shown below:




Vesting of Enhancement Shares

Real EPS growth is viewed as the most appropriate performance measure for this element of the plan because it is a fundamental financial performance indicator, both internally and externally, and links directly to the Company's long term objective of improving earnings. The targets have been approved by the Committee after reviewing industry performance over a number of years and have been set at a level which provides stretching performance levels for management. At the end of each performance period, the level of performance achieved and the proportion of awards vesting will be published in the subsequent remuneration report.

As presaged in the 2004 report, during 2005 the participation in the BSP was extended to other senior management globally below the top tier of management (totalling some 1,400 individuals) who were formerly eligible to participate in the Company's Executive Share Option Scheme (ESOS).

# Remuneration report continued

### 3.4 Share option and all employee schemes

No share options were granted to executive directors under the Company's Executive Share Option Scheme (ESOS) in 2005 and there is no intention to make future grants under the ESOS to executive directors. However, the ESOS is being retained (as noted upon the introduction of the BSP in 2004) for use in special circumstances relating to the recruitment or retention of key executives.

Executive directors remain eligible to participate in the Company's Save As You Earn (SAYE) and Share Incentive Plan (SIP) schemes. As these schemes are offered to all UK employees, performance conditions do not apply to them.

### 3.5 Long Term Incentive Plan

#### Grant levels

Conditional LTIP awards continue to be made annually to executive directors. The maximum grant level under the LTIP is 200% of basic salary. It is anticipated that in 2006, grants under the LTIP will be made at 200% of basic salary for the chief executive and 175% for the other directors. The Committee is content that the performance conditions that need to be satisfied for these awards to vest in full are sufficiently stretching in the context of the award levels. In determining annual award levels, the Committee also gives consideration to market competitiveness and has set the levels taking account of median expected value of long term incentives relative to other companies of a similar size. These awards are discretionary and considered on a case-by-case basis.

#### Performance measures

As in previous years, vesting of the LTIP awards made during 2005 is subject to the achievement of stretching performance targets, relating to TSR and to an operating measure, currently return on capital employed (ROCE), over a fixed three year period.

Half of each award is subject to a Group TSR measure while the other half is subject to a Group ROCE measure. These performance measures were selected on the basis that they clearly foster the creation of shareholder value and their appropriateness is kept under review by the Committee. At the end of each performance period, the level of ROCE performance achieved and the level of award earned will be published in the subsequent remuneration report. There is no retesting of performance.

The LTIP closely aligns the interests of shareholders and executive directors by rewarding superior shareholder return and financial performance and by encouraging executives to build up a shareholding in the Company.

#### Total shareholder return

The Committee considers comparative TSR to be a suitable long term performance measure for the Company's LTIP awards. Executives benefit only if shareholders have enjoyed returns on their investment which are superior to those that could have been obtained in other comparable companies.

For awards made prior to and including 2004, vesting of the TSR part of the LTIP varies according to the Company's TSR over the performance period relative to a weighted basket of international resources companies (the Sector Index). For reasons described under Remuneration Policy above, for awards made from 2005 onwards, the TSR performance condition has been modified.

The portion of each award that is based on TSR will now be measured 50% against the Sector Index and 50% against the constituents of the FTSE 100. As a result of these changes, maximum vesting on the TSR element of an award will only be possible if Anglo American outperforms by a substantial margin both the sector benchmark and the largest UK companies across all sectors. To achieve maximum vesting for the whole LTIP award the Company would in addition have to exceed demanding ROCE targets. This represents an extremely challenging set of performance hurdles.

#### Sector Index comparison

One half of the TSR element of an LTIP award vests according to the Company's TSR over the performance period, relative to a weighted basket of international natural resource companies (the Sector Index). The Sector Index comprises three categories: the first consists of five international diversified mining companies, the second of four international paper and packaging companies, and the third of four international industrial minerals companies. The Committee may amend the list of comparator companies in the Sector Index, and relative weightings, if circumstances make this necessary (for example, as a result of takeovers or mergers of comparator companies). In calculating TSR it is assumed that all dividends are reinvested.

For awards made in 2005, the companies constituting the Sector Index were as follows:

| | Mining | Paper and Packaging | Industrial Minerals |
|---|---|---|---|
| Category weighting | 80% | 12% | 8% |
| Comparator companies | BHP Billiton plc<br>Falconbridge Limited<br>Rio Tinto plc<br>Vedanta Resources plc<br>Xstrata plc | Sappi Limited<br>SCA<br>Stora Enso Oyj<br>UPM-Kymmene Group | CRH plc<br>Hanson plc<br>Holcim Limited<br>Lafarge |

Target performance for the Sector Index is assessed by calculating the median TSR performance within each sub-sector category, and then weighting these medians by the category weightings shown above.

Shares contingent on the Sector Index element of the TSR performance will vest as follows:

| The Company's relative TSR compared to the Sector Index | % Proportion of TSR element vesting |
|---|---|
| Below target | 0 |
| Target (matching the weighted median of the Sector Index) | 20 |
| Target plus 5% per annum | 50 |
| Target plus 7.5% per annum (or above) | 75 |

Shares will vest on a straight-line basis for performance between the levels shown in the table above.

**FTSE 100 Comparison**
The vesting of the other half of the TSR element of an LTIP award will depend on the Company's TSR performance over the performance period compared with the constituents of the FTSE 100 Index, as follows:

| The Company's relative TSR compared to the FTSE 100 | % Proportion of TSR element vesting |
|---|---|
| Below the median TSR of the FTSE 100 | 0 |
| Equal to the median TSR of the FTSE 100 | 20 |
| Equal to the 90th percentile TSR of the FTSE 100 | 50 |
| Above the 90th percentile TSR of the FTSE 100 | 75 |

Shares will vest on a straight-line basis for performance between the levels shown in the table above.

The targets above were calibrated so that for the TSR element of the award in its totality there is approximately a 10% chance of achieving full vesting and a 25% chance of two-thirds vesting. These probabilities were assessed by PricewaterhouseCoopers LLP using the same Monte Carlo model used for calculating fair values of the LTIP under IFRS 2 *Share-based payments*. The estimated average fair value of an award under the TSR element is 48% of the value of shares awarded.

Graphs showing the Company's TSR performance against the weighted average of the Sector Index and against the FTSE 100 for the five years from 1 January 2001 to 31 December 2005 can be found on page 32.

**Return on capital employed**
Group ROCE is the second performance measure for LTIP grants. The Board considers this to be among the most important factors which drive sustainable improvements in shareholder value in a natural resources business, as well as one of the most important measures of differentiation in performance in this sector.

The proportion of shares vesting based on Group ROCE will vary according to the degree of improvement in the Group's average annualised ROCE over the performance period.

The Committee sets minimum targets for improvement in returns on both capital employed for the financial year preceding the start of the performance period (existing capital employed) and on the additional capital employed during the performance period (incremental capital employed). The maximum ROCE targets are based on stretching levels of return on the existing capital employed.

The targets for each element of the LTIP conditionally awarded in 2005 are shown below. These are adjusted for movements in commodity prices, certain foreign exchange rate effects, capital in progress and for relevant changes in the composition of the Group.

| | Existing capital employed | Incremental capital employed |
|---|---|---|
| Minimum ROCE Target | 17.65% | 11% |
| Maximum ROCE Target | 19.65% | 11% |

The ROCE elements of the award vest as shown in the table below:

| | Proportion of ROCE element vesting |
|---|---|
| Below or equal to the Minimum Target | 0% |
| Equal to or greater than the Maximum Target | 100% |

Shares will vest on a straight-line basis for performance between the Minimum Target and the Maximum Target.

### 3.6 Vesting of share incentives in the event of change of control or termination of employment
In the event of a change of control of the Company, the following provisions apply under the Company's incentive plans:

- share options granted under the former ESOS may be exercised irrespective of whether the applicable performance conditions have been met;
- the number of shares that vest under the LTIP will be calculated by reference to the extent to which the applicable performance conditions have been met at the time of the change of control;
- Bonus Shares awarded under the Bonus Share Plan will be released, but Enhancement Shares awarded under that plan will vest at the end of the performance period, to the extent that the applicable performance conditions have been satisfied;
- SAYE options may be exercised (to the extent of savings at the date of exercise); and
- participants may direct the SIP trustee as to how to deal with their SIP shares (although Matching Shares may be forfeited in some circumstances).

In the event that a director's employment is terminated, vesting of outstanding share options is dependent upon the reasons the contract is terminated. Performance conditions fall away in the event of redundancy. However, if the executive resigns voluntarily, then all options lapse unless the Committee determines otherwise.

In the case of LTIP interests, if a director resigns voluntarily, then his interests lapse. If he is made redundant, vesting at the end of the performance period is based on the normal performance criteria and then pro rated for the proportion of the performance period for which the director served.

In the case of the Bonus Share Plan, if a director ceases to be employed before the end of the year in respect of which the annual performance targets apply, then no award will be made unless the Committee determines otherwise (taking into account the proportion of the year for which the director was an employee of the Group and of performance to date against the annual performance targets at the date of cessation). If a director resigns before the end of the three-year vesting period, the Bonus Share awards lapse and the Enhancement Shares are forfeited. If a director is made redundant, Bonus Share awards will be transferred as soon as practicable after the date of leaving and the Enhancement Shares will vest at the end of the performance period, to the extent that the performance conditions have been met.

### 3.7 Employee Share Ownership Trust

The Group established an Employee Share Ownership Trust in 1999 to acquire and hold shares to facilitate the operation of the Company's share schemes. As at 31 December 2005, the trust held 37,700,131 ordinary shares in the Company, registered in the name of Greenwood Nominees Limited. Shares held by the trust are not voted at the Company's general meetings.

### 3.8 Pensions

Pension and life insurance benefits for executive directors reflect practice in the countries in which they perform their principal duties. Pension arrangements are tailored to take account of historical obligations and, insofar as agreed by the Committee, the personal circumstances of each executive. Details of individual pension arrangements are set out on pages 37 and 38.

The Committee has considered the impact on UK pension arrangements of the new UK pensions regime which will apply from 6 April 2006. The Committee has decided that should an executive director request that his contract be altered for service after 6 April 2006 so that further pension benefits are reduced or cease to accrue, a pension allowance would be paid to him at the same value as his defined contribution benefits forgone. Similarly, the Committee has decided that it will consider requests from executive directors that their contracts be altered for future service, so that supplementary pension contributions are made into their defined contribution pension arrangements, in return for the executive directors giving up their right to part of their future basic salary and/or cash element of the BSP.

### 3.9 Other benefits

Executive directors are entitled to the provision of either a car allowance or a fully expensed car, medical insurance, death and disability insurance, social club membership (in accordance with local market practice), limited personal taxation / financial advice and reimbursement of reasonable business expenses. Directors based in South Africa are eligible to receive housing loan subsidies at a preferential interest rate in accordance with local market practice. The provision of these benefits is considered to be market-competitive in the appropriate locality for executive director positions.

## 4. Executive shareholding targets

Within five years of their appointment, executive directors are expected to acquire a holding of shares with a value of two times' basic salary in the case of the chief executive and one times' basic salary in the case of other executive directors.

The Committee takes into consideration achievement against these targets when making grants under the various long term incentive plans. At 31 December 2005, all directors with more than one year's service on the Board had met or exceeded their shareholding targets.

## 5. External appointments

Executive directors are not permitted to hold external directorships or offices without the approval of the Board; if approved, they may each retain the fees payable from one such appointment. During the year ended 31 December 2005, Barry Davison and René Médori retained fees from one such appointment each, amounting to £16,000 and £26,000 respectively.

## 6. Policy on non-executive directors' remuneration

Non-executive directors' remuneration is approved by the Board as a whole on the recommendation of the chairman and executive directors.

The Company's policy on non-executive directors' remuneration is based on the following key principles:

- Remuneration should be:
  - sufficient to attract and retain world-class non-executive talent;
  - consistent with recognised best practice standards for non-executive directors' remuneration;
  - in the form of cash fees, but with the flexibility to forgo all or part of such fees to acquire shares in the Company if the non-executive director so wishes (after deduction of applicable income tax and social security contributions); and
  - set by reference to the responsibilities taken on by the non-executives in chairing the Board and its committees.
- Non-executive directors may not participate in the Company's BSP, share option schemes, LTIP or pension arrangements.

The Board reviews non-executive directors' fees periodically to ensure they remain market-competitive. Additional fees are paid to the chairmen of Board committees and to the senior independent director. Where non-executive directors have Executive Board roles within subsidiaries of the Company, then they may also receive additional remuneration on account of these increased responsibilities. With the exception of Bobby Godsell, who is remunerated by AngloGold Ashanti Limited in his capacity as its chief executive, none of the non-executive directors has any such role.

### 7. Chairman's fees

The chairman's fees are reviewed periodically (on a different cycle from the review of non-executive directors' fees). A recommendation is then made to the Board (in the absence of the chairman) by the Committee and chief executive, who take external advice on market comparators.

### 8. Directors' service contracts

It is the Company's policy that the period of notice for executive directors will not exceed 12 months.

In order to properly reflect their spread of responsibilities, Tony Trahar and David Hathorn have contracts with Anglo American International (IOM) Limited and with Anglo Operations Limited. The salaries under these contracts are payable in sterling and/or South African rand as appropriate. René Médori is employed by Anglo American International (IOM) Limited and Simon Thompson is employed by Anglo American Services (UK) Limited. The employment contracts of all executive directors are terminable at 12 months' notice by either party.

| Executive directors[1] | Notice period | Date of appointment | Next AGM re-election |
|---|---|---|---|
| Tony Trahar (chief executive) | 12 months | 18 March 1999 | April 2008 |
| Barry Davison (retired 30 December 2005) | 12 months | 15 May 2001 | n/a |
| Tony Lea[2] | 12 months | 18 March 1999 | n/a |
| René Médori (finance director from 01 September 2005) | 12 months | 01 June 2005 | April 2008 |
| David Hathorn | 12 months | 20 April 2005 | April 2008 |
| Simon Thompson | 12 months | 20 April 2005 | April 2008 |

[1] At each annual general meeting (AGM) all those directors who have been in office for three years or more since their election or last re-election shall retire from office. Details of those retiring by rotation this year are contained in the notice of AGM. In addition, a director may at any AGM retire from office and stand for re-election.

[2] Tony Lea resigned as finance director with effect from 01 September 2005. In addition, he resigned from the Board with effect from 30 December 2005, although he remains an employee, and has indicated his intention to retire from the Company at the end of March 2006.

The contract of Tony Trahar contains a provision that sets out the compensation payable in lieu of notice if the Company terminates the contract (other than for cause) or if the executive director resigns in circumstances where there has been a material adverse change in role, responsibilities or remuneration. Compensation is based on the value of 12 months' basic salary, target annual bonus for 12 months and the annual value of benefits. The Company may choose whether to continue to provide other benefits during any notice period or to pay an amount equal to the gross value of these benefits over the period. As the policy of liquidated damages is no longer in complete compliance with the latest ABI guidelines and as market practice has now moved away from the inclusion of this provision in service contracts, the contracts of executive directors appointed since 2004 do not include this provision.

The contracts of executive directors do not provide for any enhanced payments in the event of a change of control of the Company.

All non-executive directors have letters of appointment with the Company for an initial period of three years from their date of appointment, subject to reappointment at the annual general meeting. In addition to his letter of appointment with the Company, Bobby Godsell has a service contract with AngloGold Ashanti Limited, an independently managed subsidiary of the Company, in his capacity as its chief executive. Under this contract, his employment may be terminated by either party giving to the other 12 months' notice.

| Non-executive directors[1][2] | Date of appointment | Next AGM re-election or election |
|---|---|---|
| Sir Mark Moody-Stuart (chairman) | 16 July 2002 | 25 April 2006 |
| Ralph Alexander | 20 April 2005 | April 2008 |
| David Challen (chairman, Audit Committee) | 09 September 2002 | 25 April 2006 |
| Chris Fay (chairman, S&SD Committee) | 19 April 1999 | April 2007 |
| Bobby Godsell | 18 March 1999 | April 2008 |
| Göran Lindahl (resigned 20 April 2005) | 27 September 2001 | n/a |
| Rob Margetts (SID and chairman, Remuneration Committee) | 18 March 1999 | April 2007 |
| Maria Silvia Bastos Marques | 09 December 2003 | n/a |
| Nicky Oppenheimer | 18 March 1999 | April 2007 |
| Fred Phaswana (chairman, Nomination Committee) | 12 June 2002 | 25 April 2006 |
| Sir David Scholey (retired 20 April 2005) | 06 December 1999 | n/a |
| Karel Van Miert | 19 March 2002 | April 2008 |
| Peter Woicke | 01 January 2006 | 25 April 2006 |

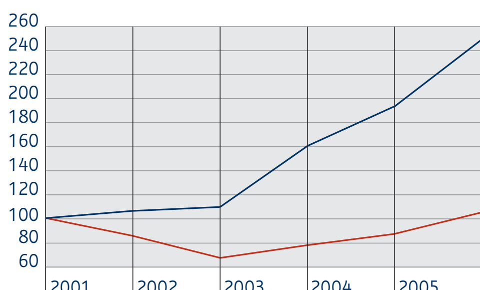
[1] At each annual general meeting (AGM) all those directors who have been in office for three years or more since their election or last re-election shall retire from office. Details of those retiring by rotation this year are contained in the Notice of AGM. In addition, a director may at any AGM retire from office and stand for re-election.

[2] There is no fixed notice period; however, the Company may in accordance with, and subject to, the provisions of the Companies Act 1985, by Ordinary Resolution of which special notice has been given, remove any director from office. The Company's articles of association also permit the directors, under certain circumstances, to remove a director from office.

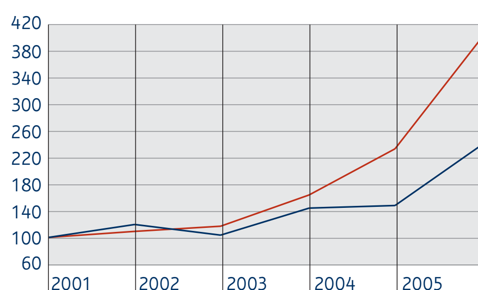
# Remuneration report continued

## 9. Historical comparative TSR performance graphs

The graphs below represent the comparative TSR performance of the Company from 1 January 2001 to 31 December 2005. In drawing these graphs it has been assumed that all dividends paid have been reinvested.




■ FTSE 100 Index ■ Anglo American plc




■ LTIP Comparator ■ Anglo American plc

The first graph shows the Company's performance against the performance of the FTSE 100 Index, chosen as being a broad equity market index consisting of companies of comparable size and complexity to Anglo American. This graph has been produced in accordance with the requirements of Schedule 7A to the Companies Act 1985.

The second graph shows the Company's performance against the weighted comparator group used to measure company performance for the purposes of the vesting of LTIP interests conditionally awarded in 2003. This graph gives an indication of how Anglo American is performing against the targets in place for LTIP interests already granted, although the specifics of the comparator companies for each year's interests may vary to reflect changes such as mergers and acquisitions amongst the Company's competitors or changes to the Company's business mix.

The TSR level shown at 31 December each year is calculated in accordance with the LTIP rules. In particular, TSR is calculated in US dollars, and the TSR level shown at 31 December each year is the average of the closing daily TSR levels for the six-month period up to and including that date.

## 10. Remuneration outcomes during 2005

The information set out in this section and section 11 has been subject to audit.

### 10.1 Directors' emoluments

The following tables set out an analysis of the pre-tax remuneration during the years ended 31 December 2005 and 2004, including bonuses but excluding pensions, for individual directors who held office in the Company during the year ended 31 December 2005.

### Executive directors

| | Basic salary[3] | | Basic salary sacrificed into International Approved Pension Scheme[3] | | Annual performance bonus[4][5] | | Benefits in kind[6] | | Payments on retirement[7] | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Executive directors[1][2] | 2005 £000 | 2004 £000 | 2005 £000 | 2004 £000 | 2005 £000 | 2004 £000 | 2005 £000 | 2004 £000 | 2005 £000 | 2004 £000 | 2005 £000 | 2004 £000 |
| Tony Trahar | 855 | 801 | 95 | 89 | 627 | 601 | 54 | 53 | – | – | 1,631 | 1,544 |
| Barry Davison | 450 | 423 | 50 | 47 | 258 | 195 | 30 | 27 | 1 | – | 789 | 692 |
| David Hathorn [8] | 335 | – | – | – | 216 | – | 17 | – | – | – | 568 | – |
| Tony Lea | 540 | 510 | – | – | 216 | 214 | 24 | 23 | – | – | 780 | 747 |
| René Médori [9] | 303 | – | – | – | 164 | – | 13 | – | – | – | 480 | – |
| Simon Thompson [8] | 335 | – | – | – | 213 | – | 17 | – | – | – | 565 | – |

[1] Subsequent to his retirement from the Board in 2004, Bill Nairn has provided consultancy services to Anglo American. He received £130,000 for the provision of these services during the year.

[2] Subsequent to their retirement from the Board in 2001, Leslie Boyd and Mike King continue to hold non-executive directorships with certain listed subsidiaries of the Group. They received fees of £26,000 (2004: £29,000) and £17,000 (2004: £21,000) respectively, for the provision of these services during the year.

[3] As Tony Trahar and Barry Davison have no provision for past service in respect of their sterling-denominated pension fund, their employing company has contractually agreed that supplementary pension contributions should be made to the Anglo American plc International Approved Pension Scheme in return for these executives having given up their right to part of their future basic salary.

[4] The performance bonus represents the cash element of the BSP. The share interests under this plan are disclosed in section 10.2.

[5] The employing companies have contractually agreed with Tony Trahar, René Médori and Simon Thompson that supplementary pension contributions should be made into their pension arrangements in 2006 in return for these executives having given up their right to all or part of the cash element in the BSP for performance in 2005.

[6] Each director receives a car allowance or a fully expensed car and a limited amount of personal taxation / financial advice. All directors receive death and disability insurance and also receive medical insurance. Tony Trahar, Tony Lea and Simon Thompson receive club membership; in addition, Tony Trahar receives a South African housing loan subsidy.

[7] Upon retirement as at 30 December 2005, Barry Davison received an award of £1,000 to mark his completion of service.

[8] Since appointment on 20 April 2005. The basic salary equates to an annualised figure of £480,000.

[9] Since appointment on 01 June 2005. The basic salary equates to an annualised figure of £520,000.

## Non-executive directors

The fees and other emoluments paid to non-executive directors during the year ended 31 December 2005 amounted to £1,683,000 (2004: £1,602,000).

| | Fees | | Other emoluments | | Total | |
|---|---|---|---|---|---|---|
| Non-executive directors[1] | 2005 £000 | 2004 £000 | 2005 £000 | 2004 £000 | 2005 £000 | 2004 £000 |
| Sir Mark Moody-Stuart | 360 | 330 | – | – | 360 | 330 |
| Ralph Alexander (appointed 20 April 2005) | 39 | – | – | – | 39 | – |
| David Challen | 67 | 67 | – | – | 67 | 67 |
| Chris Fay | 67 | 67 | – | – | 67 | 67 |
| Bobby Godsell[2][3] | 58 | 58 | 747 | 653 | 805 | 711 |
| Göran Lindahl (resigned 20 April 2005) | 17 | 55 | – | – | 17 | 55 |
| Rob Margetts | 77 | 77 | – | – | 77 | 77 |
| Maria Silvia Bastos Marques | 55 | 55 | – | – | 55 | 55 |
| Nicky Oppenheimer[2] | 58 | 61 | – | – | 58 | 61 |
| Fred Phaswana[2] | 66 | 69 | – | – | 66 | 69 |
| Sir David Scholey (retired 20 April 2005) | 17 | 55 | – | – | 17 | 55 |
| Karel Van Miert | 55 | 55 | – | – | 55 | 55 |

(1) Each non-executive director, with the exception of Sir Mark Moody-Stuart, is paid a fee of £55,000 per annum, and those non-executive directors who act as chairmen of the Audit Committee, S&SD Committee and Remuneration Committee are paid an additional sum of £12,000 per annum. The chairman of the Nomination Committee is paid an additional sum of £6,000 per annum. Rob Margetts received additional fees of £10,000 in his capacity as Senior Independent Director.

(2) Bobby Godsell, Nicky Oppenheimer and Fred Phaswana received fees for their services as non-executive directors of Anglo American South Africa Limited amounting to £3,000, £3,000 and £5,000 respectively, which are included in the above table.

(3) Under Bobby Godsell's service contract with AngloGold Ashanti, his basic salary was equivalent to £500,000 per annum (2004: £467,000) and he was awarded a performance bonus equivalent to £173,000 (2004: £170,000). Bobby Godsell is also entitled to the provision of car allowance, medical insurance and death and disability insurance. The total value of these benefits was equivalent to £16,000 (2004: £16,000). At the beginning of 2005, AngloGold Ashanti altered their policy regarding accrued leave days. As a result of this, Bobby Godsell encashed 33 days' leave at 31 December 2005, for which he received payment equivalent to £58,000.

## 10.2 Bonus Share Plan

### 10.2.1 Anglo American plc

| Bonus Share Plan interests[1] | Total interest at 1 January 2005 (or if later, date of appointment) | Number of Bonus Shares conditionally awarded during 2005[2] | Number of Enhancement Shares conditionally awarded during 2005[3] | Total interest at 31 December 2005 | Market price at date of 2005 award | Date of vesting of 2005 award of Bonus Shares[2] | End date of performance period for Enhancement Shares awarded in 2005[3] |
|---|---|---|---|---|---|---|---|
| Tony Trahar | 86,748 | 46,354 | 34,765 | 167,867 | £12.96 | 1/1/2008 | 31/12/2007 |
| Barry Davison | 22,234 | 15,013 | 11,259 | 48,506 | £12.96 | 1/1/2008 | 31/12/2007 |
| David Hathorn | 39,957 | – | – | 39,957 | £12.96 | 1/1/2008 | 31/12/2007 |
| Tony Lea | 29,600 | 16,527 | 12,395 | 58,522 | £12.96 | 1/1/2008 | 31/12/2007 |
| Simon Thompson | 52,525 | – | – | 52,525 | £12.96 | 1/1/2008 | 31/12/2007 |

(1) The BSP was approved by shareholders in 2004, as a replacement for the ESOS and the Deferred Bonus Plan. No BSP interests vested during 2005.

(2) The value of the bonus under the BSP is calculated by reference to measures of both corporate performance (based on stretching EPS targets) as well as the achievement of specific individual objectives. Details of the performance conditions applying to bonuses in 2005 are described in further detail on page 27. In 2005, the EPS bonus targets were met in full. Half of the bonus is paid in cash (which would not normally exceed 90% of basic salary for the chief executive and 75% of basic salary for the other directors) and the other half takes the form of a conditional award of Bonus Shares equal in value to the cash element. The Bonus Shares vest if the director remains in employment with the Group until the end of a three year holding period.

(3) A conditional award of Enhancement Shares was made at the same time as the award of Bonus Shares (to a maximum of 75% of the face value of the Bonus Shares). Enhancement Shares awarded in 2005 will only vest to the extent that a challenging performance condition based on EPS growth against growth in the UK Retail Price Index is met. Further details of this performance condition are provided on page 27.

### 10.2.2 AngloGold Ashanti

| Bonus Share Plan interests[1] | Total interest at 1 January 2005 | Number of Shares conditionally awarded during 2005[2] | Total interest at 31 December 2005 | Market price at date of 2005 award rand | Date of vesting of 2005 award of Shares[2] |
|---|---|---|---|---|---|
| Bobby Godsell | – | 10,135 | 10,135 | 197.50 | 4/5/2008 |

(1) The AngloGold Ashanti BSP was approved by shareholders in 2005, and replaces the previously granted performance related options. No BSP interests vested during 2005.

(2) The value of the bonus under the AngloGold Ashanti BSP is calculated as a percentage of annual salary up to a maximum of 120%, of which 50% was paid in cash and 50% by the granting of options. The market price of the shares at the date of award of Bonus Share options in 2005 was ZAR197.50, being the closing price of an AngloGold Ashanti share on the JSE on the day prior to the date of grant.

### 10.3 Long Term Incentive Plan

### 10.3.1 Anglo American plc

Conditional awards of shares made to executive directors under the LTIP are shown below:

| LTIP interests[(1)(2)] | Total beneficial interest in LTIP at 1 January 2005 (or if later, date of appointment) | Number of shares conditionally awarded during the year | Number of shares vested during the year | Number of shares lapsed during the year | Total beneficial interest in LTIP at 31 December 2005 | Latest performance period end date |
|---|---|---|---|---|---|---|
| Tony Trahar | 295,286 | 121,212 | (61,072) | (19,285) | 336,141 | 31/12/2007 |
| Barry Davison | 129,820 | 20,734 | (22,500) | (13,214) | 114,840 | 31/12/2007 |
| David Hathorn | 136,641 | – | (19,800) | (2,700) | 114,141 | 31/12/2007 |
| Tony Lea | 142,164 | 55,981 | (30,196) | (9,536) | 158,413 | 31/12/2007 |
| René Médori[(3)] | – | 61,993 | – | – | 61,993 | 31/12/2007 |
| Simon Thompson | 154,452 | – | (19,800) | (2,700) | 131,952 | 31/12/2007 |

[(1)] The LTIP awards made in 2005 are conditional on two performance conditions as outlined on page 28: the first based on the Company's TSR relative to a weighted group of international natural-resource companies and to the constituents of the FTSE 100, and the second based on an underlying operating measure which focuses on raising the Company's ROCE in the medium term. Further details on the structure of the LTIP, the required level of performance for the 2005 award and how performance against targets is measured can be found on pages 28 and 29. The market price of the shares at the date of award was £12.54.

[(2)] The performance period applicable to each award is three years. The performance period relating to the 2002 LTIP awards (which were granted on 22 April 2002) ended on 31 December 2004. Vesting was subject to two performance conditions: the first based on the Company's TSR relative to a weighted group of international natural resource companies and the second based on an underlying operating measure which focused on improvements in the Company's ROCE in the medium term. Part of each award was based on the TSR measure and part on the operating measure.

| Shares vested | Number of shares vested | Date of conditional award | Market price at date of award | Market price at date of vesting | Money value at date of vesting |
|---|---|---|---|---|---|
| Tony Trahar | 61,072 | 22/04/2002 | £11.20 | £12.88 | £786,607 |
| Barry Davison | 22,500 | 22/04/2002 | £11.20 | £12.88 | £289,800 |
| David Hathorn | 19,800 | 22/04/2002 | £11.20 | £12.88 | £255,024 |
| Tony Lea | 30,196 | 22/04/2002 | £11.20 | £12.88 | £388,924 |
| Simon Thompson | 19,800 | 22/04/2002 | £11.20 | £12.88 | £255,024 |

In the case of the LTIP awards granted in 2002, for all executive directors except for Barry Davison, the determinants for vesting were 50% on relative TSR and 50% on meeting specified Group ROCE targets. In the case of Barry Davison, to reflect his responsibility for Anglo Platinum in 2002, the targets were 50% relative TSR, 30% Group ROCE targets and 20% on Anglo Platinum specific ROCE targets. The ROCE targets are a function of targeted improvement in returns on existing capital employed at the start of the performance period and targeted returns in excess of the cost of capital on new capital investment over that period. The entry level target for any LTIP has been the actual return achieved on the capital employed, excluding capital work in progress, in the year immediately preceding the commencement of the performance period. In order to maintain the effectiveness of the plan in driving long term performance, the actual returns in the final performance year are adjusted for movements in commodity prices, certain foreign exchange rate effects (e.g. translation windfalls), capital in progress (to reflect the fact that mines under construction absorb large amounts of capital before producing a return), for relevant changes in the composition of the Group (e.g. significant acquisitions and disposals) and other one-off factors which would otherwise result in a misleading outcome.

The Committee has amended the basis of the vesting calculation for the part of the award contingent upon TSR for the 2002, 2003 and 2004 LTIP awards in order to produce a more robust measure of performance. Target performance (required to achieve 50% vesting) is now calculated by measuring median TSR performance within each sector sub-group rather than average TSR performance as was previously the case. This removes the distorting effect that extremely low or high performing companies can have on the average within small sector sub-groups, and thus results in a TSR 'ranking'. Target performance will still be defined as the weighted average of the TSR so calculated for each sector sub-group.

The threshold blended target (i.e. the target on existing and new capital) for the period was 16% and the upper blended target 18%. The ROCE achieved was 21% and the outcome on this element of the LTIP was thus 100%. On the TSR measure, Anglo American achieved a TSR over the three year performance period of 82% which generated a 52% vesting in terms of the 2002 Comparator Group. The overall vesting level for those directors with a 50% Group ROCE, 50% TSR split was therefore 76%. In the case of Barry Davison, the ROCE element attributable to Anglo Platinum's ROCE (20% of the total 2002 LTIP) achieved 35%. The overall outcome in his case therefore was 63%.

[(3)] In addition to the LTIP award disclosed above, René Médori was granted 50,600 forfeitable shares, of which 30,360 will be released to him on 1 May 2006 and 20,240 on 1 May 2007. These awards are conditional on his continued employment in the Group and are in partial compensation for long term incentives forgone at his previous employer. The market price of the shares at the date of this award was £13.34.

| Interests | Beneficial interest in forfeitable shares at date of appointment | Number of forfeitable shares awarded upon appointment | Number of forfeitable shares vested during the year | Number of forfeitable shares lapsed during the year | Total beneficial interest in forfeitable shares at 31 December 2005 | Latest performance period end date |
|---|---|---|---|---|---|---|
| René Médori | – | 50,600 | – | – | 50,600 | 30/04/2007 |

[(4)] During the year, 24,089 shares vested to Bill Nairn under the 2002 LTIP with a money value at date of vesting of £310,266. The market price at dates of award and vesting are as disclosed in footnote 2 above. In addition, 48,033 shares lapsed owing to his retirement on 31 December 2004.

### 10.3.2 AngloGold Ashanti Limited

Conditional awards of shares made to executive directors under the AngloGold Ashanti LTIP are shown below:

| LTIP interests[(1)(2)] | Total beneficial interest in LTIP at 1 January 2005 | Number of shares conditionally awarded during the year[(3)] | Number of shares vested during the year | Number of shares lapsed during the year | Total beneficial interest in LTIP at 31 December 2005 | Latest performance period end date |
|---|---|---|---|---|---|---|
| Bobby Godsell | – | 30,400 | – | – | 30,400 | 4/5/2008 |

(1) The AngloGold Ashanti LTIP was approved by shareholders in 2005, and replaces the previously granted performance related options. No LTIP interests vested during 2005.

(2) The LTIP awards made in 2005 are conditional on the extent to which the following performance conditions are met:
– 40% of the awards will vest if AngloGold Ashanti's TSR is superior to the TSR achieved by a group of five gold-producing companies; Barrick, Newmont, Placer Dome, Gold Fields and Harmony. AngloGold Ashanti's TSR must be greater than the TSR of the median performer from this group for any vesting to occur and be equal to or better than the second-placed company for full vesting to occur.
– 40% of awards will vest dependent on real growth (above US inflation) in AngloGold Ashanti's EPS of 6% per year over the performance period; and
– 20% of awards will vest dependent on the successful integration of Ashanti as measured by targeted production of 4.01 million ounces over the three-year period, cost reductions of at least $15 per ounce at Obuasi and an improvement of at least 5% in EPS in respect of the Ashanti assets over the period.

(3) The market price of an AngloGold Ashanti share at date of award was ZAR197.50, being the closing price on the JSE on the day prior to the date of grant.

## 10.4 Directors' share options

### 10.4.1 Anglo American plc

No executive share options have been granted to directors since 2003.

| Roll-over options[(1)(2)] | Beneficial holding at 1 January 2005 (or if later, date of appointment) | Granted | Exercised | Lapsed | Beneficial holding at 31 December 2005 | Weighted average option price rand | Earliest date from which exercisable | Latest expiry date |
|---|---|---|---|---|---|---|---|---|
| Tony Trahar | 5,000 | – | – | – | 5,000 | 51.25 | 1/3/2001 | 16/2/2008 |
| David Hathorn | 21,900 | – | (21,900) | – | – | – | – | – |

| Anglo American options[(2)(3)] | Beneficial holding at 1 January 2005 (or if later, date of appointment) | Granted[(4)] | Exercised | Lapsed | Beneficial holding at 31 December 2005[(5)] | Weighted average option price £ | Earliest date from which exercisable | Latest expiry date |
|---|---|---|---|---|---|---|---|---|
| Tony Trahar | 603,512 | 1,761 | (369,720) | – | 235,553 | 9.22 | 5/3/2006 | 4/3/2013 |
| Barry Davison | 239,000 | – | (149,000) | – | 90,000 | 9.28 | 5/3/2006 | 4/3/2013 |
| David Hathorn | 136,000 | – | (76,000) | – | 60,000 | 9.28 | 5/3/2006 | 4/3/2013 |
| Tony Lea[(6)] | 210,780 | – | (112,780) | – | 98,000 | 9.28 | 5/3/2006 | 4/3/2013 |
| Simon Thompson | 146,300 | – | (86,300) | – | 60,000 | 9.28 | 5/3/2006 | 4/3/2013 |

(1) Certain of the executive directors were granted share options prior to 1 January 1999 under a previous share option scheme operated by Anglo American Corporation of South Africa Limited which were 'rolled over' into Anglo American options.

(2) Share options in respect of shares, the market price for which as at 31 December 2005 is equal to, or exceeds, the option exercise price. As at 31 December 2005, there were no share options with an exercise price above the market price.

(3) Options were granted having UK Inland Revenue approval (Approved Options) and without such approval (Unapproved Options). The exercise of these historical options is subject to the Company's EPS (calculated in accordance with IAS 33: *earnings per share*, based on the Company's headline earnings measure) increasing by at least 6% above the UK Retail Price Index over a three-year period. If the performance condition is not met at the end of the first three-year period, then performance is retested each year over the 10 year life of the option on a rolling three-year basis. Options are normally exercisable, subject to satisfaction of the performance condition, between 3 and 10 years from the date of grant.

(4) 1,761 options granted under the SAYE scheme.

(5) Beneficial holdings include SAYE options held by Tony Trahar, of 3,792 and 1,761 options, with option prices of £4.85 and £10.15 respectively. There are no performance conditions attached to these options.

(6) Included within Tony Lea's exercises are 3,480 SAYE options exercised during the year.

Details of the share options exercised by the executive directors in 2005 are as follows:

| Roll-over options | Number exercised | Option price rand | Market price at date of exercise rand | Gain rand |
|---|---|---|---|---|
| David Hathorn | 21,900 | 45.25 | 196.26 | 3,307,119 |

| Anglo American options | Number exercised | Option price £ | Market price at date of exercise £ | Gain £ |
|---|---|---|---|---|
| Tony Trahar | 50,292 | 7.66 | 13.20 | 278,618 |
| | 46,816 | 7.66 | 18.83 | 522,935 |
| | 4,300 | 6.98 | 18.83 | 50,955 |
| | 47,312 | 6.98 | 13.20 | 294,281 |
| | 106,000 | 10.03 | 18.83 | 932,800 |
| | 115,000 | 11.50 | 18.93 | 854,450 |
| Barry Davison | 4,300 | 6.98 | 13.18 | 26,660 |
| | 27,700 | 6.98 | 13.18 | 171,740 |
| | 32,000 | 7.66 | 13.18 | 176,640 |
| | 40,000 | 10.03 | 18.14 | 324,400 |
| | 45,000 | 11.50 | 18.14 | 298,800 |
| David Hathorn | 40,000 | 10.03 | 19.58 | 382,000 |
| | 36,000 | 11.50 | 19.58 | 290,880 |
| Tony Lea | 4,300 | 6.98 | 13.21 | 26,789 |
| | 56,000 | 10.03 | 13.21 | 178,080 |
| | 49,000 | 11.50 | 16.67 | 253,330 |
| Simon Thompson | 4,300 | 6.98 | 16.50 | 40,936 |
| | 18,000 | 7.66 | 16.50 | 159,120 |
| | 32,000 | 10.03 | 16.50 | 207,040 |
| | 32,000 | 11.50 | 16.50 | 160,000 |

The highest and lowest mid-market prices of the Company's shares during the period 1 January 2005 to 31 December 2005 were £19.79 and £11.30 respectively. The mid-market price of the Company's shares at 31 December 2005 was £19.79.

### 10.4.2 AngloGold Ashanti Limited

Bobby Godsell has share options in AngloGold Ashanti; details of these share options are as follows:

| AngloGold Ashanti options[1] | Options held at 1 January 2005[2] | Granted | Exercised | Lapsed | Holding at 31 December 2005 | Weighted average option price rand | Earliest date from which exercisable | Latest expiry date |
|---|---|---|---|---|---|---|---|---|
| Bobby Godsell | 224,300 | – | (25,100) | – | 199,200 | 104.90 | 27/9/1996 | 4/5/2015 |

(1) The 2002, 2003 and 2004 options are subject to performance conditions, requiring at least a 7.5% real increase in EPS for 2002 options and 6% for 2003 and 2004 options, year-on-year for three consecutive years. The previous existing options vest over a five-year period from the date of grant with no attached performance criteria.

(2) Share options in respect of shares whose market price as at 31 December 2005 is equal to, or exceeds, the option exercise price.

Details of the share options exercised by Bobby Godsell in 2005 are as follows:

| AngloGold Ashanti options | Number exercised | Option price rand | Market price at date of exercise rand | Gain rand |
|---|---|---|---|---|
| Bobby Godsell | 25,100 | 104.00 | 248.50 | 3,626,950 |

The highest and lowest mid-market prices of AngloGold Ashanti's shares during the period 1 January 2005 to 31 December 2005 were ZAR319.90 and ZAR187.00 per share respectively. The mid-market price of an AngloGold Ashanti share at 31 December 2005 was ZAR314.00.

The information provided above is a summary. However, full details of directors' shareholdings and options are contained in the Registers of Directors' Interests of the Company and of AngloGold Ashanti, which are open to inspection.

### 10.5 Deferred Bonus Plan and Share Incentive Plan

In 2003 and earlier years, under the Deferred Bonus Plan (DBP) executive directors were required to defer 50% of their annual bonus and could, at the discretion of the Committee on a year-by-year basis, defer all of their bonus (net of tax) to acquire shares in the Company. If these shares are held for three years, they will be matched by the Company on a one-for-one basis, conditional upon the executive director's continued employment. No further awards have been made to directors under the DBP since 2003. (See section 12.)

The directors hold interests in deferred bonus matching shares as follows:

| Deferred bonus share matching interests | Total interest at 1 January 2005 (or if later, date of appointment) | Number of Shares vested during the year[1] | Number of shares lapsed during the year | Total interest at 31 December 2005 | Latest vesting period end date |
|---|---|---|---|---|---|
| Tony Trahar | 56,984 | (24,765) | – | **32,219** | 31/12/2005 |
| Barry Davison | 8,279 | (3,012) | – | **5,267** | 31/12/2005 |
| David Hathorn | 7,802 | – | – | **7,802** | 31/12/2005 |
| Tony Lea | 22,393 | (9,590) | – | **12,803** | 31/12/2005 |
| Simon Thompson | 8,498 | – | – | **8,498** | 31/12/2005 |

(1) During the year 10,435 shares vested to Bill Nairn under both the 2002 and 2003 DBP awards as follows:

| Number of shares vested | Number of shares vested | Date of conditional award | Market price at date of award | Market price at date of vesting | Money value at date of vesting |
|---|---|---|---|---|---|
| Bill Nairn (2002) | 1,715 | 12/4/2002 | £11.50 | £12.12 | £20,786 |
| | 1,767 | 12/4/2002 | ZAR187.60 | ZAR133.68 | ZAR236,213 |
| Bill Nairn (2003) | 3,829 | 28/3/2003 | £9.28 | £12.12 | £46,407 |
| | 3,124 | 28/3/2003 | ZAR117.95 | ZAR133.68 | ZAR417,616 |

Details of the deferred bonus matching shares vested in 2005 are as follows:

| Number of shares vested | Number of shares vested | Date of conditional award | Market price at date of award | Market price at date of vesting | Money value at date of vesting |
|---|---|---|---|---|---|
| Tony Trahar | 17,388 | 12/4/2002 | £11.50 | £12.12 | £210,743 |
| | 7,377 | 12/4/2002 | ZAR187.60 | ZAR133.68 | ZAR986,157 |
| Barry Davison | 1,350 | 12/4/2002 | £11.50 | £12.12 | £16,362 |
| | 1,662 | 12/4/2002 | ZAR187.60 | ZAR133.68 | ZAR222,176 |
| Tony Lea | 9,590 | 12/4/2002 | £11.50 | £12.12 | £116,231 |

Tony Trahar and Tony Lea each purchased 107 shares under the Share Incentive Plan (SIP) scheme during the year in addition to the 328 shares held by each of them at the beginning of the year. Simon Thompson purchased 68 shares under the SIP scheme after his date of appointment, in addition to the 172 shares held by him at 20 April 2005. If these shares are held for three years, they will be matched by the Company on a one-for-one basis, conditional upon the director's continued employment. Participants in the SIP scheme are entitled to receive dividends on these matching shares.

## 10.6 Pensions

### 10.6.1 Directors' pension arrangements

Tony Trahar participates in the Anglo American plc International Approved Pension Scheme (the Scheme), which is a defined contribution pension scheme, in terms of his contract with Anglo American International (IOM) Limited for services to be rendered outside South Africa. In 2005, normal contributions were made on his behalf into such scheme at the rate of 35% of the basic salary payable under this contract. He also participates in the Anglo American Corporation Pension Fund (the Fund) in respect of his South African contract, whereby he accrues an annual pension at the rate of 2.2% of pensionable salary (as defined in the rules of that scheme) for each year of pensionable service. This scheme provides spouse's benefits of two-thirds of the member's pension on the death of a member. It does not have provision for guaranteed pension increases.

Barry Davison participated in the Scheme up until his retirement in terms of his contract with Anglo American International (IOM) Limited; normal contributions were made on his behalf at the rate of 25% of basic salary payable under this contract. He also participated in the Anglo American Corporation Retirement Fund, whereby contributions were made at the rate of 15% of basic salary (plus car allowance for historic reasons) under his South African contract. He elected to join this scheme when it was established in September 1998 and transferred his accrued benefits from the Fund, of which he was previously a member.

David Hathorn was appointed an executive director with effect from 20 April 2005. Since then he has continued to participate in the Scheme in terms of his contract with Anglo American International (IOM) Limited; contributions were made on his behalf since the date of his appointment at the rate of 30% of basic salary payable under this contract. He also participated in the Fund, under his South African contract, on the same terms as above.

Tony Lea participates in the Anglo American plc Approved Pension Scheme (formerly known as the Minorco Executive Directors' Fund). This scheme is also a defined contribution pension scheme. Prior to the formation of the Company in May 1999, Tony Lea was entitled to employer contributions at a rate of 35% of basic salary under his contract with Anglo American International (BVI) Limited, a commitment which continued to be honoured. Tony Lea is also entitled to deferred benefits in the Anglo American Corporation Pension Fund in respect of previous South African service.

René Médori was appointed an executive director with effect from 1 June 2005. Since then he has participated in the Scheme, in terms of his contract with Anglo American International (IOM) Limited; contributions were made on his behalf since the date of his appointment at the rate of 30% of basic salary payable under this contract.

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Simon Thompson was appointed an executive director with effect from 20 April 2005. Since then he has participated in defined contribution pension arrangements in terms of his contract with Anglo American Services (UK) Limited; contributions were made or accrued on his behalf since the date of his appointment at the rate of 30% of basic salary payable under this contract.

No pension costs were incurred in respect of the non-executive directors, with the exception of Bobby Godsell, who continued to be a member of the AngloGold Ashanti Pension Fund (a defined benefit pension scheme) in his capacity as chief executive of that company.

### 10.6.2 Defined contribution pension schemes

The amounts paid into defined contribution pension schemes by the Group in respect of the individual directors were as follows:

| | Normal contributions | |
|---|---|---|
| Directors | 2005 £000 | 2004 £000 |
| Tony Trahar[(1)(2)] | 300[(3)] | 156 |
| Barry Davison[(1)] | 63 | 97 |
| Tony Lea | 189 | 179 |
| David Hathorn[(4)] | 70 | – |
| René Médori[(2)(5)] | 91 | – |
| Simon Thompson[(2)(4)] | 101 | – |

(1) Tony Trahar and Barry Davison have contractually agreed with their employing company that supplementary pension contributions should be made to the Scheme in return for these executives having given up their right to part of their future basic salary. These supplementary contributions, of £95,000 (2004: £89,000), and £50,000 (2004: £47,000) respectively, are disclosed in the directors' emoluments table on page 32.

(2) Tony Trahar, René Médori and Simon Thompson have contractually agreed with their employing companies that supplementary pension contributions should be made to the Scheme in 2006 in return for these executives having given up their right to all or part of the cash element of the BSP for performance in 2005.

(3) In addition to the normal contributions set out above, a special contribution of £5.6 million was made in 2005 into the Scheme in respect of the pension benefits of Tony Trahar. This special contribution has been calculated by independent actuaries as being the amount necessary to replace the pension benefit forgone by Tony Trahar in respect of his final salary pension arrangements. Further details were disclosed in the 2004 Remuneration Report.

(4) Following their appointment to the Board on 20 April 2005.

(5) Following his appointment to the Board on 01 June 2005.

### 10.6.3 Defined benefit pension schemes

Tony Trahar, Tony Lea and David Hathorn are eligible for membership of the Anglo American Corporation Pension Fund (the Fund) in respect of their South African remuneration (or, in the case of Tony Lea, his past service in South Africa). The Fund is a funded final salary occupational pension scheme approved by the Financial Services Board and the Commissioner of Inland Revenue in South Africa. Bobby Godsell participates in the AngloGold Ashanti Pension Fund.

| | Additional benefit earned/(expended) (excluding inflation) during the year ended 31 December | Accrued entitlement as at 31 December | Transfer value of accrued benefits as at 31 December | | Increase/(decrease) in transfer value in the year less any personal contributions[(1)] |
|---|---|---|---|---|---|
| Executive directors | 2005 £000 | 2005 £000 | 2005 £000 | 2004 £000 | £000 |
| Tony Trahar | (265) | 66 | 958 | 3,936 | (2,957) |
| Tony Lea | 2 | 54 | 796 | 633 | 167 |
| David Hathorn[(2)] | (10) | 57 | 660 | – | (55) |
| Non-executive director | | | | | |
| Bobby Godsell[(2)(3)] | 15 | 312 | 3,727 | 3,337 | 366 |

(1) The transfer value, less any personal contributions, of the increase in additional benefits earned (in the case of Tony Trahar and Tony Lea) during 2005 and in the case of David Hathorn following his appointment in April 2005 amounted for Tony Trahar, Tony Lea, David Hathorn and Bobby Godsell to £61,000, £54,000, £51,000 and £153,000 respectively.

(2) Following his appointment in April 2005. Comparative figures for 2004 are therefore not shown.

(3) In his capacity as chief executive of AngloGold Ashanti, Bobby Godsell is entitled to membership of the AngloGold Ashanti Pension Fund.

The transfer values disclosed above do not represent a sum paid or payable to the individual director; instead, they represent potential liabilities of the pension schemes.

### 10.6.4 Excess retirement benefits

No person who served as a director of the Company during or before 2005 has been paid or received retirement benefits in excess of the retirement benefits to which he was entitled on the date on which benefits first became payable (or 31 March 1997, whichever is later).

## 11. Sums paid to third parties in respect of a director's services

No consideration was paid to or became receivable by third parties for making available the services of any person: as a director of the Company, or whilst a director of the Company, as a director of any of the Company's subsidiary undertakings, or as a director of any other undertaking of which he/she was (whilst a director of the Company) a director by virtue of the Company's nomination, or otherwise in connection with the management of the Company or any undertaking during the year to 31 December 2005.

## 12 Directors' share interests

The interests of directors who held office during the period 1 January 2005 to 31 December 2005 in Ordinary Shares (Shares) of the Company and its subsidiaries were as follows:

### Shares in Anglo American plc

As at 31 December 2005
(or, if earlier, date of resignation)

| | Beneficial | Conditional | | | | | | Non-beneficial[1] |
|---|---|---|---|---|---|---|---|---|
| Directors | | SIP | Deferred bonus share match | LTIP | BSP Bonus Shares | BSP Enhancement Shares | Other | |
| Tony Trahar | 51,227 | 377 | 32,219 | 336,141 | 95,924 | 71,943 | – | 367,778 |
| Barry Davison | 53,356 | – | 5,267 | 114,840 | 27,718 | 20,788 | – | – |
| David Hathorn[2] | 23,431 | – | 7,802 | 114,141 | 22,833 | 17,124 | – | – |
| Tony Lea[3] | 48,953 | 377 | 12,803 | 158,413 | 33,441 | 25,081 | – | – |
| René Médori[4] | – | – | – | 61,993 | – | – | 50,600 | – |
| Simon Thompson[2] | 62,828 | 240 | 8,498 | 131,952 | 30,014 | 22,511 | – | – |
| Sir Mark Moody-Stuart[5] | 22,081 | – | – | – | – | – | – | – |
| Ralph Alexander | 284 | – | – | – | – | – | – | – |
| David Challen | 2,000 | – | – | – | – | – | – | – |
| Chris Fay | 7,348 | – | – | – | – | – | – | – |
| Bobby Godsell | 92 | – | – | – | – | – | | 367,778 |
| Göran Lindahl[2] | 12,529 | – | – | – | – | – | – | – |
| Rob Margetts[6] | 10,815 | – | – | – | – | – | – | – |
| Maria Silvia Bastos Marques | 752 | – | – | – | – | – | – | |
| Nicky Oppenheimer[7] | 59,126,045 | – | – | – | – | – | – | 367,778 |
| Fred Phaswana | 11,514 | – | – | – | – | – | – | – |
| Sir David Scholey[2] | 11,554 | – | – | – | – | – | – | – |
| Karel Van Miert | 500 | – | – | – | – | – | – | – |

As at 1 January 2005
(or, if later, at date of appointment)

| | Beneficial | Conditional | | | | | | Non-beneficial[1] |
|---|---|---|---|---|---|---|---|---|
| Directors | | SIP | Deferred bonus share match | LTIP | BSP Bonus Shares | BSP Enhancement Shares | Other | |
| Tony Trahar | 90,985 | 328 | 56,984 | 295,286 | 49,570 | 37,178 | – | 767,778 |
| Barry Davison | 32,299 | – | 8,279 | 129,820 | 12,705 | 9,529 | – | – |
| David Hathorn[2] | 26,551 | – | 7,802 | 136,641 | 22,833 | 17,124 | – | – |
| Tony Lea[3] | 71,833 | 328 | 22,393 | 142,164 | 16,914 | 12,686 | – | – |
| René Médori[4] | – | – | – | 61,993 | – | – | 50,600 | – |
| Simon Thompson[2] | 8,670 | 172 | 8,498 | 154,452 | 30,014 | 22,511 | – | – |
| Sir Mark Moody-Stuart[5] | 18,973 | – | – | – | – | – | – | – |
| Ralph Alexander | – | – | – | – | – | – | – | – |
| David Challen | 2,000 | – | – | – | – | – | – | – |
| Chris Fay | 5,359 | – | – | – | – | – | – | – |
| Bobby Godsell | 92 | – | – | – | – | – | – | 767,778 |
| Göran Lindahl[2] | 10,934 | – | – | – | – | – | – | – |
| Rob Margetts[6] | 8,640 | – | – | – | – | – | – | – |
| Maria Silvia Bastos Marques | 752 | – | – | – | – | – | – | – |
| Nicky Oppenheimer[7] | 59,126,043 | – | – | – | – | – | – | 767,778 |
| Fred Phaswana | 8,181 | – | – | – | – | – | – | – |
| Sir David Scholey[2] | 11,220 | – | – | – | – | – | – | – |
| Karel Van Miert | 500 | – | – | – | – | – | – | – |

# Remuneration report continued

The following changes in the above interests occurred between 1 January 2006 and the date of this report:

**Shares in Anglo American plc**

As at 1 January 2006

| | | Conditional | | | | | | Non-beneficial[1] |
|---|---|---|---|---|---|---|---|---|
| Directors | Beneficial | SIP | Deferred bonus share match | LTIP | BSP Bonus Shares | BSP Enhancement Shares | Other | |
| Tony Trahar | 51,227 | 377 | 32,219 | 336,141 | 95,924 | 71,943 | – | 367,778 |
| David Hathorn | 23,431 | – | 7,802 | 114,141 | 22,833 | 17,124 | – | – |
| René Médori[4] | – | – | – | 61,993 | – | – | 50,600 | – |
| Simon Thompson | 62,828 | 240 | 8,498 | 131,952 | 30,014 | 22,511 | – | – |
| Sir Mark Moody-Stuart[5] | 22,081 | – | – | – | – | – | – | – |
| Ralph Alexander | 284 | – | – | – | – | – | – | – |
| David Challen | 2,000 | – | – | – | – | – | – | – |
| Chris Fay | 7,348 | – | – | – | – | – | – | – |
| Bobby Godsell | 92 | – | – | – | – | – | – | 367,778 |
| Rob Margetts[6] | 10,815 | – | – | – | – | – | – | – |
| Maria Silvia Bastos Marques | 752 | – | – | – | – | – | – | – |
| Nicky Oppenheimer[7] | 59,126,045 | – | – | – | – | – | – | 367,778 |
| Fred Phaswana | 11,514 | – | – | – | – | – | – | – |
| Karel Van Miert | 500 | – | – | – | – | – | – | – |
| Peter Woicke | – | – | – | – | – | – | – | – |

As at 21 February 2006

| | | Conditional | | | | | | Non-beneficial[1] |
|---|---|---|---|---|---|---|---|---|
| Directors | Beneficial | SIP | Deferred bonus share match | LTIP | BSP Bonus Shares | BSP Enhancement Shares | Other | |
| Tony Trahar | 73,984 | 362 | – | 336,141 | 95,924 | 71,943 | – | 367,778 |
| David Hathorn | 29,075 | – | – | 114,141 | 22,833 | 17,124 | – | – |
| René Médori[4] | – | – | – | 61,993 | – | – | 50,600 | – |
| Simon Thompson | 67,854 | 252 | – | 131,952 | 30,014 | 22,511 | – | – |
| Sir Mark Moody-Stuart[5] | 22,641 | – | – | – | – | – | – | – |
| Ralph Alexander | 406 | – | – | – | – | – | – | – |
| David Challen | 2,000 | – | – | – | – | – | – | – |
| Chris Fay | 7,348 | – | – | – | – | – | – | – |
| Bobby Godsell | 92 | – | – | – | – | – | – | 367,778 |
| Rob Margetts[6] | 11,180 | – | – | – | – | – | – | – |
| Maria Silvia Bastos Marques | 1,258 | – | – | – | – | – | – | – |
| Nicky Oppenheimer[7] | 59,126,045 | – | – | – | – | – | – | 367,778 |
| Fred Phaswana | 12,092 | – | – | – | – | – | – | – |
| Karel Van Miert | 500 | – | – | – | – | – | – | – |
| Peter Woicke | – | – | – | – | – | – | – | – |

(1) Bobby Godsell and Nicky Oppenheimer are deemed to be interested in The Ernest Oppenheimer Memorial Trust's holding by virtue of being Trustees and Tony Trahar is also deemed to be interested by virtue of his wife being a Trustee. None of them is a beneficiary of the Trust.

(2) Messrs Hathorn and Thompson were appointed 20 April 2005. Göran Lindahl and Sir David Scholey resigned 20 April 2005. Their interests are included up to or after that date as appropriate.

(3) Tony Lea's beneficial interest includes 200 Shares arising as a result of his son's interest in these Shares. Mr Lea resigned from the Board on 30 December 2005.

(4) René Médori received 50,600 forfeitable shares not included in any share plans upon joining Anglo American plc. 60% matures May 2006, remaining 40% matures May 2007.

(5) Sir Mark Moody-Stuart's beneficial interest includes 12,500 Shares arising as a result of his interest in a family trust.

(6) Rob Margetts' beneficial interest arises as a result of his wife's interest in these Shares.

(7) Nicky Oppenheimer's beneficial interest in 59,125,951 of these Shares arises as a result of his interest in a discretionary trust which is treated as interested in 52,250,206 Shares in which E Oppenheimer & Son Holdings Limited is treated as interested and 6,870,745 Shares in which Central Holdings Limited is treated as interested. The 6,870,745 Shares referred to above are Shares held by Debswana Diamond Company (Pty) Limited, in which Nicky Oppenheimer and Central Holdings Limited have no economic interest. His interest in 5,000 of these Shares arises as a result of his wife's interest in a trust which has an indirect economic interest in those Shares.

## Shares in subsidiaries of Anglo American plc

| | As at 1 January 2005 | | As at 31 December 2005 | |
|---|---|---|---|---|
| | Beneficial | Non-beneficial | Beneficial | Non-beneficial |
| **AngloGold Ashanti Limited** | | | | |
| Bobby Godsell | 460 | – | 9,177 | – |
| **Anglo Platinum Limited** | | | | |
| Barry Davison | 60,392[1] | – | 50,392[2] | – |

[1] 58,392 of these shares are held through a family trust.
[2] 48,392 of these shares are held through a family trust.

## Approval

This directors' remuneration report has been approved by the Board of directors of Anglo American plc.

Signed on behalf of the Board of directors

**Rob Margetts**
21 February 2006

# Remuneration report continued

### Independent remuneration report review

This letter reports on the results of the review carried out by Mercer Human Resource Consulting Limited of the processes followed by the Anglo American Remuneration Committee (the Committee) that support the Remuneration Report for the financial year 2005. Mercer undertook the review at the request of the Chairman of the Committee in order to provide shareholders with assurance that the remuneration processes followed are appropriate and that the Committee has complied with the policies set out in the Remuneration Report.

In order to reach our opinion, we reviewed the Committee's Terms of Reference and the minutes of its meetings held during the year as well as material presented to the Committee for its review. We also interviewed the Chairman and Secretary of the Committee. Our review was not intended to audit the compensation data set forth in the Remuneration Report or to evaluate the merits of the Anglo American's remuneration programme.

Based on our review, Mercer is of the opinion that the processes followed by the Committee during 2005 were fully consistent with its Terms of Reference and that the decisions taken by the Committee were in line with the principles set out in the Remuneration Report. It continues to be our view that the Committee takes a suitably robust and pro-active approach to its work.

We note that the Committee has refined its modus operandi each year taking into account any comments we have made in our reviews. In addition, the Committee has taken steps to improve its processes reflecting areas of improvement highlighted in the Evaluation of the Committee undertaken with input from external advisers.

As a result we believe that the Anglo American Remuneration Committee is exemplary in its conduct, decision making and reporting.

The members of the Remuneration Committee are regularly updated on executive compensation and corporate governance matters.

Further detail regarding the Mercer review is included in a letter of this date addressed to the Committee Chairman which we understand will be made available on the Company's website.

Belinda Hudson
Principal
**Mercer Human Resource Consulting Limited**
Dexter House,
2 Royal Mint Court
London EC3N 4NA

26 January 2006

# Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare accounts for the Group in accordance with International Financial Reporting Standards (IFRSs) and have chosen to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP).

In the case of the Group's IFRS accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

In the case of the Company's UK GAAP accounts, the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

# Independent Auditors' Report on the Group Financial Statements to the Members of Anglo American plc

We have audited the Group financial statements ('the financial statements') of Anglo American plc for the year ended 31 December 2005 which comprise the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense, the reconciliation from EBITDA to net cash flow from operations, the statement of accounting policies and the related notes 2 to 43. These financial statements have been prepared under the accounting policies set out therein.

The corporate governance statement and the directors' remuneration report are included in the individual Company annual report of Anglo American plc for the year ended 31 December 2005.

We have reported separately on the individual Company financial statements of Anglo American plc for year ended 31 December 2005 and on the information in the directors' remuneration report included in the individual Company annual report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ('IFRSs') as adopted for use in the European Union are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulations. We also report to you if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulations.

## Separate opinion in relation to IFRS

As explained in Note 1, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2005 and of its profit for the year then ended.

**Deloitte & Touche LLP**
Chartered Accountants and Registered Auditors
London
21 February 2006

# Financial statements

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# Consolidated income statement

**for the year ended 31 December 2005**

| US$ million | Note | Before special items and remeasurements 2005 | Special items and remeasurements (note 7) 2005 | 2005 | Before special items and remeasurements 2004 | Special items and remeasurements (note 7) 2004 | 2004 |
|---|---|---|---|---|---|---|---|
| Group revenue | 2 | 29,434 | – | 29,434 | 26,268 | – | 26,268 |
| Total operating costs | | (24,090) | (487) | (24,577) | (22,627) | 25 | (22,602) |
| Operating profit from subsidiaries and joint ventures | 2,4 | 5,344 | (487) | 4,857 | 3,641 | 25 | 3,666 |
| Net profit on disposals | 7 | – | 87 | 87 | – | 1,015 | 1,015 |
| Net income from associates | 2,16 | 696 | (39) | 657 | 621 | (71) | 550 |
| Total profit from operations and associates | | 6,040 | (439) | 5,601 | 4,262 | 969 | 5,231 |
| Investment income | | 498 | 72 | 570 | 719 | – | 719 |
| Interest expense | | (926) | (37) | (963) | (974) | (112) | (1,086) |
| Net finance costs | 8 | (428) | 35 | (393) | (255) | (112) | (367) |
| Profit before tax | | 5,612 | (404) | 5,208 | 4,007 | 857 | 4,864 |
| Income tax (expense)/income | 9 | (1,283) | 8 | (1,275) | (885) | (38) | (923) |
| Profit for the financial year | | 4,329 | (396) | 3,933 | 3,122 | 819 | 3,941 |
| **Attributable to:** | | | | | | | |
| Minority interests | | 593 | (181) | 412 | 438 | 2 | 440 |
| Equity shareholders of the Company | 3 | 3,736 | (215) | 3,521 | 2,684 | 817 | 3,501 |
| **Earnings per share (US$)** | | | | | | | |
| Basic | 11 | | | 2.43 | | | 2.44 |
| Diluted | 11 | | | 2.36 | | | 2.35 |
| **Dividends** | | | | | | | |
| Proposed ordinary dividend per share (US cents) | 10 | | | 62.0 | | | 51.0 |
| Proposed ordinary dividend (US$ million) | 10 | | | 903 | | | 734 |
| Proposed special dividend per share (US cents) | 10 | | | 33.0 | | | – |
| Proposed special dividend (US$ million) | 10 | | | 480 | | | – |
| Dividends paid during the period per share (US cents) | 10 | | | 79.0 | | | 58.0 |
| Dividends paid during the period (US$ million) | 10 | | | 1,137 | | | 827 |

The impact of acquired and discontinued operations on the results for the year is not material.

Underlying earnings and underlying earnings per share are set out in note 11.

# Consolidated balance sheet

**as at 31 December 2005**

| US$ million | Note | 2005 | 2004 |
|---|---|---|---|
| Intangible assets | 12 | **2,572** | 2,644 |
| Tangible assets | 13 | **30,796** | 33,172 |
| Biological assets | 14 | **350** | 374 |
| Environmental rehabilitation trusts | 15 | **288** | 237 |
| Investments in associates | 16 | **3,165** | 3,486 |
| Fixed asset investments | 18 | **–** | 1,084 |
| Financial asset investments | 19 | **899** | – |
| Deferred tax assets | 27 | **337** | 128 |
| Other financial assets (derivatives) | 25 | **183** | – |
| Other non-current assets | | **153** | 66 |
| Total non-current assets | | **38,743** | 41,191 |
| Inventories | 20 | **3,569** | 3,549 |
| Trade and other receivables | 21 | **5,174** | 5,534 |
| Current tax assets | | **211** | 220 |
| Current asset investments | | **–** | 2 |
| Current financial asset investments | 19 | **16** | – |
| Cash and cash equivalents | 34 | **3,430** | 2,955 |
| Other current financial assets (derivatives) | 25 | **747** | – |
| Total current assets | | **13,147** | 12,260 |
| Total assets | | **51,890** | 53,451 |
| Short term borrowings | 24 | **(2,076)** | (3,383) |
| Trade and other payables | 22 | **(5,024)** | (5,368) |
| Current tax liabilities | | **(1,145)** | (831) |
| Other current financial liabilities (derivatives) | 25 | **(1,286)** | – |
| Total current liabilities | | **(9,531)** | (9,582) |
| Medium and long term borrowings | 24 | **(6,363)** | (7,817) |
| Retirement benefit obligations | 28 | **(1,258)** | (1,201) |
| Other financial liabilities (derivatives) | 25 | **(508)** | – |
| Deferred tax liabilities | 27 | **(5,201)** | (5,810) |
| Provisions | 26 | **(1,451)** | (1,328) |
| Total non-current liabilities | | **(14,781)** | (16,156) |
| Total liabilities | | **(24,312)** | (25,738) |
| Net assets | | **27,578** | 27,713 |
| Equity | | | |
| Called-up share capital | 29,33 | **747** | 747 |
| Share premium account | 33 | **1,637** | 1,633 |
| Other reserves | 33 | **1,330** | 3,074 |
| Retained earnings | 33 | **19,907** | 17,671 |
| Equity attributable to equity shareholders of the Company | | **23,621** | 23,125 |
| Minority interests | 33 | **3,957** | 4,588 |
| Total equity | | **27,578** | 27,713 |

The financial statements were approved by the Board of directors on 21 February 2006.

Tony Trahar
Chief executive

René Médori
Finance director

# Consolidated cash flow statement

**for the year ended 31 December 2005**

| US$ million | Note | 2005 | 2004 |
|---|---|---|---|
| Cash inflows from operations | 34a | 7,265 | 5,291 |
| Dividends from associates | | 461 | 368 |
| Dividends from financial/fixed asset investments | | 9 | 28 |
| Income tax paid | | (954) | (500) |
| Net cash inflows from operating activities | | 6,781 | 5,187 |
| Cash flows from investing activities | | | |
| Acquisition of subsidiaries, net of cash and cash equivalents | 30 | (298) | (1,135) |
| Disposal of subsidiaries, net of cash and cash equivalents | 31 | 419 | 274 |
| Investment in associates | | (29) | – |
| Sale of interests in associates | | 11 | 1,424 |
| Sale of interests in joint ventures | | 2 | 37 |
| Purchases of tangible assets | | (3,306) | (3,166) |
| Proceeds from disposal of tangible assets | | 327 | 151 |
| Investment in biological assets | 14 | (55) | (67) |
| Purchases of financial asset investments | | (203) | (108) |
| Proceeds from sale of financial asset investments | | 245 | 263 |
| Loans granted to related parties | | – | 6 |
| Repayment of loans and capital from associates | 16 | 370 | 299 |
| Loan repayments from related parties | | 1 | – |
| Utilised in hedge restructure | | (69) | – |
| Other investing activities | | (18) | (4) |
| Net cash used in investing activities | | (2,603) | (2,026) |
| Cash flows from financing activities | | | |
| Issue of shares by subsidiaries to minority interests | | 73 | 146 |
| Sale of treasury shares to employees | | 240 | 46 |
| Repayment of short term borrowings | | (1,356) | (1,830) |
| Repayment of medium and long term borrowings | | (632) | (598) |
| Issue of convertible bonds | | – | 990 |
| Decrease in minority loans | | – | (2) |
| Increase in current financial/current asset investments | | 13 | 23 |
| Interest received | | 210 | 195 |
| Interest paid | | (547) | (601) |
| Dividends paid to minority interests | | (421) | (178) |
| Dividends paid to Company shareholders | | (1,137) | (827) |
| Other financing activities | | (19) | (39) |
| Net cash used in financing activities | | (3,576) | (2,675) |
| Net increase in cash and cash equivalents | | 602 | 486 |
| Cash and cash equivalents at start of year | | 2,781 | 2,186 |
| Cash movements in the year | | 602 | 486 |
| Effects of changes in foreign exchange rate | | (64) | 109 |
| Cash and cash equivalents at end of year | 34b | 3,319 | 2,781 |

# Consolidated statement of recognised income and expense

**for the year ended 31 December 2005**

| US$ million | 2005 | 2004 |
|---|---|---|
| Gain on revaluation of available for sale investments | 31 | – |
| Loss on cash flow hedges | (316) | – |
| Exchange (losses)/gains on translation of foreign operations | (2,182) | 2,617 |
| Actuarial loss on post-retirement benefit schemes | (171) | (57) |
| Actuarial (loss)/gain on post-retirement benefit schemes – associates | (24) | 31 |
| Deferred tax | 140 | 6 |
| Other movements | 5 | (32) |
| Net (expense)/income recognised directly in equity | (2,517) | 2,565 |
| Transfers | | |
| Transferred to profit or loss: sale of available for sale investments | (32) | – |
| Transferred to profit or loss: cash flow hedges | (8) | – |
| Transferred to profit or loss: exchange differences on disposal of foreign operations | – | (30) |
| Total transferred from equity | (40) | (30) |
| Profit for the year | 3,933 | 3,941 |
| Total recognised income and expense | 1,376 | 6,476 |
| Adoption of IAS 32 and IAS 39 (see note 41) | (127) | – |
| Total recognised income and expense for the year | 1,249 | 6,476 |
| | | |
| Attributable to: | | |
| Minority interests | (40) | 755 |
| Equity shareholders of the Company | 1,289 | 5,721 |

# Reconciliation from EBITDA to cash inflows from operations

**for the year ended 31 December 2005**

| US$ million | 2005 | 2004 |
|---|---|---|
| EBITDA[1] | 8,959 | 7,031 |
| Share of operating profit of associates before special items and remeasurements | (1,032) | (1,056) |
| Underlying depreciation and amortisation in associates | (142) | (227) |
| Share option expense | 92 | 50 |
| Fair value gains before remeasurements | (278) | – |
| Provisions | 113 | 17 |
| Increase in inventories | (453) | (279) |
| Increase in operating debtors | (600) | (444) |
| Increase in operating creditors | 539 | 113 |
| Other adjustments | 67 | 86 |
| Cash inflows from operations | 7,265 | 5,291 |

[1] EBITDA is operating profit before special items and remeasurements plus depreciation and amortisation in subsidiaries and joint ventures and share of EBITDA of associates:

| US$ million | 2005 | 2004 |
|---|---|---|
| Operating profit includes associates' operating profit before special items and remeasurements | 6,376 | 4,697 |
| Depreciation and amortisation | | |
| Subsidiaries and joint ventures | 2,441 | 2,107 |
| Associates | 142 | 227 |
| EBITDA | 8,959 | 7,031 |

# Notes to financial statements

## 1. Accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations for the first time and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The disclosure required by IFRS 1 *First-time adoption of international financial reporting standards* concerning the transition from UK GAAP to IFRS is given in note 40. Accordingly the Group complies with all IFRSs including those adopted for use in the European Union and those issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention as modified by the revaluation of biological assets and certain financial instruments. A summary of the principal Group accounting policies is set out below, together with an explanation of where changes have been made to previous IFRS policies on the adoption of new accounting standards in the year.

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'.

### Early adoption of standards

The Group, as a first-time IFRS reporter, has adopted early with effect from 1 January 2004 the following standards and interpretations as at 31 December 2005, the reporting date of the Group's first IFRS financial statements:

- IAS 19 *Employee benefits amended;*
- IFRS 6 *Exploration for and evaluation of mineral resources;*
- IFRIC 1 *Changes in existing decommissioning, restoration and similar liabilities;*
- IFRIC 2 *Members' shares in co-operative entities and similar instruments;*
- IFRIC 4 *Determining whether an arrangement contains a lease;*
- IFRIC 5 *Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds*.

We note that IFRS 6 does not impact the Group's existing policy for exploration and evaluation expenditure.

### Changes in accounting policies

The following IFRS accounting policy changes have been made with effect from 1 January 2005:

1) Financial instruments; and
2) Held for sale assets and discontinued operations.

### 1) Financial instruments

The Group has taken the exemption under IFRS 1 to apply IAS 32 *Financial instruments: disclosure and presentation* and IAS 39 *Financial instruments: recognition and measurement* prospectively from 1 January 2005. As such, the financial information presented for the year ended 31 December 2004 excludes any adjustments required from adoption of these two standards.

As set out in note 41, the consolidated balance sheet as at 31 December 2004 has been adjusted to apply IAS 32 and IAS 39 prospectively from 1 January 2005. The accounting policies for financial instruments are set out below.

### 2) Held for sale assets and discontinued operations

The Group has applied IFRS 5 *Non-current assets held for sale and discontinued operations* prospectively from 1 January 2005. Application of the policy change is in accordance with transitional provisions set out in the standard.

Previously, the Group applied IAS 35 *Discontinuing operations* which required the restatement of comparative information once an operation was identified as discontinuing.

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 the sale 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) and associated liabilities held for sale 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.

Discontinued operations are classified as held for sale and are either a separate major line of business or geographical area of operations that have been sold or are part of a single co-ordinated plan to be disposed of, or is a subsidiary acquired exclusively with a view to sale. Once an operation has been identified as discontinued, or is reclassified as continuing, the comparative information is restated.

$757 million of assets and $283 million of liabilities associated with disposal groups were reclassified as held for sale during the year. These disposal groups were sold prior to year end and no new disposal groups were identified as at 31 December 2005. Impairment charges of $36 million, after tax and minority interests, were recorded on the reclassification of these assets.

### 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.

The interest of minority shareholders is initially stated at the minority's proportion of the fair values of the assets and liabilities recognised on acquisition. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

### 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.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Where the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition 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.

The Group's share of associates' profit or loss 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 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.

## 1. Accounting policies continued

### 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. A sale is recognised when the significant risks and rewards of ownership have passed. This is when title and insurance risk has 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. 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. The amount credited to cost of sales for the year ended 31 December 2005 was $76 million and $81 million for the year ended 31 December 2004 and relates principally to AngloGold Ashanti which credits uranium, silver and acid to cost of sales in accordance with the Gold Industry Standard on production costs.

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 fixed assets. Goodwill relating to associates is included within the carrying value of the associate.

Where the fair values 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.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP carrying value subject to being tested for impairment at that date. Subsequent impairment tests are performed in accordance with the impairment policy set out below. Goodwill that was eliminated against reserves under UK GAAP prior to 1998 has not been reinstated and will not be included in determining any profit or loss on disposal.

Negative goodwill arising on acquisitions prior to 31 December 2003 has been eliminated against retained earnings at that date.

### 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.

Stripping costs incurred during the production phase to remove additional overburden or waste ore are deferred when they give access to future economic benefits and charged to operating costs using the expected average stripping ratio over the average life of the area being mined. 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 average life of mine stripping ratio and the average life of mine cost per tonne is recalculated annually in light of additional knowledge and changes in estimates. The cost of stripping in any period will therefore be reflective of the average stripping rates for the orebody as a whole. 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 useful economic lives are reviewed at least annually.

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

### Licences and other intangibles

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 3 and 5 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 CGUs 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 CGUs to which goodwill is allocated is provided in note 12. The recoverable amount of the group of CGUs 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.

### 1. Accounting policies continued

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 presented within cash flows from investing activities in the 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.

#### 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. Pension plans' assets are measured using period end market values.

The Group has adopted the amendment to IAS 19 and as such 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.

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.

#### Taxation

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

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).

#### Discontinuing operations (pre 1 January 2005)

Discontinuing operations are significant, distinguishable components of an enterprise that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance.

Once an operation has been identified as discontinuing, or is reclassified as continuing, the comparative information is restated.

#### Non-current assets held for sale and discontinued operations (post 1 January 2005)

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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 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.

Discontinued operations are classified as held for sale and are either a separate major line of business or geographical area of operations that have been sold or are part of a single co-ordinated plan to be disposed of, or is a subsidiary acquired exclusively with a view to sale. Once an operation has been identified as discontinued, or is reclassified as continuing, the comparative information is restated.

#### 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 installation 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.

## 1. Accounting policies continued

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 are 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 currency translation reserve. The Group elected to set the currency translation reserve to zero at 1 January 2004 in accordance with IFRS 1. Exchange differences on foreign currency loans that form part of the Group's net investment in these foreign operations are offset in the currency translation reserve.

Cumulative translation differences arising after the transition date to IFRS are recognised as income or as expenses 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. Where applicable, the Group has elected to treat goodwill arising on acquisitions before the date of transition to IFRS as US dollar denominated assets.

### 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.

### 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 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.

### 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 on hand and 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 also included as a component of cash and cash equivalents. 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 as reduced by appropriate allowances for estimated irrecoverable amounts.

### Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

### Equity instruments

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

### Investments (pre 1 January 2005)

Investments, other than investments in subsidiaries, joint ventures and associates, are fixed asset investments and are included at cost less provision for any impairment in value.

### Hedging transactions (pre 1 January 2005)

In order to hedge its exposure to foreign exchange, interest rate and commodity price risks, the Group enters into forward, option and swap contracts. Gains and losses on these contracts are recognised in the period to which the gains and losses of the underlying transactions relate. Net income or expense associated with interest rate swap agreements is recognised on the accrual basis over the life of the swap agreements as a component of interest. Where commodity option contracts hedge anticipated future production or purchases, the Group amortises the option premiums paid over the life of the option and recognises any realised gains and losses on exercise in the period in which the hedged production is sold or commodity purchases are made.

### Convertible debt (pre 1 January 2005)

Convertible bonds are recorded entirely as liabilities, irrespective of the probability of future conversion, until either converted or redeemed.

### Investments (post 1 January 2005)

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 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 for the period within other gains and losses. For available for sale investments, unrealised gains and losses are recognised in equity until the security 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 (post 1 January 2005)

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.

### Convertible debt (post 1 January 2005)

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.

# Notes to financial statements continued

### 1. Accounting policies continued

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, in accordance with IFRIC guidance issued in their published update following their April 2005 meeting. 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.

#### Financial liabilities and equity instruments (post 1 January 2005)

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.

#### 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 (post 1 January 2005)

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 forecasted 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.

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 or income 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 of the period.

Derivatives embedded in other financial instruments or other 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.

### 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 16.

#### Primary reporting format – by business segment

| | Segment revenue[(1)(2)] | | Segment result before special items and remeasurements[(3)] | | Segment result after special items and remeasurements | |
|---|---|---|---|---|---|---|
| US$ million | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| **Subsidiaries and joint ventures** | | | | | | |
| Platinum[(4)] | 3,646 | 3,065 | 835 | 527 | 835 | 527 |
| Gold | 2,629 | 2,396 | 332 | 296 | (50) | 295 |
| Coal | 2,766 | 1,914 | 752 | 321 | 753 | 321 |
| Base Metals | 3,647 | 3,232 | 1,678 | 1,280 | 1,667 | 1,160 |
| Industrial Minerals | 4,043 | 3,833 | 366 | 416 | 350 | 407 |
| Ferrous Metals and Industries | 6,030 | 5,137 | 1,308 | 591 | 1,312 | 746 |
| Paper and Packaging | 6,673 | 6,691 | 484 | 575 | 401 | 575 |
| Exploration | – | – | (150) | (120) | (150) | (120) |
| Corporate Activities | – | – | (261) | (245) | (261) | (245) |
| **Total subsidiaries and joint ventures** | 29,434 | 26,268 | 5,344 | 3,641 | 4,857 | 3,666 |
| **Net income from associates** | | | | | | |
| Platinum[(4)] | 68 | 55 | 12 | 4 | 12 | 4 |
| Gold | 15 | 13 | – | – | (2) | – |
| Diamonds | 3,316 | 3,177 | 386 | 319 | 257 | 329 |
| Coal | 583 | 468 | 192 | 118 | 192 | 118 |
| Base Metals | – | 88 | – | (4) | – | (85) |
| Industrial Minerals | 30 | 25 | 3 | 4 | 3 | 4 |
| Ferrous Metals and Industries | 743 | 1,526 | 96 | 191 | 189 | 191 |
| Paper and Packaging | 283 | 228 | 7 | (12) | 6 | (12) |
| Corporate Activities | – | 90 | – | 1 | – | 1 |
| **Total associates** | 5,038 | 5,670 | 696 | 621 | 657 | 550 |
| **Total Group operations including net income from associates** | 34,472 | 31,938 | 6,040 | 4,262 | 5,514 | 4,216 |
| Net profit on disposals | | | | | 87 | 1,015 |
| **Total profit from operations and associates** | | | | | 5,601 | 5,231 |

Footnotes [(1), (2), (3)] and [(4)] are to be found on the following page.

As further additional information, a segmental analysis of associates' operating profit is set out below to show operating profit for total Group operations including associates.

## 2. Segmental information continued

| US$ million | Operating profit before special items and remeasurements 2005 | Operating profit before special items and remeasurements 2004 | Operating profit after special items and remeasurements 2005 | Operating profit after special items and remeasurements 2004 |
|---|---|---|---|---|
| Total subsidiaries and joint ventures | 5,344 | 3,641 | 4,857 | 3,666 |
| Associates | | | | |
| Platinum | 19 | 9 | 19 | 9 |
| Gold | – | – | (2) | – |
| Diamonds | 583 | 573 | 431 | 573 |
| Coal | 267 | 176 | 267 | 176 |
| Base Metals | – | (4) | – | (121) |
| Industrial Minerals | 4 | 5 | 4 | 5 |
| Ferrous Metals and Industries | 148 | 296 | 149 | 296 |
| Paper and Packaging | 11 | (6) | 11 | (6) |
| Corporate Activities | – | 7 | – | 7 |
| Total associates | 1,032 | 1,056 | 879 | 939 |
| Total Group operations including operating profit from associates | 6,376 | 4,697 | 5,736 | 4,605 |

[1] Revenue is measured at the fair value of consideration received or receivable for all significant products. Where a by-product is not regarded as significant, then revenue may be credited against cost of sales. The amount credited to cost of sales for the 12 months ended 31 December 2005 was $76 million (December 2004: $81 million) and related principally to AngloGold Ashanti who credit uranium, silver and acid to cost of sales in accordance with the Gold Industry Standard on production cost.

[2] Base Metals' turnover is stated net of treatment and refining charges on concentrate sales to external parties and refining charges on copper anode sales from Chagres to refineries.

[3] Segment result is defined as being segment revenue less segment expense; that is operating profit and gains and losses from foreign currency derivatives that have been recycled in the income statement in cash flow hedges of sales and purchases. In addition 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 are set out in note 7. Associates' operating profit is reconciled to 'Net income from associates' as follows:

| US$ million | 2005 | 2004 |
|---|---|---|
| Operating profit from associates before special items and remeasurements | 1,032 | 1,056 |
| Operating special items and remeasurements (see note 7) | (153) | (117) |
| Operating profit from associates after special items and remeasurements | 879 | 939 |
| Net profit on disposals (see note 7) | 98 | 10 |
| Other special items and remeasurements (see note 7) | 7 | – |
| Net finance costs (before remeasurements) | (51) | (100) |
| Income tax expense (after special items and remeasurements) | (274) | (280) |
| Underlying minority interest (after special items and remeasurements) | (2) | (19) |
| Net income from associates | 657 | 550 |

[4] See note 38.

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 | 2005 | 2004 |
|---|---|---|
| Operating profit, including associates, before special items and remeasurements | 6,376 | 4,697 |
| Operating special items and remeasurements (see note 7): | | |
| Subsidiaries and joint ventures | (487) | 25 |
| Gold | (382) | (1) |
| Coal | 1 | – |
| Base Metals | (11) | (120) |
| Industrial Minerals | (16) | (9) |
| Ferrous Metals and Industries | 4 | 155 |
| Paper and Packaging | (83) | – |
| Associates | (153) | (117) |
| Gold | (2) | – |
| Diamonds | (152) | – |
| Base Metals | – | (117) |
| Ferrous Metals and Industries | 1 | – |
| Operating profit, including associates, after special items and remeasurements | 5,736 | 4,605 |
| Net profit on disposals | | |
| Subsidiaries and joint ventures | 87 | 1,015 |
| Associates | 98 | 10 |
| Associates' financing remeasurements | 7 | – |
| Associates' net finance costs | (51) | (100) |
| Associates' income tax expense | (274) | (280) |
| Associates' underlying minority interests | (2) | (19) |
| Total profit from operations and associates | 5,601 | 5,231 |
| Financing remeasurements | 35 | (112) |
| Net finance costs before remeasurements | (428) | (255) |
| Profit before tax | 5,208 | 4,864 |
| Income tax expense | (1,275) | (923) |
| Profit for the financial year | 3,933 | 3,941 |

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

| US$ million | Segment assets[1] 2005 | Segment assets[1] 2004 | Segment liabilities[2] 2005 | Segment liabilities[2] 2004 | Net segment assets 2005 | Net segment assets 2004 | Capital expenditure[3] 2005 | Capital expenditure[3] 2004 |
|---|---|---|---|---|---|---|---|---|
| Platinum | 7,550 | 7,939 | (532) | (379) | 7,018 | 7,560 | 685 | 910 |
| Gold | 7,890 | 7,693 | (908) | (569) | 6,982 | 7,124 | 721 | 3,653 |
| Coal | 3,024 | 3,087 | (780) | (784) | 2,244 | 2,303 | 331 | 271 |
| Base Metals | 5,358 | 5,415 | (573) | (463) | 4,785 | 4,952 | 273 | 505 |
| Industrial Minerals | 5,041 | 5,381 | (1,059) | (901) | 3,982 | 4,480 | 312 | 365 |
| Ferrous Metals and Industries | 5,341 | 6,364 | (902) | (1,062) | 4,439 | 5,302 | 376 | 432 |
| Paper and Packaging | 7,400 | 8,140 | (1,035) | (1,544) | 6,365 | 6,596 | 703 | 1,546 |
| Exploration | – | – | (3) | – | (3) | – | – | – |
| Corporate Activities | 251 | 177 | (310) | (272) | (59) | (95) | 27 | 11 |
| | 41,855 | 44,196 | (6,102) | (5,974) | 35,753 | 38,222 | 3,428 | 7,693 |
| Unallocated: | | | | | | | | |
| Investments in associates | 3,165 | 3,486 | – | – | 3,165 | 3,486 | | |
| Financial/fixed asset investments | 915 | 1,086 | – | – | 915 | 1,086 | | |
| Deferred tax assets/(liabilities) | 337 | 128 | (5,201) | (5,810) | (4,864) | (5,682) | | |
| Cash and cash equivalents | 3,430 | 2,955 | – | – | 3,430 | 2,955 | | |
| Other financial assets/(liabilities) – derivatives | 930 | – | (1,794) | – | (864) | – | | |
| Other non-operating assets/(liabilities) | 1,258 | 1,600 | (2,420) | (2,384) | (1,162) | (784) | | |
| Provisions | – | – | (356) | (370) | (356) | (370) | | |
| Borrowings | – | – | (8,439) | (11,200) | (8,439) | (11,200) | | |
| Net assets | 51,890 | 53,451 | (24,312) | (25,738) | 27,578 | 27,713 | | |

[1] Segment assets at 31 December 2005 are operating assets and consist primarily of tangible assets ($30,796 million), intangible assets ($2,572 million), biological assets ($350 million), environmental rehabilitation trusts ($288 million), inventories ($3,569 million), pension and post-retirement healthcare assets ($77 million) and operating receivables ($4,203 million). Segment assets at 31 December 2004 consist of tangible assets ($33,172 million), intangible assets ($2,644 million), biological assets ($374 million), inventories ($3,549 million), pension and post-retirement healthcare assets ($2 million) and operating receivables ($4,455 million).

[2] Segment liabilities are operating liabilities and consist primarily of non-interest bearing current liabilities, restoration and decommissioning provisions and provisions for post-retirement benefits.

[3] Capital expenditure reflects cash payments and accruals in respect of additions to tangible assets (see note 13) and intangible assets $3,377 million (2004: $3,631 million) (see note 12) and includes additions resulting from acquisitions through business combinations $51 million (2004: $4,062 million), (see notes 12,13 and 30).

## 2. Segmental information continued

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

| US$ million | Depreciation and amortisation 2005 | Depreciation and amortisation 2004 | (Impairments)/ reversal[1] 2005 | (Impairments)/ reversal[1] 2004 | Other non-cash expenses[2] 2005 | Other non-cash expenses[2] 2004 |
|---|---|---|---|---|---|---|
| Platinum | 428 | 313 | – | – | 55 | 39 |
| Gold | 538 | 398 | (96) | (1) | 50 | 27 |
| Coal | 188 | 150 | – | – | 14 | 39 |
| Base Metals | 312 | 339 | 1 | (120) | 68 | 8 |
| Industrial Minerals | 248 | 217 | (16) | (9) | 36 | 12 |
| Ferrous Metals and Industries | 300 | 274 | 8 | 155 | 56 | 7 |
| Paper and Packaging | 411 | 400 | (83) | – | 17 | 25 |
| Exploration | – | – | – | – | 1 | 1 |
| Corporate Activities | 16 | 16 | – | – | 41 | 28 |
| | 2,441 | 2,107 | (186) | 25 | 338 | 186 |

[1] See operating special items in note 7.

[2] Other non-cash expenses primarily include share-based payments and charges in respect of environmental, rehabilitation and other provisions.

### 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 2005 | Revenue 2004 |
|---|---|---|
| **Subsidiaries and joint ventures** | | |
| South Africa | 5,280 | 4,768 |
| Rest of Africa | 505 | 485 |
| Europe | 13,629 | 12,610 |
| North America | 2,740 | 3,062 |
| South America | 1,723 | 1,355 |
| Australia and Asia | 5,557 | 3,988 |
| **Total subsidiaries and joint ventures** | 29,434 | 26,268 |
| **Associates** | | |
| South Africa | 169 | 340 |
| Rest of Africa | 40 | 21 |
| Europe | 1,500 | 1,476 |
| North America | 1,768 | 2,222 |
| South America | 29 | 66 |
| Australia and Asia | 1,532 | 1,545 |
| **Total associates** | 5,038 | 5,670 |
| **Total Group operations including associates** | 34,472 | 31,938 |

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

| US$ million | Segment assets 2005 | Segment assets 2004 | Segment liabilities 2005 | Segment liabilities 2004 | Net segment assets 2005 | Net segment assets 2004 | Capital expenditure 2005 | Capital expenditure 2004 |
|---|---|---|---|---|---|---|---|---|
| South Africa | 18,965 | 19,978 | (2,689) | (2,550) | 16,276 | 17,428 | 1,890 | 2,471 |
| Rest of Africa | 4,142 | 4,260 | (298) | (168) | 3,844 | 4,092 | 261 | 2,814 |
| Europe | 10,048 | 11,319 | (1,926) | (2,273) | 8,122 | 9,046 | 658 | 1,500 |
| North America | 500 | 674 | (59) | (93) | 441 | 581 | 28 | 104 |
| South America | 5,124 | 4,819 | (543) | (423) | 4,581 | 4,396 | 317 | 501 |
| Australia and Asia | 3,076 | 3,146 | (587) | (467) | 2,489 | 2,679 | 274 | 303 |
| | 41,855 | 44,196 | (6,102) | (5,974) | 35,753 | 38,222 | 3,428 | 7,693 |

Additional disclosure of secondary segmental information by origin is as follows:

| US$ million | Revenue 2005 | Revenue 2004 | Operating profit before special items and remeasurements[1] 2005 | Operating profit before special items and remeasurements[1] 2004 | Operating profit after special items and remeasurements[1] 2005 | Operating profit after special items and remeasurements[1] 2004 |
|---|---|---|---|---|---|---|
| **Subsidiaries and joint ventures** | | | | | | |
| South Africa | 11,981 | 10,279 | 2,651 | 1,217 | 2,482 | 1,117 |
| Rest of Africa | 1,193 | 804 | 63 | 44 | (156) | 44 |
| Europe | 9,748 | 9,449 | 694 | 783 | 600 | 774 |
| North America | 531 | 1,018 | 27 | 21 | (11) | 175 |
| South America | 3,873 | 3,176 | 1,732 | 1,418 | 1,704 | 1,398 |
| Australia and Asia | 2,108 | 1,542 | 177 | 158 | 238 | 158 |
| **Total subsidiaries and joint ventures** | 29,434 | 26,268 | 5,344 | 3,641 | 4,857 | 3,666 |
| **Associates** | | | | | | |
| South Africa | 1,479 | 1,565 | 217 | 170 | 193 | 53 |
| Rest of Africa | 2,138 | 1,972 | 468 | 356 | 356 | 356 |
| Europe | 753 | 969 | 47 | 166 | 30 | 166 |
| North America | – | 461 | – | 32 | – | 32 |
| South America | 525 | 447 | 189 | 249 | 189 | 249 |
| Australia and Asia | 143 | 256 | 111 | 83 | 111 | 83 |
| **Total associates** | 5,038 | 5,670 | 1,032 | 1,056 | 879 | 939 |
| **Total Group operations including associates** | 34,472 | 31,938 | 6,376 | 4,697 | 5,736 | 4,605 |

[1] Special items and remeasurements are set out in note 7.

## 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 is given in note 11. Group operating profit including operating profit from associates is reconciled to 'Profit for the financial year' in the table below:

| 2005<br>US$ million | Operating profit/(loss) before special items and remeasurements[1] | Operating profit/(loss) after special items and remeasurements | Special items and remeasurements: operating[2] | Net profit on disposals[2] | Financing remeasurements and other[2] | Net interest, tax and minority interests | Total |
|---|---|---|---|---|---|---|---|
| **By business segment** | | | | | | | |
| Platinum | 854 | 854 | – | – | – | (371) | 483 |
| Gold | 332 | (52) | 384 | – | – | (227) | 105 |
| Diamonds | 583 | 431 | 152 | – | – | (153) | 430 |
| Coal | 1,019 | 1,020 | (1) | – | – | (295) | 724 |
| Base Metals | 1,678 | 1,667 | 11 | – | – | (438) | 1,240 |
| Industrial Minerals | 370 | 354 | 16 | – | – | (103) | 267 |
| Ferrous Metals and Industries | 1,456 | 1,461 | (5) | – | – | (699) | 757 |
| Paper and Packaging | 495 | 412 | 83 | – | – | (199) | 296 |
| Exploration | (150) | (150) | – | – | – | 35 | (115) |
| Corporate Activities | (261) | (261) | – | – | – | (190) | (451) |
| Total/underlying earnings | 6,376 | 5,736 | 640 | – | – | (2,640) | 3,736 |
| Underlying earnings adjustments (see note 11) | | | (640) | 185 | 42 | 198 | (215) |
| **Profit for the financial year[3]** | | | | | | | 3,521 |

## 3. Profit for the financial year continued

2004

| US$ million | Operating profit/(loss) before special items and remeasurements[1] | Operating profit/(loss) after special items and remeasurements | Special items and remeasurements: operating[2] | Net profit on disposals[2] | Financing remeasurements and other[2] | Net interest, tax and minority interests | Total |
|---|---|---|---|---|---|---|---|
| **By business segment** | | | | | | | |
| Platinum | 536 | 536 | – | – | – | (296) | 240 |
| Gold | 296 | 295 | 1 | – | – | (157) | 139 |
| Diamonds | 573 | 573 | – | – | – | (193) | 380 |
| Coal | 497 | 497 | – | – | – | (140) | 357 |
| Base Metals | 1,276 | 1,039 | 237 | – | – | (240) | 1,036 |
| Industrial Minerals | 421 | 412 | 9 | – | – | (133) | 288 |
| Ferrous Metals and Industries | 887 | 1,042 | (155) | – | – | (411) | 476 |
| Paper and Packaging | 569 | 569 | – | – | – | (202) | 367 |
| Exploration | (120) | (120) | – | – | – | 29 | (91) |
| Corporate Activities | (238) | (238) | – | – | – | (270) | (508) |
| Total/underlying earnings | 4,697 | 4,605 | 92 | – | – | (2,013) | 2,684 |
| Underlying earnings adjustments (see note 11) | | | (92) | 1,025 | (112) | (4) | 817 |
| **Profit for the financial year** | | | | | | | 3,501 |

[1] Operating profit includes associates' operating profit which is reconciled to 'Net income from associates' in note 2.

[2] Special items and remeasurements are set out in note 7.

[3] Profit for the financial year is the amount attributable to equity shareholders.

## 4. Group operating profit from subsidiaries and joint ventures

| US$ million | 2005 | 2004 |
|---|---|---|
| Group revenue | **29,434** | 26,268 |
| Cost of sales[1] | **(20,015)** | (18,817) |
| Gross profit | **9,419** | 7,451 |
| Selling and distribution costs | **(2,101)** | (1,655) |
| Administrative expenses | **(2,288)** | (2,019) |
| Other gains and losses (see below) | **(23)** | 9 |
| Exploration expenditure (see note 5) | **(150)** | (120) |
| Group operating profit from subsidiaries and joint ventures | **4,857** | 3,666 |

[1] Includes special items of $186 million loss (2004: $25 million gain), see note 7.

| US$ million | 2005 | 2004 |
|---|---|---|
| **Operating profit is stated after charging:** | | |
| Depreciation of tangible assets | **2,432** | 2,100 |
| Amortisation of intangibles | **9** | 7 |
| Rentals under operating leases | **190** | 153 |
| Research and development expenditure | **40** | 45 |
| Operating special items[1] | **186** | 25 |
| Employee costs (see note 6) | **5,366** | 5,162 |
| Foreign currency (gains)/losses | **(116)** | (29) |
| **Other gains and losses comprises:** | | |
| Fair value losses on derivatives – unrealised[1] | **(301)** | – |
| Fair value gains on derivatives – realised | **151** | – |
| Fair value gains on other monetary assets | **82** | – |
| Gains on valuation of biological assets | **45** | 9 |
| On initial recognition | **43** | – |
| Change in fair value less estimated point of sale costs | **2** | 9 |
| Total other gains and losses | **(23)** | 9 |
| **Auditors' remuneration[2]** | | |
| Audit | | |
| United Kingdom | **4** | 3 |
| Overseas | **17** | 15 |
| Other services provided by Deloitte | | |
| United Kingdom | **2** | 2 |
| Overseas | **4** | 9 |

[1] For further information on special items and remeasurements see note 7.

[2] A more detailed analysis of auditors' remuneration for the year ended 31 December 2005 and 2004 is provided opposite.

2005

| US$ million | Paid/payable to Deloitte: United Kingdom | Paid/payable to Deloitte: Overseas | Paid/payable to auditor (if not Deloitte): United Kingdom | Paid/payable to auditor (if not Deloitte): Overseas |
|---|---|---|---|---|
| **Group audit services** | | | | |
| Statutory audit services | **3.2** | **10.3** | **0.1** | **5.7** |
| Interim review and other | **0.8** | **0.8** | **–** | **0.3** |
| | **4.0** | **11.1** | **0.1** | **6.0** |
| **Further assurance services** | | | | |
| Corporate finance | **–** | **0.2** | **–** | **0.4** |
| Tax compliance | **0.2** | **0.3** | **–** | **–** |
| Other[1] | **1.4** | **0.5** | **–** | **0.1** |
| **Tax advisory services** | **0.1** | **0.9** | **–** | **0.1** |
| **Other advisory services** | **0.1** | **0.4** | **–** | **0.5** |
| **Other non-audit services** | | | | |
| Consultancy services | **–** | **1.0** | **–** | **0.6** |
| Other | **0.2** | **1.1** | **–** | **1.3** |
| | **2.0** | **4.4** | **–** | **3.0** |

[1] Includes amounts incurred principally as a result of the IFRS restatement.

2004

| US$ million | Paid/payable to Deloitte: United Kingdom | Paid/payable to Deloitte: Overseas | Paid/payable to auditor (if not Deloitte): United Kingdom | Paid/payable to auditor (if not Deloitte): Overseas |
|---|---|---|---|---|
| **Group audit services** | | | | |
| Statutory audit services | 2.9 | 10.4 | – | 4.2 |
| Interim review and other | 0.3 | 0.6 | – | – |
| | 3.2 | 11.0 | – | 4.2 |
| **Further assurance services** | | | | |
| Corporate finance | – | 0.9 | – | 1.0 |
| Tax compliance | 0.2 | 0.7 | – | 0.1 |
| Other | 0.9 | 1.1 | – | 2.1 |
| **Tax advisory services** | 0.4 | 2.5 | – | 0.2 |
| **Other non-audit services** | | | | |
| Consultancy services | – | 2.8 | – | – |
| Other | – | 0.6 | – | 0.5 |
| | 1.5 | 8.6 | – | 3.9 |

# Notes to financial statements continued

## 5. Exploration expenditure

| US$ million | 2005 | 2004 |
|---|---|---|
| **By business segment** | | |
| Platinum | 21 | 13 |
| Gold | 45 | 43 |
| Coal | 13 | 9 |
| Base Metals | 50 | 41 |
| Ferrous Metals and Industries | 21 | 14 |
| | 150 | 120 |

## 6. Employee numbers and costs

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

| Thousands | 2005 | 2004 |
|---|---|---|
| **By business segment** | | |
| Platinum | 42 | 47 |
| Gold | 48 | 51 |
| Coal | 11 | 10 |
| Base Metals | 7 | 8 |
| Industrial Minerals | 13 | 13 |
| Ferrous Metals and Industries | 36 | 43 |
| Paper and Packaging | 37 | 40 |
| Corporate Activities | 1 | 1 |
| | 195 | 213 |

The principal locations of employment were:

| Thousands | 2005 | 2004 |
|---|---|---|
| South Africa | 118 | 128 |
| Rest of Africa | 22 | 21 |
| Europe | 40 | 44 |
| North America | 1 | 5 |
| South America | 9 | 8 |
| Australia and Asia | 5 | 7 |
| | 195 | 213 |

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

| US$ million | 2005 | 2004 |
|---|---|---|
| Wages and salaries | 4,627 | 4,513 |
| Social security costs | 399 | 327 |
| Post-retirement healthcare costs | 8 | 25 |
| Defined contribution pension plan costs | 203 | 167 |
| Defined benefit pension plan costs | 37 | 80 |
| Share-based payments | 92 | 50 |
| | 5,366 | 5,162 |

In accordance with IAS 24, 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 | 2005 | 2004 |
|---|---|---|
| Salaries and short term employee benefits | 15 | 13 |
| Post-employment benefits | 15 | 2 |
| Other long term benefits | 1 | – |
| Termination benefits | – | – |
| National insurance and social security | 1 | – |
| Share-based payments | 8 | 4 |
| | 40 | 19 |

Disclosures on 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 period's results and require separate disclosure in accordance with IAS 1.86. Special items that relate to the operating performance of the business 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. The Group believes that items which were previously referred to as 'exceptional items' under UK GAAP fall within the scope of special items under IFRS.

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 unrealised gains and losses on non-hedge derivative instruments that are recorded in the income statement, and foreign exchange gains and losses on 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 expense.

### Subsidiaries and joint ventures

| US$ million | 2005 | 2004 |
|---|---|---|
| **Operating special items** | | |
| Impairment of Corrugated assets, goodwill and restructuring costs | (77) | – |
| Impairment of Bibiani | (38) | – |
| Closure of Ergo | (31) | – |
| Reversal of impairment of Terra Industries Inc | – | 154 |
| Impairment of Black Mountain Mineral Development | – | (100) |
| Other impairments and write downs | (40) | (29) |
| **Total operating special items** | (186) | 25 |
| Taxation | 14 | 6 |
| Minority interests | 38 | (1) |
| **Total attributable to equity shareholders** | (134) | 30 |
| **Operating remeasurements** | | |
| Unrealised losses on non-hedge derivatives | (301) | – |
| Taxation | 22 | – |
| Minority interests | 130 | – |
| **Total attributable to equity shareholders** | (149) | – |
| **Financing remeasurements** | | |
| Fair value loss on AngloGold Ashanti convertible bond | (32) | – |
| Foreign exchange gain/(loss) on De Beers' preference shares | 72 | (112) |
| Unrealised losses on non-hedge derivatives | (5) | – |
| **Total financing remeasurements** | 35 | (112) |
| Taxation | (2) | – |
| Minority interests | 16 | – |
| **Total attributable to equity shareholders** | 49 | (112) |
| **Profits and (losses) on disposals** | | |
| Formation of Marikana joint venture | 27 | – |
| Sale of Acerinox | 25 | – |
| Disposal of Wendt | 21 | – |
| Disposal of Boart Longyear | 21 | – |
| Disposal of Elandsfontein | 18 | – |
| Sale of Columbus | 14 | – |
| Disposal of Hope Downs | (57) | – |
| Part disposal of Mondi Packaging South Africa | (12) | – |
| Part disposal of Western Areas | 14 | 45 |
| Disposal of interest in Gold Fields Limited | – | 464 |
| Gains on deemed disposal of AngloGold | – | 415 |
| Disposal of remaining interest in FirstRand Limited | – | 32 |
| Disposal of interest in Nkomati | – | 28 |
| Disposal of interest in Avgold | – | 25 |
| Other items | 16 | 6 |
| **Net profit on disposals** | 87 | 1,015 |
| Taxation | (26) | (44) |
| Minority interests | (3) | (1) |
| **Total attributable to equity shareholders** | 58 | 970 |
| **Total special items and remeasurements before taxation and minority interests** | (365) | 928 |
| Taxation | 8 | (38) |
| Minority interests | 181 | (2) |
| **Total special items and remeasurements attributable to equity shareholders** | (176) | 888 |

## 7. Special items and remeasurements continued

| US$ million | 2005 | 2004 |
|---|---|---|
| **Associates' special items and remeasurements** | | |
| Operating impairment charge – Palabora Mining Company Limited | – | (117) |
| Other impairments and restructurings | (24) | – |
| Share of De Beers' class action payment | (113) | – |
| Unrealised losses on non-hedge derivatives – operating | (16) | – |
| **Operating special items and remeasurements** | (153) | (117) |
| **Unrealised gains on non-hedge derivatives – financing** | 7 | – |
| Disposal of Samancor Chrome | 52 | – |
| Disposal of Wonderkop joint venture interest | 20 | – |
| Other items | 26 | 10 |
| **Net profit on disposals** | 98 | 10 |
| **Total associates' special items and remeasurements** | (48) | (107) |
| Taxation | 7 | 36 |
| Minority interests | 2 | – |
| **Net associates' special items and remeasurements** | (39) | (71) |

### Operating special items and remeasurements

| US$ million | 2005 | 2004 |
|---|---|---|
| Operating special items | (186) | 25 |
| Operating remeasurements | (301) | – |
| **Total – subsidiaries and joint ventures** | (487) | 25 |
| Associates' operating special items and remeasurements | (153) | (117) |
| **Total** | (640) | (92) |

Operating special charges of $186 million (2004: gain of $25 million) relate principally to impairment and closure costs. Following difficult market conditions, Paper and Packaging have recorded impairment and restructuring costs of $77 million in relation to the Corrugated division. A review of the expected life of mine at AngloGold Ashanti's Bibiani operation has led to a $38 million special charge to operating profit. One-off costs and charges of $31 million were incurred following the decision to close AngloGold Ashanti's Ergo operation.

Unrealised losses of $301 million on non-hedge derivatives (2004: nil) have been included in operating remeasurements. These unrealised losses were recorded principally at AngloGold Ashanti.

Associates' operating special items and remeasurements includes $113 million for the Group's share of De Beers' payment in respect of class action suits. Agreement has been reached, and a preliminary order issued, to settle the majority of civil class action suits filed against De Beers in the United States. This settlement does not involve any admission of liability on the part of De Beers and will, when concluded, bring to an end a number of outstanding class actions. $250 million has been paid by De Beers into escrow pending conclusion of the settlement process.

### Financing remeasurements

AngloGold Ashanti records the option element of its convertible bond at fair value in the income statement following the adoption of IAS 32 and IAS 39. As a result, a charge of $32 million (2004: nil) has been included in financing remeasurements.

The Group holds US dollar preference shares issued by De Beers which are held in a rand functional currency subsidiary of the Group. As a result of the adoption of IAS 21 and IAS 28, these shares have been reclassified as non-current investments and are retranslated at each period end. As a result, a gain of $72 million (2004: loss of $112 million) has been included in financing remeasurements.

### Profits and losses on disposals

Anglo Platinum has entered into the Marikana Pooling and Sharing agreement with Aquarius Platinum to jointly mine contiguous properties. A gain of $27 million arose on transfer of assets to the joint venture.

The sale of Boart Longyear's subsidiary Wendt was concluded in March 2005 for proceeds of $62 million, realising a profit on sale of $21 million. In July 2005 the remainder of the Boart Longyear Group was sold for $383 million, with a profit on sale of $21 million. In the first half of the year, proceeds of $116 million were received on the sale of Acerinox leading to a profit on disposal of $25 million.

Under the terms of an agreement between Kumba Resources Ltd ('Kumba') and Hancock Prospecting Pty Limited ('Hancock'), Hancock purchased Kumba's interest in the Hope Downs project on 1 July 2005. The proceeds of $176 million led to a loss on sale of $57 million for the Group owing to value assigned to the Hope Downs project on the acquisition of Kumba by the Group in 2003.

Associates' net profit on disposals includes $52 million profit on sale of Samancor.

## 8. Net finance costs

Finance costs and foreign exchange gains/(losses) are presented net of effective cash flow hedges for respective interest bearing and foreign currency borrowings. Fair value gains/(losses) on derivatives, presented below, include the mark-to-market value changes of interest rate and currency derivatives designated as fair value hedges, net of fair value changes in the associated hedged risk; and fair value changes of non-hedge derivatives of non-operating items, including the mark-to-market of the conversion option within the AngloGold Ashanti convertible bond.

| US$ million | Before remeasurements 2005 | After remeasurements 2005 | Before remeasurements 2004 | After remeasurements 2004 |
|---|---|---|---|---|
| **Investment income** | | | | |
| Interest and other financial income | 227 | 227 | 249 | 249 |
| Expected return on defined benefit arrangements | 241 | 241 | 257 | 257 |
| Foreign exchange gains | 20 | 92 | 120 | 120 |
| Dividend income from financial/fixed asset investments | 10 | 10 | 93 | 93 |
| **Total investment income** | 498 | 570 | 719 | 719 |
| **Interest expense** | | | | |
| Amortisation discount relating to provisions | (42) | (42) | (62) | (62) |
| Bank loans and overdrafts | (320) | (320) | (394) | (394) |
| Other loans | (167) | (167) | (194) | (194) |
| Interest paid on convertible bonds | (71) | (71) | (42) | (42) |
| Unwinding of discount on convertible bonds | (53) | (53) | – | – |
| Interest on defined benefit arrangements | (270) | (270) | (298) | (298) |
| Foreign exchange losses | (33) | (33) | (66) | (178) |
| Fair value losses on derivatives | (19) | (24) | – | – |
| Other fair value losses | – | (32) | – | – |
| | (975) | (1,012) | (1,056) | (1,168) |
| Less: interest capitalised | 49 | 49 | 82 | 82 |
| **Total interest expense** | (926) | (963) | (974) | (1,086) |
| **Net finance costs** | (428) | (393) | (255) | (367) |

The weighted average interest rate applicable to interest on general borrowings capitalised was 8.7% (2004: 8.4%).

Financing remeasurements are set out in note 7.

## 9. Tax on profit on ordinary activities

### a) Analysis of charge for the year from continuing operations

| US$ million | 2005 | 2004 |
|---|---|---|
| United Kingdom corporation tax at 30% | 15 | 61 |
| South Africa taxation | 580 | 253 |
| Other overseas taxation | 721 | 347 |
| **Current taxation (excluding tax on special items and remeasurements)** | 1,316 | 661 |
| Deferred taxation | (33) | 224 |
| **Deferred taxation (excluding tax on special items and remeasurements)** | (33) | 224 |
| **Tax on special items and remeasurements** | (8) | 38 |
| **Total tax charge** | 1,275 | 923 |

### 9. Tax on profit on ordinary activities continued

#### b) Factors affecting tax charge for the year

The effective tax rate for the year of 24.5% (2004: 19.0%), after adjusting for the net income from associates, is lower than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:

| US$ million (unless otherwise stated) | 2005 including special items and remeasurements | 2004 including special items and remeasurements |
|---|---|---|
| Profit on ordinary activities before tax | 5,208 | 4,864 |
| Tax on profit on ordinary activities calculated at United Kingdom corporation tax rate of 30% (2004: 30%) | 1,562 | 1,459 |
| Tax effect of net income from associates | (197) | (165) |
| **Tax effects of:** | | |
| **Expenses not deductible for tax purposes** | | |
| Operating special items and remeasurements | 110 | (14) |
| Exploration costs | 45 | 36 |
| Other non-deductible expenses | (3) | 9 |
| **Non-taxable income** | | |
| Profits and losses on disposals and financing remeasurements | (9) | (227) |
| **Temporary difference adjustments** | | |
| Changes in tax rates | (187) | – |
| Movement in tax losses | (30) | – |
| Other temporary differences | (23) | (72) |
| **Other adjustments** | | |
| South African Secondary Tax on Companies | 240 | 87 |
| Effect of differences between local and UK rates | (257) | (174) |
| Other adjustments | 24 | (16) |
| **Tax charge for the year** | 1,275 | 923 |

IAS 1 requires income from associates to be presented net of tax on the face of the income statement. The associates' tax is no longer included within the Group's total tax charge. Associates' tax included within 'Net income from associates' for the year ended 31 December 2005 is $274 million (2004: $280 million).

The effective rate of taxation before special items and remeasurements including share of associates' tax before special items and remeasurements was 26.5%. This was a decrease from the equivalent effective rate of 27.7% in the year ended 31 December 2004. The reduction in the effective tax rate was principally due to a reduction in the South African statutory rate from 30% to 29% and a reduction in the Ghanaian tax rate, which resulted in a $187 million reduction in deferred tax, the benefit of which was taken in 2005. Without this one off benefit the effective tax rate for the period would have been 29.7%. In future periods it is expected the effective tax rate, including associates' tax, will remain at or above current levels.

### 10. Dividends

| US$ million | 2005 | 2004 |
|---|---|---|
| Final paid – 51 US cents per ordinary share (2004: 39 US cents) | 734 | 554 |
| Interim paid – 28 US cents per ordinary share (2004: 19 US cents) | 403 | 273 |
| | 1,137 | 827 |

The directors are proposing a final dividend in respect of the financial year ending 31 December 2005 of 62 US cents per share. In addition, the directors are also proposing a special dividend of 33 US cents per share. Based on shares eligible for dividends at 31 December 2005, these two dividends will distribute an estimated $1,383 million of shareholders' funds. These financial statements do not reflect this dividend payable, in accordance with UK Companies Act and International Accounting Standards as it is still subject to shareholder approval. Although the portion of the dividend paid out of South Africa will give rise to a Secondary Tax on Companies (STC) payable at 12.5% of the dividend paid, it is expected that sufficient STC credits will be available to offset the resulting STC liability in full at the dividend payment date.

As stated in note 29, the employee benefit trust has waived the right to receive dividends on the shares it holds.

### 11. Earnings per share

| US$ million (unless otherwise stated) | 2005 | 2004 |
|---|---|---|
| Profit for the financial year attributable to equity shareholders | | |
| Basic earnings per share (US$) | 2.43 | 2.44 |
| Diluted earnings per share (US$) | 2.36 | 2.35 |
| Headline earnings for the financial year[1] | | |
| Basic earnings per share (US$) | 2.43 | 1.79 |
| Diluted earnings per share (US$) | 2.36 | 1.73 |
| Underlying earnings for the financial year[1] | | |
| Basic earnings per share (US$) | 2.58 | 1.87 |
| Diluted earnings per share (US$) | 2.50 | 1.81 |

[1] Basic and diluted earnings per share are shown based on headline and underlying earnings, which the directors believe to be useful additional measures of the Group's performance.

The calculation of the basic and diluted earnings per share is based on the following data:

| US$ million (unless otherwise stated) | 2005 | 2004 |
|---|---|---|
| **Earnings** | | |
| Basic earnings, being profit for the financial year attributable to equity shareholders | 3,521 | 3,501 |
| Effect of dilutive potential ordinary shares | | |
| Interest on convertible bonds (net of tax) | 29 | 29 |
| Unwinding of discount on convertible bonds (net of tax) | 20 | – |
| Diluted earnings | 3,570 | 3,530 |
| **Number of shares (million)** | | |
| Basic number of ordinary shares outstanding[1] | 1,447 | 1,434 |
| Effect of dilutive potential ordinary shares[2] | | |
| Share options | 18 | 18 |
| Convertible bonds | 48 | 48 |
| Diluted number of ordinary shares outstanding[1] | 1,513 | 1,500 |

[1] Basic and diluted number of ordinary shares outstanding represent the weighted average for the period. The average number of ordinary shares in issue excludes the shares held by the employee benefit trust.

[2] Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares.

'Underlying earnings' is an alternative earnings measure, which the directors believe provides a clearer picture of the underlying financial performance of the Group's operations following the adoption of IAS 32 and IAS 39. Underlying earnings is presented after minority interest and excludes special items and remeasurements (see note 7). Underlying earnings is distinct from 'headline earnings', which is a Johannesburg Stock Exchange Limited ('JSE Ltd') defined performance measure.

The calculation of basic and diluted earnings per share, based on underlying earnings, uses the following earnings data:

| | Earnings (US$ million) | | Basic earnings per share (US$) | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Profit for the financial year attributable to equity shareholders | 3,521 | 3,501 | 2.43 | 2.44 |
| Special items: operating | 186 | (25) | 0.13 | (0.02) |
| Net profit on disposals | (87) | (1,015) | (0.06) | (0.71) |
| Special items: associates | (74) | 107 | (0.05) | 0.08 |
| Related tax | 6 | 2 | – | – |
| Related minority interest | (36) | 2 | (0.02) | – |
| Headline earnings for the financial year | 3,516 | 2,572 | 2.43 | 1.79 |
| Unrealised losses on non-hedge derivatives | 315 | – | 0.22 | – |
| Fair value loss on AngloGold Ashanti convertible bond | 32 | – | 0.02 | – |
| Exchange (gain)/loss on DBI preference shares | (72) | 112 | (0.05) | 0.08 |
| Share of De Beers' class action payment | 113 | – | 0.08 | – |
| Related tax | (21) | – | (0.02) | – |
| Related minority interest | (147) | – | (0.10) | – |
| **Underlying earnings for the financial year** | 3,736 | 2,684 | 2.58 | 1.87 |

### 11. Earnings per share continued

The following instruments are potentially dilutive but have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented:

| | 2005 | 2004 |
|---|---|---|
| **Number of shares (million)** | | |
| Share options | – | 8 |
| Potentially dilutive shares | – | 8 |

### 12. Intangible assets

| US$ million | 2005 Licences and other intangibles | Goodwill | Total | 2004 Licences and other intangibles | Goodwill | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January | 113 | 2,576 | 2,689 | 52 | 2,147 | 2,199 |
| Acquired through business combinations[1] | – | 24 | 24 | 45 | 377 | 422 |
| Additions | 4 | – | 4 | 2 | – | 2 |
| Impairments | – | (20) | (20) | – | (4) | (4) |
| Transferred to disposal groups[2] | – | (37) | (37) | – | – | – |
| Disposal of assets | – | (15) | (15) | – | – | – |
| Disposal of businesses | (2) | (6) | (8) | – | – | – |
| Other reclassifications | 24 | 72 | 96 | – | – | – |
| Currency movements | – | (80) | (80) | 14 | 56 | 70 |
| **At 31 December** | 139 | 2,514 | 2,653 | 113 | 2,576 | 2,689 |
| **Accumulated amortisation** | | | | | | |
| At 1 January | 46 | – | 46 | 32 | – | 32 |
| Charge for the year | 9 | – | 9 | 7 | – | 7 |
| Impairments | 24 | – | 24 | – | – | – |
| Disposal of assets | (1) | – | (1) | – | – | – |
| Disposal of businesses | (2) | – | (2) | – | – | – |
| Other reclassifications | (1) | – | (1) | – | – | – |
| Currency movements | 6 | – | 6 | 6 | – | 6 |
| **At 31 December** | 81 | – | 81 | 45 | – | 45 |
| **Net book value** | 58 | 2,514 | 2,572 | 68 | 2,576 | 2,644 |

[1] See note 30.

[2] Intangible assets transferred to disposal groups have since been sold.

The increase in goodwill relating to acquisition of subsidiaries represents the excess of fair value of the purchase price over the provisional fair value of the net assets, including mining reserves of businesses acquired. Further detail is given in note 30.

#### a) Impairment tests for goodwill

Goodwill is allocated for impairment testing purposes to cash generating units (CGU) which reflect how it is monitored for internal management purposes. This allocation largely represents the Group's primary reporting segments set out below. Any goodwill associated with CGUs subsumed within these primary segments is not significant when compared to the goodwill of the Group, other than in Paper and Packaging where the goodwill associated with CGUs subsumed within the primary segment is split out below.

| US$ million | 2005 | 2004 |
|---|---|---|
| Gold | 555 | 554 |
| Platinum | 230 | 229 |
| Coal | 88 | 88 |
| Base Metals | 152 | 147 |
| Industrial Minerals | 894 | 959 |
| Ferrous Metals and Industries | 12 | 54 |
| Paper and Packaging | | |
| Mondi Business | 43 | 30 |
| Mondi Packaging | 502 | 464 |
| Mondi – other | 38 | 51 |
| | 2,514 | 2,576 |

The recoverable amount of a CGU is determined based on value-in-use calculations or fair value less costs to sell if the CGU represents a separately listed entity. Value-in-use calculations use cash flow projections based on financial budgets and life of mine plans covering a five year period that are based on latest forecasts for commodity prices and exchange rates. Cash flow projections beyond five years are based on life of mine plans and internal management forecasts and assume constant long term real prices for sales revenue.

Cash flow projections are discounted using pre-tax discount rates equivalent to a real post-tax discount rate of six per cent, that have been adjusted for any risks that are not reflected in the underlying cash flows. Where the recoverability of goodwill allocated to CGUs is supported by fair value less costs to sell, the market share price at 31 December of the respective listed entity is used.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors such as commodity prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditure. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts to exceed their recoverable amounts.

### 13. Tangible assets

| US$ million | Mining properties and leases | Land and buildings | Plant and equipment | Other[1] | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2005 | 19,008 | 4,226 | 20,226 | 2,615 | 46,075 |
| Additions | 772 | 51 | 608 | 1,942 | 3,373 |
| Acquired through business combinations | 5 | 1 | 6 | 15 | 27 |
| Transferred to disposal groups[2] | – | (44) | (340) | (2) | (386) |
| Disposal of assets | (239) | (106) | (594) | (43) | (982) |
| Disposal of businesses | – | (45) | (79) | (2) | (126) |
| Other reclassifications | 703 | 261 | 659 | (1,607) | 16 |
| Currency movements | (1,307) | (389) | (1,879) | (323) | (3,898) |
| **At 31 December 2005** | 18,942 | 3,955 | 18,607 | 2,595 | 44,099 |
| **Accumulated depreciation** | | | | | |
| At 31 December 2004 | 3,840 | 986 | 7,880 | 197 | 12,903 |
| Adoption of IAS 32 and IAS 39 (note 41) | 93 | 15 | 65 | – | 173 |
| At 1 January 2005 | 3,933 | 1,001 | 7,945 | 197 | 13,076 |
| Charge for the year | 836 | 143 | 1,350 | 103 | 2,432 |
| Impairments | 56 | 3 | 34 | – | 93 |
| Impairment losses reversed | (18) | – | – | – | (18) |
| Transferred to disposal groups[2] | – | (22) | (234) | (1) | (257) |
| Disposal of assets | (48) | (81) | (553) | (32) | (714) |
| Disposal of businesses | – | (13) | (63) | (1) | (77) |
| Other reclassifications | 45 | 8 | (88) | 35 | – |
| Currency movements | (262) | (104) | (809) | (57) | (1,232) |
| **At 31 December 2005** | 4,542 | 935 | 7,582 | 244 | 13,303 |
| **Net book value** | | | | | |
| **At 31 December 2005** | 14,400 | 3,020 | 11,025 | 2,351 | 30,796 |
| At 31 December 2004 | 15,168 | 3,240 | 12,346 | 2,418 | 33,172 |

[1] Other tangible assets include $2,037 million of properties in the course of construction, which are not depreciated.

[2] Tangible assets transferred to disposal groups have since been sold.

| US$ million | Mining properties and leases | Land and buildings | Plant and equipment | Other[1] | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2004 | 14,617 | 3,304 | 15,626 | 3,004 | 36,551 |
| Additions | 712 | 108 | 982 | 1,827 | 3,629 |
| Acquired through business combinations[2] | 3,130 | 165 | 298 | 47 | 3,640 |
| Disposal of assets | (303) | (74) | (445) | (58) | (880) |
| Disposal of businesses | (548) | (4) | (830) | (29) | (1,411) |
| Reclassifications | (237) | 338 | 2,405 | (2,412) | 94 |
| Currency movements | 1,637 | 389 | 2,190 | 236 | 4,452 |
| **At 31 December 2004** | 19,008 | 4,226 | 20,226 | 2,615 | 46,075 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2004 | 3,275 | 763 | 6,593 | 126 | 10,757 |
| Charge for the year | 732 | 130 | 1,191 | 47 | 2,100 |
| Impairment | 1 | – | 128 | – | 129 |
| Disposal of assets | (114) | (17) | (332) | 3 | (460) |
| Disposal of businesses | (405) | – | (645) | 2 | (1,048) |
| Reclassifications | 44 | 6 | (14) | 5 | 41 |
| Currency movements | 307 | 104 | 959 | 14 | 1,384 |
| **At 31 December 2004** | 3,840 | 986 | 7,880 | 197 | 12,903 |
| **Net book value** | | | | | |
| **At 31 December 2004** | 15,168 | 3,240 | 12,346 | 2,418 | 33,172 |
| At 31 December 2003 | 11,342 | 2,541 | 9,033 | 2,878 | 25,794 |

[1] Other tangible assets include $1,980 million of properties in the course of construction, which are not depreciated.

[2] See note 30.

### 13. Tangible assets continued

Included in the cost above is $49 million of interest (2004: $82 million) incurred on qualifying assets which has been capitalised during the year. Aggregate interest capitalised included in the cost above totals $261 million (2004: $212 million). Tax relief on interest capitalised is based on the tax rates prevailing in the jurisdiction in which the interest is incurred.

During the year certain Gold mining assets were written down by $45 million to their recoverable amounts. The assets included the Bibiani mine in Ghana, and the East of Bank Dyke at Tau Tona in South Africa. The recoverable amounts are determined by value in use calculations and use pre-tax discount rates equivalent to real post-tax discount rates of between 6% and 6.5%, adjusted for other risks not reflected in the underlying cash flows.

The net book value and depreciation charges relating to assets held under finance leases amounts to $264 million (2004: $147 million) and $71 million (2004: $13 million) respectively.

The net book value of land and buildings comprises:

| US$ million | 2005 | 2004 |
|---|---|---|
| Freehold | 2,961 | 3,077 |
| Leasehold – long | 43 | 146 |
| Leasehold – short (less than 50 years) | 16 | 17 |
| | 3,020 | 3,240 |

### 14. Biological assets

| | | 2005 | | | 2004 | |
|---|---|---|---|---|---|---|
| US$ million | Forest | Agriculture | Total | Forest | Agriculture | Total |
| At 1 January | 335 | 39 | 374 | 316 | 30 | 346 |
| Capitalised expenditure | 55 | – | 55 | 60 | 7 | 67 |
| Harvesting | (78) | (1) | (79) | (88) | (1) | (89) |
| Fair value adjustments[(1)] | 43 | 2 | 45 | 6 | – | 6 |
| Disposal of assets | – | (1) | (1) | – | (6) | (6) |
| Disposal of businesses | (1) | – | (1) | (17) | – | (17) |
| Currency movements | (37) | (6) | (43) | 58 | 9 | 67 |
| At 31 December | 317 | 33 | 350 | 335 | 39 | 374 |

(1) Biological assets are revalued to fair value less estimated point of sale costs each reporting period.

Biological assets comprises of:

| | | 2005 | | | 2004 | |
|---|---|---|---|---|---|---|
| US$ million | Forest | Agriculture | Total | Forest | Agriculture | Total |
| Mature | 142 | 17 | 159 | 126 | 38 | 164 |
| Immature | 175 | 16 | 191 | 209 | 1 | 210 |
| | 317 | 33 | 350 | 335 | 39 | 374 |

### 15. Environmental rehabilitation trusts

The Group makes voluntary contributions to controlled funds that were established to meet the cost of some of its decommissioning, restoration and environmental rehabilitation liabilities in South Africa.

| US$ million | 2005 | 2004 |
|---|---|---|
| At 1 January | 237 | 166 |
| Contributions made during the year | 34 | 23 |
| Interest earned during the year | 23 | 22 |
| Disposal of assets | – | (1) |
| Reclassifications | 19 | – |
| Currency movements | (25) | 27 |
| At 31 December | 288 | 237 |

The funds are administered by independent trustees, and comprise the following investments:

| US$ million | 2005 | 2004 |
|---|---|---|
| Equity | 57 | 34 |
| Bond | 76 | 72 |
| Cash | 155 | 131 |
| | 288 | 237 |

These funds are not available for the general purpose of the Group. All income from these assets is reinvested to meet specific environmental obligations. These obligations are included in environmental rehabilitation costs under long term provisions (see note 24).

### 16. Investment in associates

| US$ million | 2005 | 2004 |
|---|---|---|
| At 1 January | 3,486 | 3,838 |
| Net income from associates | 657 | 550 |
| Dividends received | (461) | (368) |
| Other equity movements | (25) | 26 |
| Reversal of impairment | (1) | 154 |
| Acquired | 29 | 3 |
| Disposed | – | (1,005) |
| Reclassifications | (63) | 80 |
| Repayments of capitalised loans[(1)] | (195) | (129) |
| Currency movements | (262) | 337 |
| At 31 December | 3,165 | 3,486 |

(1) 2005 excludes the $175 million preference share redemption by De Beers.

The Group's total investment in associates comprises:

| US$ million | 2005 | 2004 |
|---|---|---|
| Equity[(1)] | 2,720 | 3,361 |
| Loans[(2)] | 445 | 125 |
| Total investment in associates | 3,165 | 3,486 |

(1) Interest in associates at 31 December 2005 includes $394 million of goodwill (2004: $377 million).

(2) The Group's total investment in associates includes long term debt interests which in substance form part of the Group's net investment. These loans are not repayable in the foreseeable future.

The Group's share of the summarised financial information of principal associates, all of which are unlisted, is as follows:

| US$ million | 2005 | 2004 |
|---|---|---|
| Total non-current assets | 4,653 | 4,262 |
| Total current assets | 1,669 | 2,139 |
| Total current liabilities | (1,053) | (1,128) |
| Total non-current liabilities | (2,104) | (1,787) |
| Group's share of associates' net assets | 3,165 | 3,486 |
| Total revenue | 5,038 | 5,670 |
| Total operating costs | (4,159) | (4,731) |
| Net profit on disposals | 98 | 10 |
| Other special items and remeasurements | 7 | – |
| Net finance costs | (51) | (100) |
| Income tax expense | (274) | (280) |
| Underlying minority interests | (2) | (19) |
| Group's share of associates' profit for the financial year | 657 | 550 |

## 16. Investment in associates continued

Segmental information is provided for primary and secondary reporting segments as follows:

| US$ million | Net income 2005 | Net income 2004 | Aggregate investment 2005 | Aggregate investment 2004 |
|---|---|---|---|---|
| By business segment | | | | |
| Platinum | 12 | 4 | 107 | 105 |
| Gold | (2) | – | 36 | 8 |
| Diamonds | 257 | 329 | 2,056 | 2,199 |
| Coal | 192 | 118 | 528 | 485 |
| Base Metals | – | (85) | – | 57 |
| Industrial Minerals | 3 | 4 | 5 | 17 |
| Ferrous Metals and Industries | 189 | 191 | 390 | 569 |
| Paper and Packaging | 6 | (12) | 43 | 46 |
| Corporate Activities | – | 1 | – | – |
| | 657 | 550 | 3,165 | 3,486 |

| US$ million | Aggregate investment 2005 | Aggregate investment 2004 |
|---|---|---|
| By geographical segment | | |
| South Africa | 1,231 | 1,333 |
| Rest of Africa | 1,243 | 1,014 |
| Europe | (493) | 150 |
| North America | 404 | 248 |
| South America | 514 | 425 |
| Australia and Asia | 266 | 316 |
| | 3,165 | 3,486 |

The Group's share of associates' contingent liabilities incurred jointly by investors is $48 million (2004: $31 million).

Details of principal associates are set out in note 42.

## 17. Joint ventures

The Group's share of the summarised financial information of joint venture entities that is proportionately consolidated in the Group financial statements, is as follows:

| US$ million | 2005 | 2004 |
|---|---|---|
| Total non-current assets | 1,468 | 1,531 |
| Total current assets | 832 | 653 |
| Total current liabilities | (132) | (194) |
| Total non-current liabilities | (359) | (512) |
| Share of joint venture entities' net assets, proportionately consolidated | 1,809 | 1,478 |
| Revenue | 1,331 | 1,195 |
| Total operating costs | (797) | (749) |
| Net finance costs | (28) | (26) |
| Income tax expense | (85) | (73) |
| Share of joint venture entities' results | 421 | 347 |

The Group's share of joint venture entities' contingent liabilities incurred jointly with other ventures is nil (2004: $3 million) and its share of capital commitments is $8 million (2004: $3 million).

Details of principal joint ventures are set out in note 42.

## 18. Fixed asset investments

The following table sets out the movement of the Group's fixed asset investments prior to the adoption of IAS 32 and IAS 39 on 1 January 2005. On that date, fixed asset investments were reclassified as 'financial asset investments' (see note 19).

| US$ million | Loans | Equity | 2004 Total |
|---|---|---|---|
| At 1 January 2004 | 225 | 1,265 | 1,490 |
| Additions | – | 141 | 141 |
| Acquired through business combination | 36 | 27 | 63 |
| Disposals | – | (125) | (125) |
| Reclassifications | (32) | 36 | 4 |
| Repayments | (134) | (183) | (317) |
| Currency movements | 21 | 65 | 86 |
| At 31 December 2004 | 116 | 1,226 | 1,342 |
| Provisions for impairment | | | |
| At 1 January 2004 | 71 | 137 | 208 |
| Charge/(utilisation) for the year | (3) | 10 | 7 |
| Reclassifications | (14) | 39 | 25 |
| Currency movements | 7 | 11 | 18 |
| At 31 December 2004 | 61 | 197 | 258 |
| Net book value at 31 December 2004 | 55 | 1,029 | 1,084 |
| Adoption of IAS 32 and IAS 39 (note 41) | (55) | (1,029) | (1,084) |
| 1 January 2005 | – | – | – |

At 31 December 2004, fixed asset investments included listed equity investments with a carrying value of $40 million. The fair value of these listed investments was $51 million at that date.

This classification is no longer used from 1 January 2005, the IAS 32 and IAS 39 transition date.

## 19. Financial asset investments

In accordance with IFRS 1, the Group has applied IAS 32 and IAS 39 prospectively from 1 January 2005. On adoption of the two standards, items previously classified as fixed asset investments were reclassified as financial asset investments and accounted for as available for sale, fair value through profit or loss, held to maturity or loans and receivables as defined by IAS 39 and in accordance with the Group accounting policy set out in note 1. No items were classified as fair value through profit or loss or held to maturity during the period.

| US$ million | Loans and receivables | Available for sale investments | Total |
|---|---|---|---|
| At 31 December 2004 | 55 | 1,029 | 1,084 |
| Adoption of IAS 32 and IAS 39 (note 41) | 526 | (466) | 60 |
| At 1 January 2005 | 581 | 563 | 1,144 |
| Movements in fair value | – | 39 | 39 |
| Additions | – | 163 | 163 |
| Acquired through business combination | – | – | – |
| Disposals | (173) | (187) | (360) |
| Transferred to disposal groups[1] | (20) | – | (20) |
| Other reclassifications | 148 | (153) | (5) |
| Currency movements | 2 | (48) | (46) |
| At 31 December 2005 | 538 | 377 | 915 |
| Less non-current portion | 522 | 377 | 899 |
| Current portion | 16 | – | 16 |
| At 1 January 2005 | 581 | 563 | 1,144 |
| Less non-current portion | 579 | 563 | 1,142 |
| Current portion | 2 | – | 2 |

[1] Financial asset investments transferred to disposal groups have since been sold.

This classification is only used from 1 January 2005, the IAS 32 and IAS 39 transition date.

## 20. Inventories

| US$ million | 2005 | 2004 |
|---|---|---|
| Raw materials and consumables | 1,181 | 1,285 |
| Work-in-progress | 1,124 | 882 |
| Finished products | 1,264 | 1,382 |
| | 3,569 | 3,549 |

The cost of inventories recognised as an expense and included in cost of sales amounted to $19,440 million (2004: $18,040 million).

## 21. Trade and other receivables

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| US$ million | Due within one year | Due after one year | Total | Due within one year | Due after one year | Total |
| Trade debtors | 4,042 | 11 | 4,053 | 3,853 | 3 | 3,856 |
| Amounts owed by related parties | 26 | 1 | 27 | 32 | 1 | 33 |
| Other debtors | 768 | 167 | 935 | 1,159 | 167 | 1,326 |
| Prepayments and accrued income | 157 | 2 | 159 | 318 | 1 | 319 |
| | 4,993 | 181 | 5,174 | 5,362 | 172 | 5,534 |

The fair values of trade and other receivables is not materially different to the carrying values presented. There is no significant concentration of credit risk with respect to trade receivables as the exposure is spread over a large number of customers.

## 22. Trade and other payables

| US$ million | 2005 | 2004 |
|---|---|---|
| Trade creditors | 3,138 | 2,905 |
| Amounts owed to related parties | 26 | – |
| Taxation and social security | 71 | 151 |
| Other creditors | 1,211 | 1,411 |
| Accruals and deferred income | 578 | 901 |
| | 5,024 | 5,368 |

The fair value of trade and other payables is not materially different to the carrying values presented.

## 23. Financial assets

The carrying amounts and fair value of financial assets are as follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| US$ million | Estimated fair value | Carrying value | Estimated fair value | Carrying value |
| Trade and other receivables | 5,140 | 5,174 | 5,534 | 5,534 |
| Cash and cash equivalents | 3,403 | 3,430 | 2,955 | 2,955 |
| Fixed asset investments | – | – | 1,096 | 1,084 |
| Financial asset investments | 899 | 899 | – | – |
| Current financial asset investments | 16 | 16 | 2 | 2 |
| Other financial assets (derivatives) | 930 | 930 | 1,345 | – |
| Total financial assets | 10,388 | 10,449 | 10,932 | 9,575 |

The fair value of fixed and financial asset investments represents the market value of quoted investments and directors' valuation for other, non-listed investments. The fixed asset investment classification is no longer used from 1 January 2005, the IAS 32/IAS39 transition date (see note 41).

The exposure of the Group's financial assets (excluding intra-group loan balances) to interest rate and currency risk is as follows:

| | | | | Non-interest bearing financial assets | | Fixed rate financial assets | |
|---|---|---|---|---|---|---|---|
| US$ million (unless otherwise stated) Currency | Total | Floating rate financial assets | Fixed rate financial assets | Equity investments | Non-interest bearing financial assets | Weighted average effective interest rate % | Weighted average period for which the rate is fixed in years |
| At 31 December 2005 | | | | | | | |
| US$ | 2,998 | 2,004 | 650 | 204 | 140 | 5.6 | 2.2 |
| SA rand | 550 | 386 | 14 | 77 | 73 | 2.5 | 0.5 |
| Sterling | 345 | 318 | 4 | – | 23 | – | – |
| Euro | 208 | 169 | 15 | 8 | 16 | 1.6 | – |
| Canadian $ | 6 | 5 | – | 1 | – | – | – |
| Australian $ | 45 | 20 | 16 | 8 | 1 | 5.4 | 0.1 |
| Other currencies | 193 | 110 | 33 | 13 | 37 | 2.3 | 5.0 |
| Total | 4,345 | 3,012 | 732 | 311 | 290 | 3.7 | 2.0 |
| Trade and other receivables | 5,174 | | | | | | |
| Derivatives | 930 | | | | | | |
| Total financial assets | 10,449 | | | | | | |
| At 31 December 2004 | | | | | | | |
| US$ | 2,518 | 1,778 | 66 | 604 | 70 | 9.3 | 4.1 |
| SA rand | 690 | 415 | 30 | 245 | – | 6.0 | 0.1 |
| Sterling | 212 | 85 | – | 16 | 111 | – | – |
| Euro | 266 | 123 | 15 | 120 | 8 | 2.1 | 0.3 |
| Canadian $ | 24 | 6 | – | – | 18 | – | – |
| Australian $ | 103 | 53 | 21 | 28 | 1 | 3.7 | – |
| Other currencies | 228 | 180 | 8 | 16 | 24 | 5.6 | 0.2 |
| Total | 4,041 | 2,640 | 140 | 1,029 | 232 | 8.8 | 3.6 |
| Trade and other receivables | 5,534 | | | | | | |
| Total financial assets | 9,575 | | | | | | |

2005 data is presented excluding the effect of derivatives in accordance with IAS 32 and IAS 39, which were adopted prospectively from 1 January 2005. 2004 financial assets are presented net of derivatives, as required prior to the adoption of IAS 32 and IAS 39.

Floating rate financial assets consist mainly of cash and bank term deposits. Interest on floating rate assets is based on the relevant national inter-bank rates. Fixed rate financial assets consist mainly of cash. Equity investments are fully liquid and have no maturity period.

## 24. Financial liabilities

The carrying amounts and fair values of financial liabilities are as follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| US$ million | Fair values | Carrying amounts | Fair values | Carrying amounts |
| Trade and other payables | 5,024 | 5,024 | 5,368 | 5,368 |
| Other financial liabilities (derivatives) | 1,794 | 1,794 | 1,238 | – |
| Current borrowings | 2,032 | 2,076 | 3,436 | 3,383 |
| Convertible bonds | 2,084 | 1,975 | 2,061 | 2,081 |
| Other non-current borrowings | 4,416 | 4,388 | 6,086 | 5,736 |
| | 15,350 | 15,257 | 18,189 | 16,568 |

The fair value of convertible bonds is determined using their quoted market value. The fair value of current and other non-current borrowings is determined by reference to quoted market prices for similar issues, where applicable, otherwise the carrying value approximates to the fair value.

Following the adoption of IAS 32 and IAS 39 prospectively from 1 January 2005, the Group's 2005 borrowings are presented on an unhedged basis. The fair value of associated derivatives are recorded separately within other financial assets (derivatives) and other financial liabilities (derivatives), (see note 25). 2004 comparatives, however, are presented net of hedges as permitted by IFRS prior to the adoption of IAS 32 and IAS 39.

## 24. Financial liabilities continued

Also, on adoption of IAS 32 and IAS 39, the fair value of the conversion options in the Group's convertible bonds were reclassified as either equity (see note 33) or as a derivative, in accordance with the Group's accounting policy (see note 1). A more detailed analysis of the impact of adoption of IAS 32 and IAS 39 is presented in note 41.

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| US$ million | Due within one year | Due after one year | Total | Due within one year | Due after one year | Total |
| **Secured** | | | | | | |
| Bank loans and overdrafts[1] | 176 | 336 | 512 | 123 | 280 | 403 |
| Obligations under finance leases[2] | 27 | 147 | 174 | 26 | 131 | 157 |
| Other loans[3] | 232 | 224 | 456 | 316 | 554 | 870 |
| | 435 | 707 | 1,142 | 465 | 965 | 1,430 |
| **Unsecured** | | | | | | |
| Convertible bonds[4] | – | 1,975 | 1,975 | – | 2,081 | 2,081 |
| Bonds issued under EMTN programme[5] | 106 | 1,887 | 1,993 | 33 | 1,812 | 1,845 |
| Bank loans and overdrafts[1] | 1,468 | 1,390 | 2,858 | 2,831 | 2,493 | 5,324 |
| Obligations under finance leases[2] | 3 | 15 | 18 | 7 | 14 | 21 |
| Other loans[3] | 64 | 389 | 453 | 47 | 452 | 499 |
| | 1,641 | 5,656 | 7,297 | 2,918 | 6,852 | 9,770 |
| **Total** | 2,076 | 6,363 | 8,439 | 3,383 | 7,817 | 11,200 |

[1] Bank loans and overdrafts
The 2005 carrying value of bank loans and overdrafts is stated excluding the impact of associated currency hedges. The net hedged value at 31 December 2005 is $3 million.

[2] Obligations under finance leases
The minimum lease payments under finance leases fall due as follows:

| US$ million | 2005 | 2004 |
|---|---|---|
| Not later than one year | 42 | 41 |
| Later than one year but not more than five years | 97 | 95 |
| More than five years | 162 | 151 |
| | 301 | 287 |
| Future finance charges on finance leases | (109) | (109) |
| Present value of finance lease liabilities | 192 | 178 |

[3] Other loans
Other loans comprise loans from joint ventures and associates and project finance.

[4] Convertible bonds
In April 2002, Anglo American plc issued $1.1 billion 3³/₈ per cent convertible bonds, due 17 April 2007, convertible into ordinary shares of Anglo American plc. The bonds were issued at par and bear a coupon of 3³/₈ per cent per annum, payable semi-annually. The conversion price is £16.13 which represented a premium of 35% over the closing price of the shares in London at the date of offer. The bonds can be converted by the holder at any time between 28 May 2002 and up to 14 business days prior to 17 April 2007. The total number of ordinary shares of 50 US cents each which could be issued on conversion is 47,589,607. The bonds can be redeemed by Anglo American plc at their principal amount at any time after 9 May 2005, if the share price is at least 130% of the conversion price for 20 dealing days within a 30 day dealing period. The bonds can also be redeemed by Anglo American plc at their principal amount once conversion rights have been exercised in respect of 85% of the principal amount of the bonds. If not converted or previously redeemed the bonds will be redeemed at par on 17 April 2007.

On adoption of IAS 32 and IAS 39 at 1 January 2005, the fair value of the conversion option at the date of issue ($143 million) was reclassified within equity (see note 41) net of associated deferred tax.

A convertible bond was issued in February 2004 by AngloGold Holdings Plc, a wholly-owned subsidiary of AngloGold Ashanti (AGA). The bond is convertible into American Depositary Shares (ADSs) at a price of $65.00 per ADS up to 27 February 2009. The proceeds of the issue, after payment of expenses, were utilised by AGA to refinance amounts outstanding under credit facilities, to meet transaction costs in connection with the acquisition of Ashanti and for general corporate purposes, including planned capital expenditure.

On adoption of IAS 32 and IAS 39 at 1 January 2005, the fair value of the conversion option within AGA's bond at the date of issue ($79 million) was separated from the carrying value of the debt. Because the conversion option is in a bond denominated in a currency other than the functional currency of the entity issuing the shares, the option value is classified as a derivative, within liabilities. The option is marked to market with subsequent gains and losses being recorded through the income statement.

The movement in the carrying value of the convertible bonds from the prior year is:

| US$ million | 2005 |
|---|---|
| At 31 December 2004 | 2,081 |
| Adoption of IAS 32 and IAS 39 (see note 41) | (143) |
| At 1 January 2005 | 1,938 |
| Unwinding of discount on bonds | 53 |
| Movement in fair value | (16) |
| At 31 December 2005 | 1,975 |

[5] EMTN programme
The Group issued $174 million bonds under the EMTN programme in 2005 (2004: $550 million). All notes are guaranteed by Anglo American plc.

The 2005 carrying value of bonds issued under the EMTN programme is stated excluding the impact of associated hedges but includes $1 million fair value of interest rate risk that forms part of a fair value hedge relationship. The net hedged value of the bonds at 31 December 2005 is $2 million.

The maturity of the Group's borrowings is as follows:

| US$ million | Within 1 year or on demand | Between 1-2 years | Between 2-5 years | After 5 years | Total |
|---|---|---|---|---|---|
| **At 31 December 2005** | | | | | |
| **Secured** | | | | | |
| Bank loans and overdrafts | 176 | 60 | 98 | 178 | 512 |
| Obligation under finance leases | 27 | 17 | 36 | 94 | 174 |
| Other loans | 232 | 38 | 86 | 100 | 456 |
| | 435 | 115 | 220 | 372 | 1,142 |
| **Unsecured** | | | | | |
| Convertible bonds[1] | – | 1,058 | 917 | – | 1,975 |
| Bonds issued under EMTN programme | 106 | 25 | 1,862 | – | 1,993 |
| Bank loans and overdrafts | 1,468 | 268 | 1,046 | 76 | 2,858 |
| Obligation under finance lease | 3 | 2 | 5 | 8 | 18 |
| Other loans | 64 | 55 | 331 | 3 | 453 |
| | 1,641 | 1,408 | 4,161 | 87 | 7,297 |
| **Total borrowings (excluding hedges)** | 2,076 | 1,523 | 4,381 | 459 | 8,439 |

| US$ million | Within 1 year or on demand | Between 1-2 years | Between 2-5 years | After 5 years | Total |
|---|---|---|---|---|---|
| At 31 December 2004 | | | | | |
| Secured | | | | | |
| Bank loans and overdrafts | 123 | 55 | 160 | 84 | 422 |
| Obligation under finance leases | 26 | 26 | 26 | 79 | 157 |
| Other loans | 316 | 243 | 107 | 185 | 851 |
| | 465 | 324 | 293 | 348 | 1,430 |
| Unsecured | | | | | |
| Convertible bonds[1] | – | – | 2,081 | – | 2,081 |
| Bonds issued under EMTN programme | 33 | 106 | 1,212 | 494 | 1,845 |
| Bank loans and overdrafts | 2,831 | 273 | 2,033 | 187 | 5,324 |
| Obligation under finance leases | 7 | 1 | 4 | 9 | 21 |
| Other loans | 47 | 23 | 398 | 31 | 499 |
| | 2,918 | 403 | 5,728 | 721 | 9,770 |
| Total borrowings (net of hedges) | 3,383 | 727 | 6,021 | 1,069 | 11,200 |

[1] Includes $917 million (2004: $990 million) of convertible bonds issued by listed subsidiaries.

**24. Financial liabilities** continued

The exposure of the Group's borrowings (excluding intra-group loan balances) to interest rate and currency risk is as follows:

| US$ million | Within 1 year or on demand | Between 1-2 years | Between 2-5 years | After 5 years | Total |
|---|---|---|---|---|---|
| **At 31 December 2005** | | | | | |
| Total borrowings | 2,076 | 1,523 | 4,381 | 459 | 8,439 |
| Effect of interest rate swaps (see note 34c) | – | – | – | (4) | (4) |
| Effect of currency derivatives (see note 34c) | (13) | – | – | 4 | (9) |
| **Borrowings after the effect of hedges** | 2,063 | 1,523 | 4,381 | 459 | 8,426 |

| | | | | | | Fixed rate borrowing | Non-interest bearing financial liabilities |
|---|---|---|---|---|---|---|---|
| US$ million (unless otherwise stated) | Total | Floating rate borrowings | Fixed rate borrowings | Non-interest bearing borrowings | Weighted average effective interest rate % | Weighted average period for which the rate is fixed in years | Weighted average period until maturity in years |
| **At 31 December 2005[1]** | | | | | | | |
| US$ | 3,263 | 1,099 | 2,143 | 21 | 2.8 | 2.1 | 0.4 |
| SA Rand | 2,169 | 1,513 | 550 | 106 | 11.1 | 4.6 | 5.4 |
| Sterling | 587 | 30 | 518 | 39 | 0.9 | 0.8 | 1.6 |
| Euro | 1,978 | 553 | 1,408 | 17 | 1.9 | 1.4 | 1.1 |
| Australian $ | 1 | – | 1 | – | 9.3 | 0.8 | – |
| Other currencies | 441 | 168 | 269 | 4 | 6.4 | 1.1 | 0.5 |
| Gross borrowings (excluding hedges) | 8,439 | 3,363 | 4,889 | 187 | 3.4 | 2.0 | 3.5 |
| Trade and other payables | 5,024 | | | | | | |
| Derivatives | 1,794 | | | | | | |
| **Total financial liabilities** | 15,257 | | | | | | |
| At 31 December 2004[2] | | | | | | | |
| US$ | 6,121 | 4,545 | 1,573 | 3 | 3.7 | 3.6 | – |
| SA Rand | 3,931 | 3,163 | 644 | 124 | 11.7 | 4.1 | 5.4 |
| Sterling | 92 | 11 | 48 | 33 | 5.2 | 5.3 | 1.0 |
| Euro | 863 | 594 | 248 | 21 | 1.7 | 1.8 | 1.8 |
| Canadian $ | 2 | – | – | 2 | – | 1.8 | – |
| Australian $ | 13 | 1 | – | 12 | – | – | – |
| Other currencies | 178 | 146 | 20 | 12 | 7.0 | 2.9 | 9.0 |
| Total borrowings (net of hedges) | 11,200 | 8,460 | 2,533 | 207 | 5.6 | 3.6 | 4.1 |
| Trade and other payables | 5,368 | | | | | | |
| Total financial liabilities | 16,568 | | | | | | |

[1] 2005 borrowings exclude any derivatives and include the fair value of risks that are hedged in a fair value hedge relationship. This is in accordance with IAS 32 and IAS 39, which were adopted prospectively from 1 January 2005.

[2] 2004 borrowings are presented including the effect of all respective hedges as permitted prior to the adoption of IAS 32 and IAS 39. The fair value of all derivatives, including hedges of borrowings, is presented in note 25.

Interest on floating rates is based on the relevant national inter-bank rates.

## 24. Financial liabilities continued

The Group had the following undrawn committed borrowing facilities at 31 December:

| US$ million | 2005 | 2004 |
|---|---|---|
| Expiry date | | |
| In one year or less | **3,962** | 2,019 |
| In more than one year but not more than two years | **75** | 2 |
| In more than two years | **3,528** | 2,900 |
| | **7,565** | 4,921 |

A $1 billion European Commercial Paper Programme was established in October 2004. The programme was established to provide further funding diversity and flexibility. The European Commercial Paper Programme is in addition to a $1.3 billion Canadian Commercial Paper Programme established a number of years ago.

## 25. Other financial assets/liabilities (derivatives)

In accordance with IAS 32 and IAS 39, which were adopted prospectively from 1 January 2005, the fair value of all derivatives are separately recorded on the balance sheet within other financial assets (derivatives) and other financial liabilities (derivatives). Derivatives that are 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. The actual cash flow maturity of derivatives is provided as additional information below.

The Group utilises derivative instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Group does not use derivative financial instruments for speculative purposes, however it may choose not to designate certain derivatives as hedges. Such derivatives that are not hedge accounted are classified as non-hedges and fair valued immediately through the income statement. The Group and its independently managed subsidiaries have developed comprehensive risk management processes to facilitate the control and monitoring of these risks. The respective boards have approved and monitor the risk management processes, inclusive of documented treasury policies, counterparty limits, controlling and reporting structures. The risk management processes of the Group's independently listed subsidiaries are in line with the Group's own policy.

The use of derivative instruments can give rise to credit and market risk. The Group controls credit risk by entering into derivative contracts only with counterparties who have short term ratings of A1/P1 and long term ratings of A or better by external rating agencies or who have received specific internal corporate credit approval. The use of derivative instruments is subject to limits and the positions are regularly monitored and reported to senior management. Market risk is the possibility that future changes in foreign currency exchange rates, interest rates and commodity prices may make a derivative instrument more or less valuable. Since the Group utilises derivative instruments for risk management, market risk relating to derivative instruments will principally be offset by changes in the valuation of the underlying assets, liabilities or transactions being hedged.

### Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

### Foreign exchange risk

The Group uses forward exchange contracts, currency swaps and option contracts to limit the effects of movements in exchange rates on foreign currency denominated assets and liabilities. The Group also uses these instruments to hedge future transactions and cash flows.

### Interest rate risk

Fluctuations in interest rates impact on the value of short term investments and financing activities, giving rise to interest rate risk. The Group uses interest rate swap and option contracts to manage its exposure to interest rate movements on a portion of its existing debt and short term investments.

### Commodity price risk

The Group uses forward, spot, deferred and option contracts to hedge the price risk of certain commodities that it produces, primarily gold, and also in respect of heating oil purchases. The mix of hedging instruments, the volume of production hedged and the tenor of the hedging book is continually reviewed in the light of changes in operational forecasts, market conditions and the Group's hedging policy. The majority of contracts relate to the hedging of gold sales. The hedged forecast gold sales are expected to occur over the next 10 years, in line with the maturity dates of the hedging instruments and will affect profit and loss simultaneously in an equal and opposite way.

### Embedded derivatives

Derivatives embedded in other financial instruments or other 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 are not carried at fair value. Embedded derivatives may be designated as a hedge and are accounted for in accordance with the Group's accounting policy set out in note 1.

### Cash flow hedges

The Group classifies the majority of its forward exchange and commodity price contracts hedging highly probable forecast transactions as cash flow hedges and states them at fair value. Subsequent changes in fair value are recognised in equity until the hedged transactions occur, at which time the respective gains or losses are transferred to the income statement in accordance with the Group's accounting policy set out in note 1.

### 25. Other financial assets/liabilities (derivatives) continued

#### Fair value hedges

The majority of interest rate swaps taken out to protect the Group's fixed rate borrowings against future interest rate movements have been designated as fair value hedges. The respective carrying values of the hedged debt is adjusted to reflect the fair value of the interest rate risk being hedged. Subsequent changes in the fair value of the hedged risk are offset against fair value changes in the interest rate swap and classified within financing costs, in the income statement.

Cross currency swaps are also taken out to protect the Group's non US dollar debt against future currency movements. The respective carrying values of the hedged debt are translated at the closing exchange rate in accordance with the Group's policy and as such are already adjusted for the currency risk being hedged.

#### Non hedges

The Group may choose not to designate certain derivatives as hedges, for example certain forward contracts that economically hedge forecast commodity transactions and relatively low value or short term derivative contracts where the potential mark to market exposure on the Group's earnings is not considered material. Where derivatives have not been designated as hedges, fair value changes are recognised in the income statement in accordance with the Group's policy set out in note 1 and are classified as financing or operating depending on the nature of the associated hedged risk.

In 2004, the fair value of derivatives used to hedge either the foreign exchange, commodity price or interest rate risks of future transactions was held off balance sheet and was recognised only in the period to which the gains and losses of the underlying transactions related. The fair value of derivatives used to hedge the fair value risk of items already recognised on balance sheet was offset against the carrying value of the underlying hedged item.

The fair value of the Group's open derivative position at 31 December 2005 (excluding normal purchase and sale contracts held off-balance sheet), recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

| | As at 31 December 2005 | |
|---|---|---|
| US$ million | Asset | Liability |
| **Current** | | |
| Cash flow hedge | | |
| Forward foreign currency contracts | 21 | (19) |
| Gold commodity instruments[1] | 32 | (140) |
| Other[2] | 4 | (74) |
| Fair value hedge | | |
| Forward foreign currency contracts | 7 | (11) |
| Non-hedge[3] | | |
| Forward foreign currency contracts | 53 | (94) |
| Gold commodity instruments[1] | 588 | (900) |
| Other | 42 | (48) |
| **Total current derivatives** | 747 | (1,286) |
| **Non-current** | | |
| Cash flow hedge | | |
| Forward foreign currency contracts | 1 | – |
| Gold commodity instruments[1] | 37 | (275) |
| Other[2] | 140 | (143) |
| Fair value hedge | | |
| Interest rate swap | 5 | (2) |
| Non hedge | | |
| Other | – | (88) |
| **Total non-current derivatives** | 183 | (508) |

[1] The majority of the gold commodity price risk fair value comprises 10.8 million ounces (2004: 10.5 million ounces) priced forward covering periods up to December 2015. The value was based on a gold price of $517/oz (2004: $435/oz), exchange rates of $/ZAR 6.31 and AUD/$ 0.73 (2004: $/ZAR 5.67 and AUD/$ 0.77) and the prevailing market interest rates and volatilities at the time.

[2] Other cash flow hedges include forward copper derivatives taken out to hedge the future prices of sales from Mantos Blancos. The contracted forward price is 116 US cents/lb and covers 3,338 tonnes per month for the next three years, some 50% of Mantos Blancos sales, starting January 2006.

[3] $29 million of derivative assets and $92 million of derivative liabilities not designated as hedges and that are classified as current in accordance with IAS 1 are due to mature after more than one year.

These marked to market valuations are in no way predictive of the future value of the hedged position, nor of the future impact on the revenue of the Group. The valuation represents the cost of buying all hedge contracts at the time of valuation, at market prices and rates available at the time.

The fair value of the Group's derivative position at 31 December 2004 was analysed as follows:

| | 31 December 2004 | | |
|---|---|---|---|
| US$ million | Estimated fair value asset | Estimated fair value liability | Carrying value |
| Foreign exchange risk | 648 | 304 | 336 |
| Interest rate risk | 106 | 110 | (5) |
| Commodity price risk | | | |
| Gold | 750 | 1,896 | 31 |
| Other commodity derivatives | 1 | 2 | – |
| | 1,505 | 2,312 | 362 |

The balances in the table above include normal purchase and sale contracts.

#### Normal purchase and normal sale contracts

Commodity based contracts that meet the requirements of IAS 39 in that they are settled through physical delivery of the Group's production or are used within the production process are classified as normal purchase and normal sale contracts. In accordance with IAS 39 these contracts are not marked to market when they are settled through physical delivery.

At year end 6.6 million ounces of gold were sold forward under normal sale contracts that mature over periods up to December 2015. The mark to market value of these contracts at this date was $1,281 million and is based on contracted gold prices of between $310/oz and $403/oz. This value at 31 December 2005 was based on a gold price of $517/oz, exchange rates of $/ZAR 6.305 and AUD/$ 0.734 and the prevailing market interest rates and volatilities at that date.

As at 9 February 2006, the marked to market value of AngloGold Ashanti's total hedge book, including normal purchase and normal sale contracts, was a negative $2.425 billion (negative ZAR14.99 billion), based on a gold price of $557.75/oz and exchange rates of $/ZAR 6.18 and AUD/$ 0.7398 and the prevailing market interest rates and volatilities at the time.

## 26. Provisions for liabilities and charges

| US$ million | Environmental restoration | Decommi-ssioning | Other | Total |
|---|---|---|---|---|
| At 1 January 2005 | 716 | 242 | 370 | 1,328 |
| Acquired through business combinations | 1 | – | – | 1 |
| Transferred to disposal groups | – | – | (16) | (16) |
| Charged to profit and loss | 96 | 15 | 139 | 250 |
| Capitalised | – | 66 | – | 66 |
| Reclassifications | (60) | 69 | (78) | (69) |
| Unwinding of discount | 28 | 15 | (1) | 42 |
| Unused amounts reversed to profit and loss | – | – | (1) | (1) |
| Amounts applied | (21) | – | (45) | (66) |
| Currency movements | (54) | (18) | (12) | (84) |
| At 31 December 2005 | 706 | 389 | 356 | 1,451 |

Maturity analysis of total provisions:

| | 2005 | 2004 |
|---|---|---|
| Current | 19 | 1 |
| Non-current | 1,432 | 1,327 |
| At 31 December | 1,451 | 1,328 |

### Environmental restoration
The Group has an obligation to incur restoration, rehabilitation and environmental costs when environmental disturbance is caused by the development or ongoing production of a mining property. A provision is recognised for the present value of such costs. It is anticipated that these costs will be incurred over a period in excess of 20 years.

### Decommissioning
Provision is made for the present value of costs relating to the decommissioning of plant or other site preparation work. It is anticipated that these costs will be incurred over a period in excess of 20 years.

### Other
Other provisions are made primarily for the present value of costs relating to cash settled share-based payments, indemnities, warranties, legal claims and other. It is anticipated that those costs will be incurred over a five year period.

## 27. Deferred tax
### Deferred tax assets

| US$ million | 2005 | 2004 |
|---|---|---|
| At 1 January | 128 | 101 |
| Adoption of IAS 32 and IAS 39 (see note 41) | (1) | – |
| At 1 January (restated) | 127 | 101 |
| Credited to income statement | 139 | 5 |
| Credited to statement of recognised income and expense | 21 | 6 |
| Credited/(charged) directly to equity | 18 | (1) |
| Disposal of businesses | (23) | (2) |
| Reclassifications | 66 | 13 |
| Currency movements | (11) | 6 |
| At 31 December | 337 | 128 |

### Deferred tax liabilities

| US$ million | 2005 | 2004 |
|---|---|---|
| At 1 January | 5,810 | 4,101 |
| Adoption of IAS 32 and IAS 39 (see note 41) | (92) | – |
| At 1 January (restated) | 5,718 | 4,101 |
| Charged to income statement | 84 | 208 |
| Credited to statement of recognised income and expense | (119) | – |
| Acquired through business combinations | (2) | 839 |
| Disposal of assets | (46) | – |
| Disposal of businesses | – | (6) |
| Reclassifications | 80 | 3 |
| Currency movements | (514) | 665 |
| At 31 December | 5,201 | 5,810 |

The amount of deferred taxation provided in the accounts is as follows:

| US$ million | 2005 | 2004 |
|---|---|---|
| **Deferred tax assets** | | |
| Tax losses | 176 | 101 |
| Other temporary differences | 161 | 27 |
| | 337 | 128 |
| **Deferred tax liabilities** | | |
| Capital allowances in excess of depreciation | 3,280 | 3,831 |
| Fair value adjustments | 2,294 | 2,717 |
| Tax losses | (324) | (391) |
| Convertible bond equity component | 11 | – |
| Other temporary differences | (60) | (347) |
| | 5,201 | 5,810 |

The amount of deferred taxation (credited)/charged to the income statement is as follows:

| US$ million | 2005 | 2004 |
|---|---|---|
| Capital allowances in excess of depreciation | 44 | 364 |
| Fair value adjustments | (31) | (64) |
| Tax losses | 30 | (202) |
| Convertible bond equity component | (8) | – |
| Other temporary differences | (90) | 105 |
| | (55) | 203 |

The current expectation regarding the maturity of deferred tax balances is:

| US$ million | 2005 | 2004 |
|---|---|---|
| **Deferred tax assets** | | |
| Recoverable within 12 months | 105 | 8 |
| Recoverable after 12 months | 232 | 120 |
| | 337 | 128 |
| **Deferred tax liabilities** | | |
| Payable within 12 months | 82 | 651 |
| Payable after 12 months | 5,119 | 5,159 |
| | 5,201 | 5,810 |

The Group has the following balances in respect of which no deferred tax asset has been recognised:

| US$ million | 2005 |
|---|---|
| Tax losses – revenue | 3,449 |
| Tax losses – capital | 675 |
| Other temporary differences | 84 |
| | 4,208 |

Included in unrecognised tax losses are losses of $179 million that will expire within one year, $57 million that will expire between one to five years, and $251 million that will expire after five years. A further $3,721 million of losses have no expiry date.

The total amount of tax losses and other temporary differences for which no deferred tax asset was recognised at 31 December 2004 was $4,593 million.

The Group also has unused tax credits of $10 million (2004: $11 million) for which no deferred tax asset is recognised in the balance sheet. These tax credits have no expiry date.

Balances in subsidiary entities are shown on a 100% basis, regardless of ownership percentage. Balances for joint ventures are shown in proportion to the Group's ownership percentage. Balances in associates are not included.

No liability has been recognised in respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The Group's consolidated profit and loss reserves exceed the Company's profit and loss reserves by $15,705 million (2004: $16,678 million).

# Notes to financial statements continued

## 28. Retirement benefits

The Group operates defined contribution and defined benefit pension plans for the majority of its employees. It also operates post-retirement medical arrangements in southern Africa and North America. The policy for accounting for pensions and post-retirement benefits is included in note 1.

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans is calculated on the basis of the contribution payable by the Group in the financial year.

The post-retirement medical arrangements provide health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. The majority of these plans are unfunded.

The majority of the defined benefit pension plans are funded. The assets of these plans are held separately from those of the Group in independently administered funds, in accordance with statutory requirements or local practice throughout the world. The unfunded pension plans are principally in Europe and South America.

The Group's plans in respect of pension and post-retirement healthcare are summarised as follows:

| US$ million | 2005 Southern Africa | 2005 The Americas | 2005 Europe | 2005 Total | 2004 Southern Africa | 2004 The Americas | 2004 Europe | 2004 Total |
|---|---|---|---|---|---|---|---|---|
| **Assets**[1] | | | | | | | | |
| Defined benefit pension plans in surplus | 72 | – | 2 | 74 | – | – | 2 | 2 |
| Post-retirement medical plans | 3 | – | – | 3 | – | – | – | – |
| **Total** | 75 | – | 2 | 77 | – | – | 2 | 2 |

| US$ million | 2005 Southern Africa | 2005 The Americas | 2005 Europe | 2005 Total | 2004 Southern Africa | 2004 The Americas | 2004 Europe | 2004 Total |
|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | |
| Defined benefit pension plans in deficit | 9 | 104 | 514 | 627 | 44 | 124 | 396 | 564 |
| Post-retirement medical plans | 629 | 2 | – | 631 | 632 | 7 | – | 639 |
| **Total** | 638 | 106 | 514 | 1,258 | 676 | 131 | 396 | 1,203 |

[1] Amounts are included in other non-current assets as disclosed in the consolidated balance sheet.

| US$ million | 2005 | 2004 |
|---|---|---|
| **Defined benefit pension plan** | | |
| Present value of liabilities | (3,985) | (4,041) |
| Fair value of plan assets | 3,539 | 3,479 |
| Deficit | (446) | (562) |
| Surplus restriction | (107) | – |
| Actuarial gain on plan assets | 438 | 163 |
| Actuarial loss on plan liabilities | (435) | (198) |
| **Post-retirement medical plan** | | |
| Present value of liabilities | (650) | (654) |
| Fair value of plan assets | 22 | 15 |
| Deficit | (628) | (639) |
| Actuarial loss on plan liabilities | (67) | (22) |

### Defined contribution plans

The defined contribution pension cost represents the actual contributions payable by the Group to the various plans. At 31 December 2005, there were no material outstanding/prepaid contributions and so no prepayment or accrual has been disclosed in the balance sheet in relation to these plans.

### Defined benefit pension plans

Independent qualified actuaries carry out full valuations every three years using the projected unit method. The actuaries have updated the valuations to 31 December 2005.

At 31 December 2005 the estimated market value of the assets of the funded pension plans was $3,539 million (2004: $3,479 million). The market value of assets was used to determine the funding level of the plans. The market value of the assets of the funded plans was sufficient to cover 95% (2004: 91%) of the benefits that had accrued to members after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions as required in accordance with local actuarial advice.

As the majority of the defined benefit pension plans are closed to new members, it is expected that contributions will increase as the members age. The benefit obligations in respect of the unfunded plans at 31 December 2005 were $253 million (2004: $203 million).

### Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs under IAS 19 are detailed below (shown as weighted averages):

| | 2005 Southern Africa % | 2005 The Americas % | 2005 Europe % | 2004 Southern Africa % | 2004 The Americas % | 2004 Europe % |
|---|---|---|---|---|---|---|
| **Defined benefit pension plan** | | | | | | |
| Average discount rate for plan liabilities | 7.7 | 8.4 | 4.7 | 8.0 | 7.6 | 5.3 |
| Average rate of inflation | 4.1 | 4.1 | 2.7 | 3.9 | 3.3 | 2.7 |
| Average rate of increase in salaries | 5.1 | 4.6 | 3.0 | 4.9 | 4.8 | 3.5 |
| Average rate of increase of pensions in payment | 2.9 | 2.8 | 2.9 | 3.9 | 5.0 | 2.8 |
| Average long term rate of return on plan assets | 8.7 | 11.3 | 6.5 | 9.4 | 9.6 | 6.7 |
| **Post-retirement medical plan** | | | | | | |
| Average discount rate for plan liabilities | 7.8 | 5.5 | n/a | 8.3 | 6.0 | n/a |
| Average rate of inflation | 4.5 | n/a | n/a | 4.1 | 2.1 | n/a |
| Expected average increase in healthcare costs | 5.4 | n/a | n/a | 5.3 | 9.3 | n/a |

The assumption for the average discount rate for plan liabilities is based on AA corporate bonds at a suitable duration and currency.

## 28. Retirement benefits continued

The market value of the pension assets in these plans and long term expected rate of return as at 31 December 2005 and 31 December 2004 are detailed below:

| At 31 December 2005 | Southern Africa Rate of return % | Southern Africa Fair value US$ million | The Americas Rate of return % | The Americas Fair value US$ million | Europe Rate of return % | Europe Fair value US$ million | Total Fair value US$ million |
|---|---|---|---|---|---|---|---|
| Equity | 10.7 | 1,094 | 5.4 | – | 7.7 | 825 | 1,919 |
| Bonds | 6.7 | 333 | 6.3 | 81 | 4.5 | 490 | 904 |
| Other | 6.5 | 635 | 5.0 | 4 | 5.7 | 77 | 716 |
| | | 2,062 | | 85 | | 1,392 | 3,539 |
| Present value of unfunded obligations | | (9) | | (88) | | (156) | (253) |
| Present value of funded obligations | | (1,887) | | (101) | | (1,744) | (3,732) |
| Present value of pension plan liabilities | | (1,896) | | (189) | | (1,900) | (3,985) |
| Surplus/(deficit) in the pension plans | | 166 | | (104) | | (508) | (446) |
| Surplus restriction related to pension plans | | (103) | | – | | (4) | (107) |
| Recognised pension plan assets/(liabilities) | | 63 | | (104) | | (512) | (553) |
| Amounts in the balance sheet | | | | | | | |
| Pension assets | | 72 | | – | | 2 | 74 |
| Pension liabilities | | (9) | | (104) | | (514) | (627) |
| | | 63 | | (104) | | (512) | (553) |

| At 31 December 2004 | Southern Africa Rate of return % | Southern Africa Fair value US$ million | The Americas Rate of return % | The Americas Fair value US$ million | Europe Rate of return % | Europe Fair value US$ million | Total Fair value US$ million |
|---|---|---|---|---|---|---|---|
| Equity | 11.3 | 990 | 9.3 | 58 | 7.9 | 778 | 1,826 |
| Bonds | 7.4 | 327 | 9.8 | 111 | 5.0 | 459 | 897 |
| Other | 7.5 | 656 | 9.2 | 4 | 5.5 | 96 | 756 |
| | | 1,973 | | 173 | | 1,333 | 3,479 |
| Present value of unfunded obligations | | (11) | | (76) | | (116) | (203) |
| Present value of funded obligations | | (2,006) | | (221) | | (1,611) | (3,838) |
| Present value of pension plan liabilities | | (2,017) | | (297) | | (1,727) | (4,041) |
| Deficit in the pension plans | | (44) | | (124) | | (394) | (562) |
| Recognised pension plan liabilities | | (44) | | (124) | | (394) | (562) |
| Amounts in the balance sheet | | | | | | | |
| Pension assets | | – | | – | | 2 | 2 |
| Pension liabilities | | (44) | | (124) | | (396) | (564) |
| | | (44) | | (124) | | (394) | (562) |

The Group is continuing to review the impact of legislation passed in 2001 in South Africa on the usable surpluses in its South African plans. The actuaries to the Group plans have not yet finalised their calculations in respect of the apportionment of the surplus from the plans. The liabilities shown above in respect of South Africa have been increased where applicable based on the actuaries' current estimates of complying with this new legislation at the relevant date.

The actual return on plan assets in respect of defined benefit pension schemes was $679 million (2004: $420 million).

### Post retirement medical plans

Qualified independent actuaries carry out full valuations every three years using the projected unit method. The actuaries have updated the valuations to 31 December 2005.

The Group's provision of anti-retroviral therapy to HIV positive staff has not significantly impacted the post-retirement medical plan liability.

### Income statement

The amounts recognised in the income statement are as follows:

| US$ million | 2005 Pension plans | 2005 Post-retirement medical plans | 2005 Total plans | 2004 Pension plans | 2004 Post-retirement medical plans | 2004 Total plans |
|---|---|---|---|---|---|---|
| **Analysis of the amount charged to operating profit** | | | | | | |
| Current service costs | 67 | 8 | 75 | 73 | 27 | 100 |
| Past service costs | (5) | 2 | (3) | 8 | – | 8 |
| Other amounts charged to profit and loss (curtailments and settlements) | (25) | (2) | (27) | (1) | (2) | (3) |
| **Total within operating costs** | 37 | 8 | 45 | 80 | 25 | 105 |
| **Analysis of the amount charged to net finance costs** | | | | | | |
| Expected return on plan assets[(1)] | (241) | – | (241) | (257) | – | (257) |
| Interest costs on plan liabilities[(2)] | 229 | 41 | 270 | 248 | 50 | 298 |
| **Net charge to other net finance costs** | (12) | 41 | 29 | (9) | 50 | 41 |
| **Total charge to income statement** | 25 | 49 | 74 | 71 | 75 | 146 |

(1) Included in investment income.

(2) Included in interest expense.

## 28. Retirement benefits continued

### Movement analysis

The changes in the present value of defined benefit obligations are as follows:

| US$ million | 2005 Pension plans | 2005 Post-retirement medical plans | 2005 Total plans | 2004 Pension plans | 2004 Post-retirement medical plans | 2004 Total plans |
|---|---|---|---|---|---|---|
| As at 1 January | (4,035) | (658) | (4,693) | (3,317) | (571) | (3,888) |
| Current service cost | (67) | (8) | (75) | (73) | (27) | (100) |
| Business combinations and disposals of subsidiaries | 51 | 8 | 59 | 122 | 31 | 153 |
| Past service costs and effects of settlements and curtailments | 54 | – | 54 | (7) | 2 | (5) |
| Interest cost | (229) | (41) | (270) | (248) | (50) | (298) |
| Actuarial losses | (435) | (67) | (502) | (198) | (22) | (220) |
| Benefit paid | 178 | 36 | 214 | 159 | – | 159 |
| Contribution paid by other members | (16) | (2) | (18) | (18) | 45 | 27 |
| Reclassifications | (11) | – | (11) | (35) | 35 | – |
| Currency movements | 525 | 82 | 607 | (426) | (97) | (523) |
| As at 31 December | (3,985) | (650) | (4,635) | (4,041) | (654) | (4,695) |

The changes in the fair value of plan assets are as follows:

| US$ million | 2005 Pension plans | 2005 Post-retirement medical plans | 2005 Total plans | 2004 Pension plans | 2004 Post-retirement medical plans | 2004 Total plans |
|---|---|---|---|---|---|---|
| As at 1 January | 3,479 | 15 | 3,494 | 2,831 | 11 | 2,842 |
| Expected return | 241 | – | 241 | 257 | – | 257 |
| Actuarial gains | 438 | – | 438 | 163 | – | 163 |
| Business combinations and disposals of subsidiaries | (2) | – | (2) | (96) | – | (96) |
| Contributions paid by employer | 73 | 2 | 75 | 89 | – | 89 |
| Contributions paid by other members | 16 | – | 16 | 18 | – | 18 |
| Benefit paid | (163) | (1) | (164) | (159) | – | (159) |
| Effects of settlements and curtailments | (16) | – | (16) | – | – | – |
| Reclassifications | 9 | – | 9 | | | – |
| Currency movements | (536) | 6 | (530) | 376 | 4 | 380 |
| As at 31 December | 3,539 | 22 | 3,561 | 3,479 | 15 | 3,494 |

Assumed healthcare trend rates have a significant effect on the amounts recognised in profit or loss. A 1% change in assumed healthcare cost trend rates would have the following effects:

| US$ million | 1% increase | 1% decrease |
|---|---|---|
| Effect on the sum of service cost and interest cost | 8 | (5) |
| Effect on defined benefit obligation | 76 | (54) |

In accordance with the transitional provisions set out in the amendment to IAS 19, disclosures are presented prospectively from the 2004 reporting period.

The Group expects to contribute approximately $297 million to its defined benefit pension plan and $43 million to its post retirement medical plan in 2006.

## 29. Called-up share capital and share-based payments

### Called-up share capital

| | 2005 Number of shares | 2005 US$ million | 2004 Number of shares | 2004 US$ million |
|---|---|---|---|---|
| Authorised: | | | | |
| 5% cumulative preference shares of £1 each | 50,000 | – | 50,000 | – |
| Ordinary shares of 50 US cents each | 2,000,000,000 | 1,000 | 2,000,000,000 | 1,000 |
| | | 1,000 | | 1,000 |
| Called up, allotted and fully paid: | | | | |
| 5% cumulative preference shares of £1 each | 50,000 | – | 50,000 | – |
| Ordinary shares of 50 US cents each: | | | | |
| At 1 January | 1,493,839,387 | 747 | 1,476,304,626 | 738 |
| Issued under share option scheme | – | – | 4,028,367 | 2 |
| Acquisition of Frantschach | – | – | 8,181,998 | 4 |
| Acquisition of Bauernfeind | – | – | 5,309,286 | 3 |
| Other | 16,509 | – | 15,110 | – |
| At 31 December | 1,493,855,896 | 747 | 1,493,839,387 | 747 |

At general meetings, every member who is present in person has one vote on a show of hands and, on a poll, every member who is present in person or by proxy has one vote for every ordinary share held.

In the event of winding up, the holders of the cumulative preference shares will be entitled to the repayment of a sum equal to the nominal capital paid up, or credited as paid up, on the cumulative preference shares held by them and any accrued dividend, whether such dividend has been earned or declared or not, calculated up to the date of the winding up.

During 2005, 12,617 ordinary shares of 50 US cents each were allotted in respect of certain non-executive directors by subscription of their after tax directors' fees (2004: 15,110). 3,892 ordinary shares of 50 US cents each were allotted upon the conversion of Anglo American plc convertible bonds due 2007 (2004: nil). No ordinary shares of 50 US cents were allotted on exercise of employee share option plans (2004: 4,028,367).

### Share-based payments

During the year ended 31 December 2005, the Group had six share-based payment arrangements with employees, the details of which are described in the remuneration report. All of the Group's schemes are equity settled, either by award of options to acquire ordinary shares (ESOS, SAYE and former AAC Executive Share Incentive Scheme) or award of ordinary shares (BSP, LTIP, SIP and Deferred Bonus Matching schemes). The Deferred Bonus Matching scheme and the share option schemes are now closed to new participants, the latter schemes having been replaced with the BSP.

The provision of shares to certain of the Group's schemes is facilitated by an employee benefit trust. The employee benefit trust has waived the right to receive dividends on these shares. The costs of operating the trust are borne by the Group but are not material. The cost of shares purchased by the trust is presented against retained earnings in accordance with IAS 32 (see note 33).

The total share-based payment charge for the year to date was made up as follows:

| US$ million | Year ended 31 Dec 05 | Year ended 31 Dec 04 |
|---|---|---|
| ESOS | 30 | 26 |
| BSP | 15 | 1 |
| LTIP | 18 | 11 |
| Other schemes | 6 | 3 |
| Total share-based payment expense | 69 | 41 |

**29. Called-up share capital and share-based payments** continued

The fair values of options granted under the ESOS and SAYE schemes, being the more material option schemes, were calculated using a Black Scholes model. The assumptions used in these calculations for the current and prior years are set out in the tables below[1]:

| | Year ended 31 Dec 05 | | Year ended 31 Dec 04 | |
|---|---|---|---|---|
| Arrangement | ESOS[2] | SAYE[2] | ESOS[2] | SAYE[2] |
| Date of grant | 05/01/05 – 28/02/05 | 28/04/05 | 01/03/04 – 10/08/04 | 30/03/04 |
| Number of instruments | 58,429 | 773,541 | 7,970,095 | 396,662 |
| Exercise price (£) | 12.12 – 12.96 | 10.15 | 11.52 – 13.43 | 10.81 |
| Share price at the date of grant (£) | 12.12 – 12.96 | 11.30 | 11.52 – 13.43 | 13.08 |
| Contractual life | 10 | 3.5 – 7.5 | 10 | 3.5 – 7.5 |
| Vesting conditions[3] | 3 | 3 – 7 | 3 | 3 – 7 |
| Expected volatility | 25% | 25% | 30% | 30% |
| Expected option life | 5 | 3.5 – 7.5 | 5 | 3.5 – 7.5 |
| Risk free interest rate (%) | 4.49 – 4.75 | 4.49 | 4.66 – 4.89 | 4.56 – 4.73 |
| Expected departures | 5% pa | 5% pa | 5% pa | 5% pa |
| Expected outcome of meeting performance criteria (at date of grant) | 100% | n/a | 100% | n/a |
| Fair value per option granted (weighted average) (£) | 2.69 | 2.78 | 3.32 | 3.91 |

The fair value of ordinary shares awarded under the BSP and LTIP – ROCE, being the more material share schemes, was calculated using a Black Scholes model. The fair value of shares awarded under the LTIP – TSR scheme was calculated using a Monte Carlo model. The assumptions used in these calculations for the current and prior years are set out in the tables below[5]:

| | Year ended 31 Dec 05 | | | Year ended 31 Dec 04 | | |
|---|---|---|---|---|---|---|
| Arrangement | BSP[2] | LTIP – ROCE[2] | LTIP – TSR[2] | BSP[2] | LTIP – ROCE[2] | LTIP – TSR[2] |
| Date of grant | 08/03/05 | 02/04/05 | 02/04/05 | 28/05/04 | 25/03/04 – 26/04/04 | 25/03/04 – 26/04/04 |
| Number of instruments | 2,533,220 | 1,100,000 | 1,100,000 | 511,428 | 917,438 | 917,438 |
| Exercise price (£) | – | – | – | – | – | – |
| Share price at the date of grant (£) | 13.12 | 12.68 | 12.68 | 11.44 | 12.62 – 12.34 | 12.62 – 12.34 |
| Contractual life | 3 | 3 | 3 | 3 | 3 | 3 |
| Vesting conditions | (4) | (5) | (6) | (4) | (5) | (6) |
| Expected volatility | 25% | 25% | 25% | 30% | 30% | 30% |
| Expected option life | 3 | 3 | 3 | 3 | 3 | 3 |
| Risk free interest rate (%) | 4.84 | 4.70 | 4.70 | 5.14 | 4.55 – 4.87 | 4.55 – 4.87 |
| Expected departures | 5% pa | 5% pa | 5% pa | 5% pa | 5% pa | 5% pa |
| Expected outcome of meeting performance criteria (at date of grant) | 44 – 100% | 65% | n/a | 44 – 100% | 65% | n/a |
| Fair value per option granted (weighted average) (£) | 12.21 | 11.59 | 3.51 | 11.00 | 11.35 | 5.68 |

(1) A progressive dividend growth policy is assumed in all fair value calculations.

(2) The number of instruments used in the fair value models differs to the total number of instruments awarded in the year due to awards made subsequent to the fair value calculations taking place. The fair value calculated per the assumptions above has been applied to the total number of awards. The difference in income statement charge is not considered significant.

(3) Number of years continuous employment.

(4) 3 years continuous employment with enhancement shares having variable vesting based on non-market based performance conditions.

(5) Variable vesting dependent on 3 years continuous employment and Group ROCE target being achieved.

(6) Variable vesting dependent on 3 years continuous employment and market based performance conditions being achieved.

**29. Called-up share capital and share-based payments** continued

The expected volatility is based on historic volatility over the last five years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds with a term equal to five years (2004: government bond yields of a term similar to the expected life of the option).

The charges arising in respect of the other employee share schemes that the Group operated during the year are not considered material.

A reconciliation of option movements for the more significant share-based payment arrangements over the year to 31 December 2005 and the prior period are shown below. All options outstanding at 31 December 2005 with an exercise date on or prior to 31 December 2005 are deemed exercisable. Options were exercised regularly during the period and the weighted average share price for the year ended 31 December 2005 was £14.36 (2004: £12.25).

### Executive Share Option Scheme[(1)]

Options to acquire ordinary shares of 50 US cents were outstanding under the terms of this scheme as follows:

At 31 December 2005

| Year of grant | Date exercisable | Option price per share £ | Options outstanding 1 Jan 2005 | Options granted during the year | Options exercised in year | Options forfeited in year | Options expired in year | Options outstanding 31 Dec 2005 |
|---|---|---|---|---|---|---|---|---|
| 1999 | 24 June 2002 to 23 June 2009 | 6.98 | 2,885,866 | – | 1,041,512 | – | – | 1,844,354 |
| 1999 | 19 October 2002 to 18 October 2009 | 8.00 | 201,972 | – | 138,468 | – | – | 63,504 |
| 2000 | 23 March 2003 to 22 March 2010 | 7.66 | 3,582,552 | – | 1,337,852 | – | – | 2,244,700 |
| 2000 | 26 June 2003 to 25 June 2010 | 7.66 | 69,816 | – | 46,816 | – | – | 23,000 |
| 2000 | 12 September 2003 to 11 September 2010 | 10.19 | 137,112 | – | 69,112 | – | – | 68,000 |
| 2001 | 2 April 2004 to 1 April 2011 | 10.03 | 6,833,964 | – | 3,543,616 | – | – | 3,290,348 |
| 2001 | 13 September 2004 to 12 September 2011 | 8.00 | 115,200 | – | 51,850 | – | – | 63,350 |
| 2002 | 18 March 2005 to 17 March 2012 | 11.50 | 7,152,218 | – | 3,476,369 | 7,600 | 8,728 | 3,659,521 |
| 2002 | 13 September 2005 to 12 September 2012 | 8.05 | 117,890 | – | 49,788 | – | – | 68,102 |
| 2003 | 5 March 2006 to 4 March 2013 | 9.28 | 12,506,385 | – | 746,970 | 29,500 | – | 11,729,915 |
| 2003 | 13 August 2006 to 12 August 2013 | 11.41 | 242,398 | – | 5,345 | – | – | 237,053 |
| 2003 | 1 October 2006 to 30 September 2013 | 10.81 | 70,000 | – | – | – | – | 70,000 |
| 2004 | 1 March 2007 to 28 February 2014 | 13.43 | 7,720,769 | – | 296,307 | 5,000 | – | 7,419,462 |
| 2004 | 10 August 2007 to 9 August 2014 | 11.52 | 212,031 | – | – | – | – | 212,031 |
| 2004 | 29 November 2009 to 28 November 2014 | 12.73 | 11,147 | – | – | – | – | 11,147 |
| 2005 | 6 January 2008 to 4 January 2015 | 12.12 | – | 37,579 | – | – | – | 37,579 |
| 2005 | 28 February 2008 to 27 February 2015 | 12.96 | – | 20,850 | – | – | – | 20,850 |
| 2005 | 1 August 2008 to 31 July 2015 | 14.40 | – | 18,000 | – | – | – | 18,000 |
| 2005 | 19 August 2008 to 18 August 2015 | 13.94 | – | 5,500 | – | – | – | 5,500 |
| | | | 41,859,320 | 81,929 | 10,804,005 | 42,100 | 8,728 | 31,086,416 |

At 31 December 2004

| Year of grant | Date exercisable | Option price per share £ | Options outstanding 1 Jan 2004 | Options granted during the year | Options exercised in year | Options forfeited in year | Options expired in year | Options outstanding 31 Dec 2004 |
|---|---|---|---|---|---|---|---|---|
| 1999 | 24 June 2002 to 23 June 2009 | 6.98 | 3,411,570 | – | 524,704 | – | 1,000 | 2,885,866 |
| 1999 | 19 October 2002 to 18 October 2009 | 8.00 | 277,004 | – | 75,032 | – | – | 201,972 |
| 2000 | 23 March 2003 to 22 March 2010 | 7.66 | 4,411,972 | – | 821,420 | 8,000 | – | 3,582,552 |
| 2000 | 26 June 2003 to 25 June 2010 | 7.66 | 89,816 | – | 20,000 | – | – | 69,816 |
| 2000 | 12 September 2003 to 11 September 2010 | 10.19 | 174,168 | – | 37,056 | – | – | 137,112 |
| 2001 | 2 April 2004 to 1 April 2011 | 10.03 | 7,212,817 | – | 341,861 | 12,000 | 24,992 | 6,833,964 |
| 2001 | 13 September 2004 to 12 September 2011 | 8.00 | 115,200 | – | – | – | – | 115,200 |
| 2002 | 18 March 2005 to 17 March 2012 | 11.50 | 7,380,883 | – | 152,945 | 75,720 | – | 7,152,218 |
| 2002 | 13 September 2005 to 12 September 2012 | 8.05 | 117,892 | – | – | – | 2 | 117,890 |
| 2003 | 5 March 2006 to 4 March 2013 | 9.28 | 12,676,004 | – | 12,500 | 157,119 | – | 12,506,385 |
| 2003 | 13 August 2006 to 12 August 2013 | 11.41 | 242,398 | – | – | – | – | 242,398 |
| 2003 | 1 October 2006 to 30 September 2013 | 10.81 | 70,000 | – | – | – | – | 70,000 |
| 2004 | 1 March 2007 to 28 February 2014 | 13.43 | – | 7,768,369 | – | 47,600 | – | 7,720,769 |
| 2004 | 10 August 2007 to 9 August 2014 | 11.52 | – | 216,031 | – | 4,000 | – | 212,031 |
| 2004 | 29 November 2009 to 28 November 2014 | 12.73 | – | 11,147 | – | – | – | 11,147 |
| | | | 36,179,724 | 7,995,547 | 1,985,518 | 304,439 | 25,994 | 41,859,320 |

See page 76 for footnotes.

**29. Called-up share capital and share-based payments** continued

SAYE Share Option Scheme[1]

Options to acquire ordinary shares of 50 US cents were outstanding under the terms of this scheme as follows:

At 31 December 2005

| Year of grant | Date exercisable | Option price per share £ | Options outstanding 1 Jan 2005 | Options granted during the year | Options exercised in year | Options forfeited in year | Options expired in year | Options outstanding 31 Dec 2005 |
|---|---|---|---|---|---|---|---|---|
| 1999 | 1 September 2004 to 28 February 2005 | 6.38 | 5,580 | – | 3,692 | 1,888 | – | – |
| 1999 | 1 September 2006 to 28 February 2007 | 6.38 | 30,740 | – | 5,918 | 228 | 302 | 24,292 |
| 2000 | 1 July 2005 to 31 December 2005 | 4.85 | 1,279,300 | – | 1,259,008 | – | 625 | 19,667 |
| 2000 | 1 July 2007 to 31 December 2007 | 4.85 | 359,896 | – | 8,875 | 13,017 | 805 | 337,199 |
| 2001 | 1 July 2004 to 31 December 2004 | 8.45 | 13,763 | – | 2,491 | 11,272 | – | – |
| 2001 | 1 July 2006 to 31 December 2006 | 8.45 | 201,350 | – | 7,415 | 10,149 | 2,360 | 181,426 |
| 2001 | 1 July 2008 to 31 December 2008 | 8.45 | 55,868 | – | 1,088 | 2,305 | 391 | 52,084 |
| 2002 | 1 September 2005 to 28 February 2006 | 9.23 | 202,906 | – | 183,513 | 10,981 | 895 | 7,517 |
| 2002 | 1 September 2007 to 28 February 2008 | 9.23 | 137,962 | – | 1,847 | 13,923 | 1,769 | 120,423 |
| 2002 | 1 September 2009 to 28 February 2010 | 9.23 | 45,372 | – | 326 | 7,665 | 295 | 37,086 |
| 2003 | 1 September 2006 to 28 February 2007 | 7.52 | 503,209 | – | 12,222 | 37,632 | 9,095 | 444,260 |
| 2003 | 1 September 2008 to 28 February 2009 | 7.52 | 218,548 | – | 3,311 | 16,674 | 5,157 | 193,406 |
| 2003 | 1 September 2010 to 28 February 2011 | 7.52 | 60,914 | – | 200 | 5,945 | 460 | 54,309 |
| 2004 | 1 September 2007 to 28 February 2008 | 10.81 | 221,544 | – | 1,464 | 26,529 | 3,547 | 190,004 |
| 2004 | 1 September 2009 to 28 February 2010 | 10.81 | 123,361 | – | 376 | 14,351 | 2,251 | 106,383 |
| 2004 | 1 September 2011 to 28 February 2012 | 10.81 | 29,742 | – | 325 | 2,373 | 1,303 | 25,741 |
| 2005 | 1 September 2008 to 28 February 2009 | 10.15 | – | 387,357 | 110 | 11,407 | 1,568 | 374,272 |
| 2005 | 1 September 2010 to 28 February 2011 | 10.15 | – | 323,089 | 30 | 1,363 | 685 | 321,011 |
| 2005 | 1 September 2012 to 28 February 2013 | 10.15 | – | 63,095 | – | 887 | – | 62,208 |
| | | | 3,490,055 | 773,541 | 1,492,211 | 188,589 | 31,508 | 2,551,288 |

At 31 December 2004

| Year of grant | Date exercisable | Option price per share £ | Options outstanding 1 Jan 2004 | Options granted during the year | Options exercised in year | Options forfeited in year | Options expired in year | Options outstanding 31 Dec 2004 |
|---|---|---|---|---|---|---|---|---|
| 1999 | 1 September 2004 to 28 February 2005 | 6.38 | 153,408 | – | 146,987 | – | 841 | 5,580 |
| 1999 | 1 September 2006 to 28 February 2007 | 6.38 | 34,432 | – | 3,285 | – | 407 | 30,740 |
| 2000 | 1 July 2003 to 31 December 2003[2] | 4.85 | 24,325 | – | 5,525 | 18,785 | 15 | – |
| 2000 | 1 July 2005 to 31 December 2005 | 4.85 | 1,336,760 | – | 28,776 | 19,968 | 8,716 | 1,279,300 |
| 2000 | 1 July 2007 to 31 December 2007 | 4.85 | 403,064 | – | 19,634 | 15,124 | 8,410 | 359,896 |
| 2001 | 1 July 2004 to 31 December 2004 | 8.45 | 267,732 | – | 248,543 | 4,964 | 462 | 13,763 |
| 2001 | 1 July 2006 to 31 December 2006 | 8.45 | 218,877 | – | 2,010 | 13,976 | 1,541 | 201,350 |
| 2001 | 1 July 2008 to 31 December 2008 | 8.45 | 63,775 | – | 1,710 | 4,427 | 1,770 | 55,868 |
| 2002 | 1 September 2005 to 28 February 2006 | 9.23 | 228,343 | – | 3,038 | 20,481 | 1,918 | 202,906 |
| 2002 | 1 September 2007 to 28 February 2008 | 9.23 | 152,320 | – | – | 14,358 | – | 137,962 |
| 2002 | 1 September 2009 to 28 February 2010 | 9.23 | 51,407 | – | 65 | 5,841 | 129 | 45,372 |
| 2003 | 1 September 2006 to 28 February 2007 | 7.52 | 578,009 | – | 3,968 | 62,145 | 8,687 | 503,209 |
| 2003 | 1 September 2008 to 28 February 2009 | 7.52 | 241,853 | – | 639 | 20,598 | 2,068 | 218,548 |
| 2003 | 1 September 2010 to 28 February 2011 | 7.52 | 81,680 | – | 608 | 15,669 | 4,489 | 60,914 |
| 2004 | 1 September 2007 to 28 February 2008 | 10.81 | – | 237,004 | 48 | 14,817 | 595 | 221,544 |
| 2004 | 1 September 2009 to 28 February 2010 | 10.81 | – | 129,404 | 57 | 5,046 | 940 | 123,361 |
| 2004 | 1 September 2011 to 28 February 2012 | 10.81 | – | 30,393 | – | 651 | – | 29,742 |
| | | | 3,835,985 | 396,801 | 464,893 | 236,850 | 40,988 | 3,490,055 |

Former AAC Executive Share Incentive Scheme[1]

At 31 December 2005

| Year of grant | Date exercisable | Weighted average option price per share £ | Options outstanding 1 Jan 2005 | Options exercised in year | Options forfeited in year | Options expired in year | Options outstanding 31 Dec 2005 |
|---|---|---|---|---|---|---|---|
| 1990-1997 | 1 January 1999 to 15 December 2007 | 4.72 | 419,200 | 255,900 | – | – | 163,300 |
| 1998 | 1 January 2000 to 4 December 2008 | 4.57 | 8,397,100 | 3,039,400 | – | – | 5,357,700 |
| 1999 | 4 January 2001 to 4 January 2009 | 3.82 | 239,500 | 119,400 | – | – | 120,100 |
| | | | 9,055,800 | 3,414,700 | – | – | 5,641,100 |

At 31 December 2004

| Year of grant | Date exercisable | Weighted average option price per share £ | Options outstanding 1 Jan 2004 | Options exercised in year | Options forfeited in year | Options expired in year | Options outstanding 31 Dec 2004 |
|---|---|---|---|---|---|---|---|
| 1990-1997 | 1 January 1999 to 15 December 2007 | 4.72 | 503,500 | 84,300 | – | – | 419,200 |
| 1998 | 1 January 2000 to 4 December 2008 | 4.57 | 10,109,700 | 1,712,600 | – | – | 8,397,100 |
| 1999 | 4 January 2001 to 4 January 2009 | 3.82 | 390,900 | 151,400 | – | – | 239,500 |
| | | | 11,004,100 | 1,948,300 | – | – | 9,055,800 |

The above share option prices have been calculated using a weighted average option price based on the shares outstanding at 31 December 2005 and converted to sterling using an exchange rate of £1.00 = 11.57 ZAR (2004: £1 = ZAR 10.85).

See following page for footnotes.

### 29. Called-up share capital and share-based payments continued

**Long Term Incentive Plan[1][3]**

Ordinary shares of 50 US cents may be awarded for no consideration under the terms of this scheme. The number of shares outstanding is as shown below:

**At 31 December 2005**

| Year of grant | Date exercisable | Shares outstanding 1 Jan 2005 | Shares conditionally awarded during the year | Shares vested in year | Shares forfeited in year | Shares expired in year | Shares outstanding 31 Dec 2005 |
|---|---|---|---|---|---|---|---|
| 2001 | 15 April 2004 to 14 April 2005 | 82,692 | – | 82,692 | – | – | – |
| 2002 | 25 May 2005 to 24 May 2006 | 1,341,783 | – | 916,769 | 360,185 | – | 64,829 |
| 2003 | 11 April 2006 to 10 April 2007 | 1,879,163 | – | – | 12,200 | – | 1,866,963 |
| 2004 | 25 March 2007 to 24 March 2008 | 1,617,079 | – | – | 9,000 | – | 1,608,079 |
| 2004 | 26 April 2007 to 25 April 2008 | 171,468 | – | – | 1,145 | – | 170,323 |
| 2004 | 1 September 2007 to 31 August 2008 | 10,000 | – | – | – | – | 10,000 |
| 2005 | 2 April 2008 to 1 April 2009 | – | 2,177,993 | – | 79,600 | – | 2,098,393 |
| 2005 | 1 June 2008 to 30 June 2009 | – | 61,993 | – | – | – | 61,993 |
| | | 5,102,185 | 2,239,986 | 999,461 | 462,130 | – | 5,880,580 |

At 31 December 2004

| Year of grant | Date exercisable | Shares outstanding 1 Jan 2004 | Shares conditionally awarded during the year | Shares vested in year | Shares forfeited in year | Shares expired in year | Shares outstanding 31 Dec 2004 |
|---|---|---|---|---|---|---|---|
| 2001 | 15 April 2004 to 14 April 2005 | 1,313,483 | – | 811,009 | 419,782 | – | 82,692 |
| 2002 | 25 May 2005 to 24 May 2006 | 1,421,525 | – | – | 79,742 | – | 1,341,783 |
| 2003 | 11 April 2006 to 10 April 2007 | 1,956,551 | – | – | 77,388 | – | 1,879,163 |
| 2004 | 25 March 2007 to 24 March 2008 | – | 1,639,079 | – | 22,000 | – | 1,617,079 |
| 2004 | 26 April 2007 to 25 April 2008 | – | 174,664 | – | 3,196 | – | 171,468 |
| 2004 | 1 September 2007 to 31 August 2008 | – | 10,000 | – | – | – | 10,000 |
| | | 4,691,559 | 1,823,743 | 811,009 | 602,108 | – | 5,102,185 |

**Bonus Share Plan[4]**

Ordinary shares of 50 US cents may be awarded under the terms of this scheme. The number of shares outstanding is as shown below:

**At 31 December 2005**

| Year of grant | Performance period end date | Shares outstanding 1 Jan 2005 | Shares conditionally awarded during the year | Shares vested in year | Shares forfeited in year | Shares expired in year | Shares outstanding 31 Dec 2005 |
|---|---|---|---|---|---|---|---|
| 2004 | 31 December 2006 | 511,860 | – | 11,129 | 2,993 | – | 497,738 |
| 2005 | 31 December 2007 | – | 2,534,492 | 89,770 | 26,110 | – | 2,418,612 |
| | | 511,860 | 2,534,492 | 100,899 | 29,103 | – | 2,916,350 |

At 31 December 2004

| Year of grant | Performance period end date | Shares outstanding 1 Jan 2004 | Shares conditionally awarded during the year | Shares vested in year | Shares forfeited in year | Shares expired in year | Shares outstanding 31 Dec 2004 |
|---|---|---|---|---|---|---|---|
| 2004 | 31 December 2006 | – | 511,860 | – | – | – | 511,860 |
| | | – | 511,860 | – | – | – | 511,860 |

**Other share incentive schemes**

During the year the Company operated a number of other share schemes under which ordinary shares of 50 US cents may be awarded for no consideration.

| | Awards outstanding at 31 December 2005 | Awards outstanding at 31 December 2004 | Latest release date |
|---|---|---|---|
| Deferred bonus matching | 124,331 | 210,994 | 1 January 2006 |
| Share incentive plan | 1,040,505 | 413,992 | 7 December 2007 |
| | 1,164,836 | 624,986 | |

(1) The early exercise of share options is permitted upon the termination of employment, ill-health or death.

(2) Outstanding options related to those individuals whose maturity period has been extended due to missed payments in terms of the scheme rules.

(3) The long term incentive awards are contingent on pre-established performance criteria being met. Further information in respect of this scheme is shown in the remuneration report.

(4) The Bonus Share Plan ('BSP') was approved by shareholders in 2004 as a replacement for the ESOS and the Deferred Bonus Plan. Further information in respect of the BSP, including performance conditions, is shown in the remuneration report.

**Employee benefit trust**

The provision of shares to certain of the Company's share option and share incentive schemes is facilitated by an employee benefit trust. During 2005 17,516,652 (2004: 1,600,926) shares were sold to employees on exercise of their options, and provisional allocations were made to options already awarded. The employee benefit trust has waived the right to receive dividends on these shares.

The market value of the 37.7 million shares held by the trust at 31 December 2005 was $744 million. At December 2004 the market value of the 55.1 million shares held by the trust was $1,296 million.

The costs of operating the trust are borne by the Group but are not material.

## 30. Business combinations

The Group made one material acquisition in the year. On 22 November 2005, the Group acquired the remaining 48.75% minority interest in Ticor Ltd ('Ticor') for a total cash consideration of $177 million. Ticor became 100% owned as a result of this transaction. Net assets acquired in the transaction were $191 million. $14 million of negative goodwill arising on acquisition of the minorities has been written back to the income statement as a special operating item in accordance with IFRS 3. Profit after tax and minority interest of Ticor for the period from 1 January 2005 to its acquisition on 22 November 2005 was $10 million. Ticor's loss attributable to shareholders for the period since acquisition to 31 December 2005 was $67 million.

There were no significant adjustments made to the fair values estimated relating to prior year acquisitions. Principal acquisitions made during the year to 31 December 2004, accounted for under the acquisition method were:

| Name of company acquired | Percentage acquired |
|---|---|
| Frantschach AG | 30% |
| Ashanti Goldfields | 100% |
| Roman Bauernfeind Holding AG | 100% |
| AngloGold Ashanti Limited | 5.2% |
| Anglo Platinum Limited | 0.9% |

Other acquisitions in the year ended 31 December 2004 included additional consideration and goodwill of $120 million relating to the acquisition of Minera Sur Andes (formerly Disputada) in 2002. This was the maximum amount payable as a result of copper prices reaching a certain average threshold since the date of acquisition. $34 million of this additional consideration was paid in the year ended 31 December 2004. The remaining $86 million additional consideration was paid during the year ended 31 December 2005.

Aggregate fair values of 2004 acquisitions, reconciled to the net cash paid is set out below:

| US$ million | Total |
|---|---|
| **Net assets acquired** | |
| Intangible fixed assets | 45 |
| Tangible fixed assets | 3,640 |
| Other fixed asset investments | 63 |
| Stocks | 129 |
| Debtors | 321 |
| Cash at bank and in hand | 77 |
| Short term borrowings | (249) |
| Other current liabilities | (548) |
| Long term borrowings | (314) |
| Retirement benefit obligations | (14) |
| Deferred tax liabilities | (839) |
| Provision for liabilities and charges | (112) |
| Equity minority interest | 402 |
| Net tangible assets acquired | 2,601 |
| Goodwill arising on acquisition | 377 |
| **Total cost of acquisition** | 2,978 |
| **Satisfied by** | |
| Net cash acquired | 77 |
| Shares issued by subsidiary | 1,366 |
| Shares issued by Group | 309 |
| Deferred consideration | 87 |
| Amounts paid in prior year | 4 |
| **Net cash paid** | 1,135 |

## 31. Disposal of subsidiaries and businesses

| US$ million | Other disposals[1] | Boart Longyear | 2005 Total | 2004 Total |
|---|---|---|---|---|
| **Net assets disposed** | | | | |
| Intangible fixed assets | 6 | 37 | 43 | – |
| Tangible fixed assets | 49 | 129 | 178 | 363 |
| Biological assets | 1 | – | 1 | 17 |
| Financial asset investments | – | 20 | 20 | – |
| Deferred tax assets | – | 23 | 23 | 2 |
| Inventories | 33 | 100 | 133 | 60 |
| Trade and other receivables | 55 | 162 | 217 | 110 |
| Cash and cash equivalents | 7 | 51 | 58 | 39 |
| Short term borrowings | (1) | (2) | (3) | (6) |
| Trade and other payables | (32) | (196) | (228) | (113) |
| Medium and long term borrowings | (10) | – | (10) | (23) |
| Retirement benefit obligations | (4) | (57) | (61) | (71) |
| Provisions for liabilities and charges | (16) | – | (16) | (68) |
| Deferred tax liabilities | – | – | – | (6) |
| Minority interests | (3) | – | (3) | – |
| Liabilities retained | – | 95 | 95 | – |
| Profit on disposal | 9 | 21 | 30 | 20 |
| **Disposal proceeds** | 94 | 383 | 477 | 324 |
| Net cash disposed | (7) | (51) | (58) | (39) |
| Deferred consideration on allotted shares | – | – | – | (11) |
| **Net cash inflow from disposal of subsidiaries during the year** | 87 | 332 | 419 | 274 |

[1] Not previously classified as held for sale.

Subsidiaries disposed of during the year principally include Boart Longyear, which was sold in July 2005. The net assets of Boart Longyear were reclassified as held for sale at 30 June 2005.

The cash flows of the disposed subsidiaries did not have a material effect on the cash flow statement.

## 32. Disposal groups and non-current assets held for sale

There were no assets and liabilities relating to disposal groups at year end. Net assets previously classified as held for sale at 30 June 2005 that were disposed of during the year are disclosed in note 31.

The net carrying amount of assets and associated liabilities reclassified as held for sale during the year were written down by $36 million (after tax) in the current period to their fair value less costs to sell.

## 33. Reconciliation of changes in equity

| US$ million | Total share capital[1] | Retained earnings[2] | Share-based payment reserve | Cumulative translation adjustment reserve[3] | Fair value and other reserves[3] | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Attributable to equity shareholders of the Company | | | | | | |
| Balance at 1 January 2004 | 2,022 | 15,012 | 25 | – | 772 | 3,365 | 21,196 |
| Total recognised income and expense | – | 3,474 | – | 2,247 | – | 755 | 6,476 |
| Dividends paid | – | (827) | – | – | – | – | (827) |
| Shares issued | 358 | – | – | – | – | – | 358 |
| Share-based payments | – | 12 | 30 | – | – | 3 | 45 |
| Subsidiary shares issued | – | – | – | – | – | 890 | 890 |
| Issue of shares to minority interests | – | – | – | – | – | (402) | (402) |
| Dividends paid to minority interests | – | – | – | – | – | (178) | (178) |
| Deemed disposal of AngloGold | – | – | – | – | – | 155 | 155 |
| Balance at 31 December 2004 | 2,380 | 17,671 | 55 | 2,247 | 772 | 4,588 | 27,713 |
| Adoption of IAS 32 and IAS 39 (see note 41) | – | (231) | – | – | 226 | (122) | (127) |
| Balance at 1 January 2005 | 2,380 | 17,440 | 55 | 2,247 | 998 | 4,466 | 27,586 |
| Total recognised income and expense | – | 3,364 | – | (1,908) | (162) | 82 | 1,376 |
| Dividends paid | – | (1,137) | – | – | – | – | (1,137) |
| Shares issued | 4 | – | – | – | – | – | 4 |
| Share-based payments | – | – | 100 | – | – | 6 | 106 |
| Disposal of businesses | – | – | – | – | – | (3) | (3) |
| Issue of shares to minority interests | – | – | – | – | – | 16 | 16 |
| Dividends paid to minority interests | – | – | – | – | – | (421) | (421) |
| Exercise of employee share options | – | 240 | – | – | – | – | 240 |
| Purchase of minority interests | – | – | – | – | – | (189) | (189) |
| **Balance at 31 December 2005** | **2,384** | **19,907** | **155** | **339** | **836** | **3,957** | **27,578** |

[1] Total share capital comprises called-up share capital and the share premium account.

[2] Retained earnings is stated after deducting $456 million (2004: $622 million) of treasury shares. Treasury shares comprise shares of Anglo American plc held in the employee benefit trust to meet certain of the Group's employee share remuneration schemes. 17,516,652 million of shares (2004: 1,600,926 million) were issued from the trust during the year.

[3] Other reserves of $1,330 million (2004: $3,074 million) on the balance sheet comprise share-based payment reserve $155 million (2004: $55 million), cumulative translation adjustment reserve of $339 million (2004: $2,247 million) and fair value and other reserves of $836 million (2004: $772 million). Fair value and other reserves are further analysed below.

Fair value and other reserves comprise:

| US$ million | Convertible debt reserve | Available for sale reserve | Cash flow hedge reserve | Other reserves[1] | Total fair value and other reserves |
|---|---|---|---|---|---|
| Balance at 1 January 2004 | – | – | – | 772 | 772 |
| Balance at 31 December 2004 | – | – | – | 772 | 772 |
| Adoption of IAS 32 and IAS 39 (see note 41) | 128 | 48 | 50 | – | 226 |
| Balance at 1 January 2005 | 128 | 48 | 50 | 772 | 998 |
| Total recognised income and expense | 3 | 6 | (171) | – | (162) |
| **Balance at 31 December 2005** | **131** | **54** | **(121)** | **772** | **836** |

[1] Other reserves comprise $690 million (2004: $690 million) legal reserve and $82 million (2004: $82 million) capital redemption reserve.

## 34. Consolidated cash flow analysis

### a) Reconciliation of profit before tax to cash inflows from operations

| US$ million | 2005 | 2004 |
|---|---|---|
| Profit before tax | **5,208** | 4,864 |
| Depreciation and amortisation | **2,441** | 2,107 |
| Share option expense | **92** | 50 |
| Special items and remeasurements of subsidiaries and joint ventures | **365** | (928) |
| Net finance costs before remeasurements | **428** | 255 |
| Fair value gains before special items and remeasurements | **(278)** | – |
| Net income from associates | **(657)** | (550) |
| Provisions | **113** | 17 |
| Increase in inventories | **(453)** | (279) |
| Increase in operating debtors | **(600)** | (444) |
| Increase in operating creditors | **539** | 113 |
| Other adjustments | **67** | 86 |
| Cash inflows from operations | **7,265** | 5,291 |

### b) Cash and cash equivalents

| US$ million | 2005 | 2004 |
|---|---|---|
| Cash and cash equivalents per balance sheet | **3,430** | 2,955 |
| Bank overdrafts | **(111)** | (174) |
| Net cash and cash equivalents per cash flow statement | **3,319** | 2,781 |

### c) Movement in net debt

| | | Debt due within one year | | Debt due after[4] one year | | | |
|---|---|---|---|---|---|---|---|
| US$ million | Cash and cash equivalents[1][2] | Carrying value[2] | Hedge[3] | Carrying value | Hedge[3] | Current financial asset investments | Total net debt[5] |
| Balance at 1 January 2004 | 2,186 | (4,143) | – | (6,997) | – | 25 | (8,929) |
| Cash flow | 486 | 1,830 | – | (392) | – | (23) | 1,901 |
| Business combinations excluding cash and cash equivalents | – | (249) | – | (314) | – | – | (563) |
| Disposals excluding cash and cash equivalents | – | 6 | – | 23 | – | – | 29 |
| Other non-cash movements | – | (4) | – | (15) | – | – | (19) |
| Reclassifications | – | (309) | – | 309 | – | – | – |
| Currency movements | 109 | (340) | – | (431) | – | – | (662) |
| Balance at 31 December 2004 | 2,781 | (3,209) | – | (7,817) | – | 2 | (8,243) |
| IAS 32 and IAS 39 adjustments | – | (63) | 55 | (144) | 302 | – | 150 |
| Balance at 1 January 2005 | 2,781 | (3,272) | 55 | (7,961) | 302 | 2 | (8,093) |
| Cash flow | 602 | 1,356 | 25 | 632 | – | (13) | 2,602 |
| Business combinations/disposal of business | – | 2 | – | 5 | – | – | 7 |
| Unwinding of discount of convertible debt | – | – | – | (53) | – | – | (53) |
| Reclassifications | – | (300) | – | 299 | – | 1 | – |
| Movement in fair value | – | – | (67) | 12 | (302) | – | (357) |
| Other non-cash movements | – | – | – | – | – | 29 | 29 |
| Currency movements | (64) | 249 | – | 703 | – | (3) | 885 |
| Closing balance at 31 December 2005 | **3,319** | **(1,965)** | **13** | **(6,363)** | **–** | **16** | **(4,980)** |

[1] The Group operates in certain countries (principally South Africa and Venezuela) where the existence of exchange controls may restrict the use of certain cash balances. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

[2] Excludes overdrafts, which are included as cash and cash equivalents. Short term borrowings on the balance sheet of $2,076 million (2004: $3,383 million) include $111 million (2004: $174 million) of overdrafts.

[3] Derivatives of net debt items that have been designated as hedges and are effective are included within this table to give a true reflection of the Group's net debt position at period end. These derivatives are classified within other financial assets/(liabilities) (derivatives).

[4] Debt due after one year includes convertible debt of $1,975 million (2004: $2,081 million), (see note 24).

[5] Net debt as shown on the balance sheet totalling $4,993 million (2004: $8,243 million) excludes the effect of hedge instruments.

### d) EBITDA by business segment

| US$ million | 2005 | 2004 |
|---|---|---|
| **By business segment** | | |
| Platinum | **1,282** | 853 |
| Gold | **871** | 694 |
| Diamonds | **655** | 655 |
| Coal | **1,243** | 687 |
| Base Metals | **1,990** | 1,625 |
| Industrial Minerals | **618** | 638 |
| Ferrous Metals and Industries | **1,779** | 1,231 |
| Paper and Packaging | **916** | 978 |
| Exploration | **(150)** | (120) |
| Corporate Activities | **(245)** | (210) |
| EBITDA | **8,959** | 7,031 |

EBITDA is stated before special items and is reconciled to total profit from operations and associates as follows:

| US$ million | 2005 | 2004 |
|---|---|---|
| Total profit from operations and associates | **5,601** | 5,231 |
| Special items (including associates) | **633** | 92 |
| Net profit on disposals (including associates) | **(185)** | (1,025) |
| Depreciation and amortisation: subsidiaries and joint ventures | **2,441** | 2,107 |
| Share of associates' interest, tax, depreciation, amortisation and underlying minority interest | **469** | 626 |
| EBITDA | **8,959** | 7,031 |

# Notes to financial statements continued

### 35. Capital commitments

| US$ million | 2005 | 2004 |
|---|---|---|
| Contracted but not provided | 1,247 | 825 |

### 36. Contingent liabilities and contingent assets

The Group is subject to various claims which arise in the ordinary course of business. Having taken appropriate legal advice, the Group believe that the likelihood of a material liability arising is remote. Contingent liabilities comprise aggregate amounts of $163 million (2004: $272 million) in respect of loans and performance guarantees given to banks and other third parties.

In addition to the amounts relating to Group companies above, under Chilean law payment of customs duties associated with capital assets can be deferred for up to seven years. As at 31 December 2005, Collahuasi has potential deferred customs duties of nil (2004: $3 million).

At 31 December 2005, contingent liabilities of $2 million (2004: $2 million) were secured on the assets of the Group.

There were no significant contingent assets in the Group at either 31 December 2005 or 31 December 2004.

### 37. Operating leases

At 31 December 2005, the Group had the following outstanding commitments under non-cancellable operating leases:

| US$ million | 2005 | 2004 |
|---|---|---|
| Expiry date: | | |
| Within one year | 88 | 59 |
| One to two years | 85 | 49 |
| Two to five years | 109 | 128 |
| After five years | 212 | 250 |
| | 494 | 486 |

### 38. Changes in estimates

#### Anglo Platinum – metal inventories

During the year, Anglo Platinum changed its estimate of the quantities of valuation of inventory based on the outcome of a physical count of in-process metals. Anglo Platinum runs a theoretical metal inventory system based on inputs, the results of previous physical counts and outputs. Due to the nature of in-process inventories being contained in weirs, pipes and other vessels, physical counts only take place annually.

This change in estimate has had the effect of increasing the value of inventory by $54 million (no physical count of in-process inventory was undertaken for the comparative period). This results in the recognition of an after tax gain of $38 million.

#### Useful economic lives of tangible assets

A review of useful economic lives of tangible assets was performed during the year. This resulted in an additional depreciation charge of $53 million for the year, which is expected to recur over the remaining life of the mines.

### 39. Related party transactions

The Group has a related party relationship with its subsidiaries, associates and joint ventures (see note 42).

With effect from 1 June 2001, the cross-holding between Anglo American and De Beers was eliminated and Anglo American accounted for its 45% interest in DB Investments (DBI), the holding company of De Beers Société Anonyme. Prior to 2004, as a result of De Beers' partial interest in Debswana Diamond Company (Proprietary) Limited (one of the shareholders in DBI), Anglo American accounted for an additional 3.65% of DBI's post-tax equity earnings. As part of an agreement to extend a number of mining licenses during 2004, this partial interest was ceded by De Beers to the Government of the Republic of Botswana. Following this restructuring, Anglo American now accounts only for its direct 45% interest in DBI.

At 31 December 2005, Anglo American holds $350 million (2004: $526 million) of 10% non-cumulative redeemable preference shares in DBI. Prior to the adoption of IAS 32 and IAS 39 these were classified within fixed asset investments: 'equity' (see note 18). On adoption of IAS 32 and IAS 39 with effect from 1 January 2005, these preference shares were reclassified as financial asset investments: 'loans' (see note 19) as they meet the definition of 'debt' within IAS 32.

The Company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with joint ventures and associates and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

Dividends received from associates during the year totalled $461 million (2004: $368 million), as disclosed in the consolidated cash flow statement.

During the year Anglo Coal made payments of $16 million in respect of wharfage charges to the Richards Bay Coal Terminal, an associate of Anglo Coal. Additionally, Anglo Coal made a long term loan to the Richards Bay Coal Terminal of $6 million to fund operational and capital expenditure.

The directors of the Company and their immediate relatives control 3% (2004: 3%) of the voting shares of the Company.

Remuneration and benefits received by directors is disclosed in the directors' remuneration report. Remuneration and benefits of other key management personnel is given in note 6.

### 40. Reconciliation between UK GAAP and IFRS

#### Reconciliation of equity

The Group published financial information in accordance with IFRS for 2004, as required by IFRS 1, on 9 May 2005 in its news release entitled 'International Financial Reporting Standards (IFRS) restatements for 2004 and update on adoption of IFRS'. The news release is published on the Company's website, www.angloamerican.co.uk, and includes explanations of the significant UK GAAP to IFRS differences and reconciliations for:

- total equity as at 1 January 2004 (date of transition to IFRS), 30 June 2004 and 31 December 2004;
- profit attributable to shareholders for the period ended 30 June 2004 and the year ended 31 December 2004; and
- pro forma IAS 32 and IAS 39 information for the period ended 30 June 2004 and the year ended 31 December 2004.

The news release also included detailed IFRS accounting policies and supplementary notes to provide more information for understanding the restatements. A summary of the detailed information presented in the news release is provided below:

| US$ million | As at 01.01.04 | As at 31.12.04 |
|---|---|---|
| Total equity presented under UK GAAP | 19,772 | 24,998 |
| Reclassification of UK GAAP minority interests within equity | 3,396 | 4,620 |
| Proposed dividend adjustment | 622 | 815 |
| Recognition of deferred tax on fair value adjustments[1] | (1,712) | (1,899) |
| Defined benefit pension obligations | (576) | (628) |
| Translation of goodwill arising post 1 January 2004 | – | 21 |
| Treatment of De Beers' preference shares | (130) | (218) |
| Net impairment of goodwill | (214) | (214) |
| Reversal of goodwill amortisation | – | 221 |
| Fair value of biological assets | 26 | 14 |
| Share-based payments | 6 | 1 |
| Net impact of other IFRS adjustments | 6 | (18) |
| Total equity and reserves presented under IFRS | 21,196 | 27,713 |

[1] Since the release of the Group's restated IFRS information on 9 May 2005, an additional deferred tax liability of $227 million (£126 million) has been recognised on transition to IFRS in respect of underlying fair value adjustments. This adjustment was taken to opening retained earnings in accordance with IFRS 1.

## 40. Reconciliation between UK GAAP and IFRS continued

### Reconciliation of profit attributable to equity shareholders of the Company

| US$ million | Year ended 31.12.04 |
|---|---|
| Attributable profit under UK GAAP | 2,913 |
| Reclassification of unrealised gains | 427 |
| Deferred tax on fair value adjustments | 41 |
| Defined benefit schemes | – |
| Recycling of currency translation adjustments | 30 |
| Treatment of De Beers' preference shares | (69) |
| Reversal of goodwill amortisation | 205 |
| Fair value of biological assets | (21) |
| Share-based payments | (21) |
| Net impact of other IFRS adjustments | (4) |
| Attributable profit under IFRS | 3,501 |

### Reconciliation of cash flows

The material adjustments made to the presentation of the Group's consolidated cash flow statement were the inclusion of cash flows from joint venture entities on a line by line basis in accordance with proportionate consolidation rules set out in IAS 31; and the inclusion of short term cash investments maturing within 90 days of deposit previously disclosed as current asset investments as cash equivalents in accordance with IAS 7.

### Explanation of reconciling items between UK GAAP and IFRS

The more significant areas of accounting change are:

### IAS 1 – Reclassification of UK GAAP minority interests within equity

Minority interests were reclassified from long term liabilities to equity in accordance with IAS 1. Although this increased reported net assets by $4.6 billion at 31 December 2004 and $3.4 billion at 1 January 2004, it has no impact on total shareholders' equity.

### IAS 1 – Reclassification of unrealised gains

The international accounting framework provides no distinction between unrealised and realised gains for financial reporting. As such, all unrealised gains, with the exception of actuarial gains or losses on post-retirement schemes and currency translation differences, are recorded through the income statement and not through the statement of total recognised gains and losses, as was required under UK GAAP.

Although this reclassification has increased reported profit for the year to 31 December 2004 by $0.4 billion, there is no change to net assets.

### IAS 10 – Proposed dividend adjustment

Dividends proposed are recognised in the period in which they are formally approved for payment. This is also in accordance with the Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004, which is effective for financial years commencing on or after 1 January 2005.

The change in timing of recognising proposed dividends and the related tax thereon increased reported net assets of the Group as at 31 December 2004 by $815 million, being the final 2004 proposed dividends to the Group's shareholders and its minority interests and by $622 million as at 1 January 2004, being the final 2003 proposed dividends.

### IAS 12 – Recognition of deferred tax on fair value adjustments

Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired and is provided on balances previously excluded from provision under UK GAAP such as revaluations of tangible fixed assets. The largest temporary difference requiring additional deferred tax provision on transition arose between the carrying value of mineral reserves and the respective tax base.

Upon adoption of IFRS, the Group recognised a deferred tax liability of $1.7 billion in respect of additional temporary differences arising on previous acquisitions. In accordance with IFRS 1 the Group took the exemption from restating acquisitions prior to 1 January 2004, and as such this adjustment was made to reserves at 1 January 2004. Deferred tax provided on temporary differences for acquisitions made after 1 January 2004 either increases the value attributed to mineral reserves or goodwill, depending on the nature of the temporary difference giving rise to it.

Any deferred tax raised will unwind through the consolidated income statement as the underlying temporary difference is amortised. The net impact from the recognition of additional temporary differences on acquisitions was to increase profit after tax by $41 million for the year ended 31 December 2004.

### IAS 19 – Defined benefit pension obligation

IAS 19 requires companies to recognise the full deficit (or surplus, subject to restrictions) of post-retirement benefits under defined benefit arrangements on the balance sheet. The Group adopted the amendment to IAS 19 and has recognised all actuarial gains or losses directly through equity.

This accounting change reduced consolidated net assets by approximately $0.6 billion (net of deferred tax) as at 31 December 2004 and 1 January 2004, as the full actuarial gains and losses of defined benefit arrangements are now reflected in reserves. There is no material impact on net profit for the year ended 31 December 2004.

### IAS 21 – Recycling of currency translation adjustment

IAS 21 requires cumulative currency translation adjustments (CTA) arising on translation of a foreign operation to be recycled through the income statement when that entity is disposed of. Previously, under UK GAAP, the CTA was not included in the gain or loss calculated if that operation was sold. In accordance with IFRS 1, the Group took the exemption from recycling foreign currency gains or losses arising before 1 January 2004.

The accounting policy change increased reported profit on disposal of non US dollar operations by $30 million for the year to 31 December 2004 which represented recycled CTA gains arising since 1 January 2004.

This accounting change had no impact on consolidated net assets, as it is effectively recycling gains and losses reported previously in reserves back through the income statement.

### IAS 21 – Translation of goodwill arising post 1 January 2004

In accordance with IFRS 1, the Group translates non US dollar goodwill arising on acquisitions after 1 January 2004 to the closing US dollar exchange rate. This accounting adjustment increased net assets at 31 December 2004 by $21 million. The resulting foreign exchange gain arising on consolidation has been taken to the CTA reserve.

### IAS 28 and IAS 21 – Translation of De Beers' preference shares

Previously, under UK GAAP, US dollar preference shares held in De Beers with a redemption value of $701 million were considered part of the Group's long term equity ownership in the entity. As such, the preference shares were held at historical cost and included in the total carrying value of the associate in the consolidated balance sheet.

Under IFRS, the US dollar preference shares, which are held by a rand functional currency entity and are redeemable by 2010, no longer qualify as quasi-equity and consequently were reclassified as non-current financial asset investments: equity, and retranslated at each period end. The resulting rand:US dollar foreign exchange gains and losses are reported through the income statement. Under IAS 21 a currency loss of $112 million was recorded for the year ended 31 December 2004. Consequently the 2004 $44 million exceptional currency loss recognised on the partial redemption of the preference shares under UK GAAP reporting was reversed.

The net impact from this accounting policy difference also reduced net assets by $130 million as at 1 January 2004.

After the partial redemption in June 2004 of 25% of the shares, the residual carrying value of the remaining US dollar preference shares held as at 31 December 2004 was $526 million.

### IAS 36 – Replacement of goodwill amortisation with an annual impairment test and elimination of centrally held goodwill

IFRS does not permit the amortisation of goodwill, but requires the carrying amount to be supported by an annual impairment test.

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGU), or groups of CGU, that are expected to benefit from the synergies of the combination. The group of CGU to which the goodwill is allocated represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than a geographical or business segment.

### 40. Reconciliation between UK GAAP and IFRS continued

On transition to IFRS as at 1 January 2004, approximately $260 million of strategic goodwill arising on the formation of Anglo American plc in 1999 was eliminated. In accordance with FRS 11, this goodwill reflected the increase in future shareholder value arising from the merger of the AACSA and Minorco companies and not the intrinsic value of Minorco assets existing at the date of restructure and was held centrally. IFRS, however, requires that all goodwill is allocated to CGUs. The CGUs to which this strategic goodwill would have been allocated on formation of the Group did not support its carrying value, due to disposals or impairments made since 1999 up to IFRS transition date. As a result, the goodwill was written off through retained earnings at transition date.

In addition, approximately $50 million of negative goodwill was written back in accordance with IFRS 3 in the opening balance sheet. Together these adjustments give rise to a net reduction to the carrying value of goodwill on transition of $0.2 billion.

The replacement of goodwill amortisation with an annual impairment test has increased reported profits for the Group by $0.2 billion for the year to 31 December 2004. This accounting change does not impact headline earnings, as headline earnings were stated before goodwill amortisation for UK GAAP.

#### IAS 32 and IAS 39 – Financial instruments

In accordance with the exemption provided under IFRS 1, the Group has adopted IAS 32 and IAS 39 prospectively from 1 January 2005. As such, the financial information presented for the year ended 31 December 2004 excludes any adjustments required from adoption of these two standards. Details of the restatement and the more significant changes is set out in note 41.

#### IAS 41 – Fair value of biological assets

Afforestation and other agricultural assets, primarily forests within our Paper and Packaging business, were previously held at historical cost. These assets are now recorded at fair value in accordance with IAS 41, with fair value changes reported through the income statement up until the point at which the assets are harvested. The historical cost of such assets was previously classified within fixed assets.

This accounting change has resulted in the reclassification of afforestation and other agricultural asset costs from tangible assets to the separate asset category biological assets, and the resultant fair value has increased net assets by $14 million as at 31 December 2004 and $26 million as at 1 January 2004.

The effect of recognising fair value gains from growing afforestation and other agricultural assets earlier than under UK GAAP has reduced reported net profit for the year ended 31 December 2004 by approximately $21 million.

#### IFRS 2 – Share-based remuneration schemes

IFRS 2 requires options granted by the Group to employees, for example under Employee Share Option Schemes and Save As You Earn schemes, to be fair valued at grant date using an option pricing model and charged through the income statement over the vesting period of the options.

UK GAAP required the intrinsic valuation method to be applied whereby a charge was made if the exercise price of the option at grant date was below the market price.

This accounting change reduced consolidated net profit by $21 million for the year to 31 December 2004.

Group employee remuneration schemes have now replaced option schemes with share schemes. Consequently the impact of this accounting policy change will diminish.

### 41. Adoption of IAS 32 and IAS 39

The Group took the exemption not to restate its comparative information for IAS 32 and IAS 39 and adopted the standards prospectively from 1 January 2005.

The consolidated balance sheet as at 31 December 2004 has been adjusted to apply IAS 32 and IAS 39 prospectively from 1 January 2005 as set out below:

| US$ million | Note | IFRS 31.12.04 | Effect of adoption of IAS 32 and IAS 39 | Pro forma restated IFRS 1.1.05 |
|---|---|---|---|---|
| Intangible assets | | 2,644 | – | 2,644 |
| Tangible assets | (1) | 33,172 | (173) | 32,999 |
| Biological assets | | 374 | – | 374 |
| Environmental rehabilitation trusts | | 237 | – | 237 |
| Investments in associates | | 3,486 | 4 | 3,490 |
| Fixed asset investments | (2) | 1,084 | (1,084) | – |
| Financial asset investments | (2) | – | 1,142 | 1,142 |
| Deferred tax assets | | 128 | (1) | 127 |
| Other financial assets (derivatives) | (3) | – | 675 | 675 |
| Other non-current assets | | 66 | – | 66 |
| **Total non-current assets** | | **41,191** | **563** | **41,754** |
| Inventories | | 3,549 | – | 3,549 |
| Trade and other receivables | | 5,534 | (86) | 5,448 |
| Current tax assets | | 220 | – | 220 |
| Other current financial assets (derivatives) | (3) | – | 670 | 670 |
| Current asset investments | (2) | 2 | (2) | – |
| Current financial asset investments | (2) | – | 2 | 2 |
| Cash and cash equivalents | | 2,955 | – | 2,955 |
| **Total current assets** | | **12,260** | **584** | **12,844** |
| **Total assets** | | **53,451** | **1,147** | **54,598** |
| Short term borrowings | (4) | (3,383) | (63) | (3,446) |
| Trade and other payables | | (5,368) | 78 | (5,290) |
| Current tax liabilities | | (831) | 1 | (830) |
| Other current financial liabilities (derivatives) | (3) | – | (628) | (628) |
| **Total current liabilities** | | **(9,582)** | **(612)** | **(10,194)** |
| Medium and long term borrowings | (4) | (7,817) | (144) | (7,961) |
| Retirement benefit obligations | | (1,201) | – | (1,201) |
| Other financial liabilities (derivatives) | (3) | – | (610) | (610) |
| Deferred tax liabilities | | (5,810) | 92 | (5,718) |
| Provisions | | (1,328) | – | (1,328) |
| **Total non-current liabilities** | | **(16,156)** | **(662)** | **(16,818)** |
| **Total liabilities** | | **(25,738)** | **(1,274)** | **(27,012)** |
| **Net assets** | | **27,713** | **(127)** | **27,586** |
| **Equity** | | | | |
| Called-up share capital | | 747 | – | 747 |
| Share premium account | | 1,633 | – | 1,633 |
| Other reserves | | 3,074 | 226 | 3,300 |
| Cash flow hedge reserve | (3) | – | 50 | 50 |
| Convertible debt reserve | (5) | – | 128 | 128 |
| Available for sale reserve | (2) | – | 48 | 48 |
| Other | | 3,074 | – | 3,074 |
| Retained earnings | (5) | 17,671 | (231) | 17,440 |
| **Equity attributable to equity shareholders of the Company** | | **23,125** | **(5)** | **23,120** |
| Minority interests | | 4,588 | (122) | 4,466 |
| **Total equity** | | **27,713** | **(127)** | **27,586** |

The IFRS news release issued on 9 May 2005 set out a detailed reconciliation by adjustment type on adoption of IAS 32 and IAS 39. The pro forma information presented in the news release, however, assumed application of IAS 32 and IAS 39 from 1 January 2004. As such, it is slightly different to the information restated here, for statutory purposes, which applies the standards prospectively from 1 January 2005. The detailed accounting policies for the Group's financial instruments are set out in note 1.

The key changes in accounting policy on adoption of IAS 32 and IAS 39 are:

- recognition and fair value of derivatives, including embedded derivatives;
- fair value of investments that were previously cost accounted; and
- the separation of the equity conversion option within convertible debt instruments.

### 41. Adoption of IAS 32 and IAS 39 continued

The following notes explain the material adjustments made at 1 January 2005 to the Group's balance sheet at 31 December 2004 to reflect the adoption of IAS 32 and IAS 39.

(1) The reduction in tangible fixed assets was largely due to a $171 million impairment triggered by the recognition of an embedded derivative. The derivative was in a commercial purchase contract in a Base Metals' operation and the resulting financial asset increased the carrying value of total assets over their recoverable amount, being their value in use. The value in use of the Base Metals operation was calculated using forecast cash flows discounted using a pre-tax discount rate equivalent to a real post-tax discount rate of six per cent, adjusted for any risks that were not reflected in the underlying cash flows. The resulting impairment provision, net of deferred tax, was taken through retained earnings as at 1 January 2005 in accordance with transitional provisions set out in IFRS 1.

(2) On adoption of the two standards, loans and equity investments that were previously classified as fixed asset investments were reclassified as financial asset investments and accounted for as available for sale, fair value through profit and loss, held to maturity or loans and receivables as defined by IAS 39. On transition, equity investments meeting the definition of available for sale were restated to their fair values. The respective $58 million adjustment, being the difference in carrying values between fixed asset investments and the reclassified financial asset investments, was taken to the available for sale reserve, net of deferred tax of $10 million. No items were classified as fair value through profit or loss or as held to maturity.

The Group's $526 million investments in DBI 10% non-cumulative, redeemable preference shares were reclassified from equity to loans and receivables as they meet the definition of debt within IAS 32. No further adjustment was required on reclassification of all other loans to loans and receivables, as their carrying value under UK GAAP was equivalent to amortised cost under IAS 39.

(3) All outstanding derivatives, other than commodity contracts which meet the normal sale exemption criteria of IAS 39, are now recognised on the balance sheet at their mark-to-market value and are disclosed within other financial assets (derivatives) or other financial liabilities (derivatives). Derivatives designated as hedges are classified as current or non-current depending on the maturity of the derivative. Derivatives not designated as hedges are classified as current in accordance with IAS 1. Derivative financial instruments that were designated and effective as hedges of future cash flows as at 1 January 2005 were fair valued through the cash flow hedge reserve at that date. Derivatives not designated as cash flow hedges as at 1 January 2005 were fair valued through retained earnings.

(4) The $63 million increase in short term borrowings follows the separate presentation of foreign currency derivatives within other financial assets/(liabilities) (derivatives). The net $144 million increase in medium and long term borrowings is due to the separate presentation of foreign currency derivatives and the inclusion of the fair value of the interest rate risk that is being hedged, in the carrying amount of the debt. This is partially offset by a $143 million reduction in liabilities following the separation of the conversion option from the Group's convertible debt instruments.

(5) The conversion option within the convertible bond issued by the Company was fair valued at the date of issue and is included in equity, net of deferred tax.

The conversion option within the convertible bond issued by AngloGold Ashanti is classified as a liability within other financial liabilities (derivatives). This accounting treatment follows recent IFRIC guidance.

### 42. Group companies

The principal subsidiaries, joint ventures, associates and proportionately consolidated joint arrangements of the Group at 31 December 2005, and the Group percentage of equity capital, joint arrangements and joint venture interests are set out below. All these interests are held indirectly by the parent company and are consolidated within these financial statements. The Group has restricted the information to its principal subsidiaries as full compliance with section 231(b) of the Companies Act would result in a statement of excessive length.

| Subsidiary undertakings | Country of incorporation | Business | Percentage of equity owned[1] 2005 | 2004 |
|---|---|---|---|---|
| **Platinum** | | | | |
| Anglo Platinum Limited | South Africa | Platinum | 74.5% | 74.8% |
| **Gold** | | | | |
| AngloGold Ashanti Limited (formerly AngloGold Limited) | South Africa | Gold | 50.9% | 51% |
| **Coal** | | | | |
| Anglo Coal[2] | South Africa | Coal | 100% | 100% |
| Anglo Coal (Callide) Pty Limited | Australia | Coal | 100% | 100% |
| **Base Metals** | | | | |
| Black Mountain Mineral Development[2] | South Africa | Copper, zinc and lead | 100% | 100% |
| Namakwa Sands[2] | South Africa | Mineral sands | 100% | 100% |
| Gamsberg Zinc Corporation[2] | South Africa | Zinc project | 100% | 100% |
| Anglo American Brasil Limitada (Barro Alto) | Brazil | Nickel project | 100% | 100% |
| Ambase Exploration (Namibia) Proprietary Limited (Skorpion) | Namibia | Zinc | 100% | 100% |
| Anglo American Brasil Limitada (Catalão) | Brazil | Niobium | 100% | 100% |
| Minera Sur Andes Limitada | Chile | Copper | 100% | 100% |
| Empresa Minera de Mantos Blancos SA | Chile | Copper | 99.9% | 99.9% |
| Anglo American Brasil Limitada (Codemin) | Brazil | Nickel | 100% | 100% |
| Minera Loma de Níquel, CA | Venezuela | Nickel | 91.4% | 91.4% |
| Minera Quellaveco SA | Peru | Copper project | 80% | 80% |
| Lisheen | Ireland | Zinc and lead | 100% | 100% |
| **Industrial Minerals** | | | | |
| Tarmac Group Limited | UK | Construction materials | 100% | 100% |
| Tarmac France SA | France | Construction materials | 100% | 100% |
| Bilfinger Berger Baustoffe GmbH | Germany | Construction materials | 100% | 100% |
| Lausitzer Grauwacke GmbH | Germany | Construction materials | 100% | 100% |
| Tarmac Iberia SA | Spain | Construction materials | 100% | 100% |
| WKSM SA | Poland | Construction materials | 100% | 100% |
| Tarmac Serverokamen AS | Czech Republic | Construction materials | 100% | 100% |
| Copebras Limitada | Brazil | Fertilisers and sodium tripolyphosphate | 73% | 73% |
| Midland Quarry Products Limited | UK | Construction materials | 50% | 50% |

# Notes to financial statements continued

### 42. Group companies continued

| Subsidiary undertakings | Country of incorporation | Business | Percentage of equity owned[1] 2005 | 2004 |
|---|---|---|---|---|
| **Ferrous Metals and Industries** | | | | |
| Scaw Metals[2]/Moly-Cop | South Africa/Chile | Steel and engineering works | 100% | 100% |
| Highveld Steel and Vanadium Corporation Limited | South Africa | Steel, vanadium and ferroalloys | 79.0% | 79.5% |
| Kumba Resources Limited | South Africa | Iron ore, coal and heavy minerals | 65.7% | 66.6% |
| The Tongaat-Hulett Group Limited | South Africa | Sugar, starch and aluminium | 51.6% | 52.5% |
| **Paper and Packaging** | | | | |
| Mondi Business Papers SARL | Luxembourg | Business paper | 100% | 100% |
| Mondi South Africa Limited | South Africa | Business paper | 100% | 100% |
| Mondi Packaging SARL | Luxembourg | Packaging | 100% | 100% |
| Mondi Packaging Paper Swiecie SA | Poland | Packaging | 72% | 72% |
| Mondi Packaging South Africa[3] | South Africa | Packaging | 55% | 100% |
| Europapier AG Austria | Austria | Paper merchanting | 100% | 100% |

[1] The proportion of voting rights of subsidiaries held by the Group is the same as the proportion of equity owned.

[2] A division of Anglo Operations Limited, a wholly owned subsidiary.

[3] Shareholdings are shown on the basis that the commitments for employee share ownership in Mondi Packaging South Africa is finalised.

| | Country of incorporation | Business | Percentage of equity owned[4] 2005 | 2004 |
|---|---|---|---|---|
| **Joint ventures** | | | | |
| Aylesford Newsprint Holdings Limited | UK | Newsprint | 50% | 50% |
| Compania Minera Dona Ines de Collahuasi SCM | Chile | Copper | 44% | 44% |
| Mondi Shanduka Newsprint (Pty) Ltd[5] | South Africa | Newsprint | 54% | 54% |
| United Marine Holdings Ltd | UK | Construction materials | 50% | 50% |
| **Associates** | | | | |
| DB Investments SA | Luxembourg | Diamonds | 45% | 45% |
| Queensland Coal Mine Management (Pty) Ltd | Australia | Coal | 33.3% | 33.3% |
| Cerrejon Zona Norte SA | Colombia | Coal | 33.3% | 33.3% |
| Carbones del Cerrejon LLC | Anguilla | Coal | 33.3% | 33.3% |
| Carbones del Guasare SA | Venezuela | Coal | 24.9% | 24.9% |
| Samancor Limited | South Africa | Chrome and manganese | 40% | 40% |
| Groote Eylandt Mining Company (Pty) Ltd (Gemco) | Australia | Manganese | 40% | 40% |
| Tasmanian Electro Metallurgical Company (Pty) Ltd (Temco) | Australia | Manganese | 40% | 40% |
| Bischof & Klein GmbH | Germany | Packaging | 40% | 40% |

[4] All equity interests shown are ordinary shares.

[5] Shareholdings are shown on the basis that the commitments for employee share ownership in Mondi Shanduka Newsprint are finalised.

| | Location | Business | Percentage owned 2005 | 2004 |
|---|---|---|---|---|
| **Proportionately consolidated jointly controlled operations[6]** | | | | |
| Drayton | Australia | Coal | 88% | 88% |
| Moranbah North | Australia | Coal | 88% | 88% |
| Dartbrook | Australia | Coal | 78% | 78% |
| German Creek | Australia | Coal | 70% | 70% |
| Dawson | Australia | Coal | 51% | 51% |

[6] The wholly owned subsidiary Anglo Coal Holdings Australia Limited holds the proportionately consolidated jointly controlled operations.

### 43. Events occurring after end of year

With the exception of the proposed final dividend for 2005, disclosed in note 10, there have been no material reportable events since 31 December 2005.

### 44a. Balance sheet of the Company, Anglo American plc

| US$ million | Note | 2005 | 2004 (as restated)[1] |
|---|---|---|---|
| **Fixed assets** | | | |
| Fixed asset investments | 44c | 12,875 | 12,451 |
| **Current assets** | | | |
| Amounts due from subsidiaries | | 337 | 1,252 |
| Prepayments and other debtors | | 158 | 50 |
| Cash at bank and in hand | | 33 | 4 |
| | | 528 | 1,306 |
| **Creditors due within one year** | | | |
| Cash held on behalf of subsidiaries | | (37) | (250) |
| Bank loans due within one year | | – | (698) |
| Amounts owed to subsidiaries | | (3,534) | (6,291) |
| | | (3,571) | (7,239) |
| **Other creditors** | | (9) | (17) |
| **Net current liabilities** | | (3,052) | (5,950) |
| **Total assets less current liabilities** | | 9,823 | 6,501 |
| **Long term liabilities** | | | |
| Convertible bond | | (1,058) | (1,091) |
| Deferred tax liabilities | | (11) | – |
| **Net assets** | | 8,754 | 5,410 |
| **Capital and reserves** | | | |
| Called-up share capital | | 747 | 747 |
| Share premium account | | 1,637 | 1,633 |
| Capital redemption reserve | | 82 | 82 |
| Other reserve | | 1,955 | 1,955 |
| Share-based payment reserve | | 9 | 4 |
| Convertible debt reserve | | 131 | – |
| Profit and loss account | | 4,193 | 989 |
| **Total shareholders' funds (equity)** | 44b | 8,754 | 5,410 |

[1] The Company has adopted Financial Reporting Standard (FRS) 20 *Share-based payments* and FRS 21 *Events after the balance sheet date*. The comparative data has been restated accordingly. For further information see note 44d.

The financial statements were approved by the Board of directors on 21 February 2006.

**Tony Trahar**
Chief executive

**René Médori**
Finance director

# Financial statements of the parent company

**as at 31 December 2005**

### 44b. Reconciliation of movements in equity shareholders' funds

| US$ million | Issued share capital | Share premium account | Capital redemption reserve | Other reserves | Share-based payment reserve | Convertible debt reserve | Profit and loss account[1] | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at 31 December 2004 | 747 | 1,633 | 82 | 1,955 | – | – | 541 | 4,958 |
| Prior year adjustment[2] | – | – | – | – | 4 | – | 448 | 452 |
| Balance at 31 December 2004 as restated | 747 | 1,633 | 82 | 1,955 | 4 | – | 989 | 5,410 |
| Adoption of FRS 25 and FRS 26[3] | – | – | – | – | – | 128 | (83) | 45 |
| Balance at 1 January 2005 | 747 | 1,633 | 82 | 1,955 | 4 | 128 | 906 | 5,455 |
| Profit for the financial year | – | – | – | – | – | – | 3,720 | 3,720 |
| Employee share scheme | – | – | – | – | – | – | 240 | 240 |
| Share-based payments | – | – | – | – | 5 | – | – | 5 |
| Shares issued | – | 4 | – | – | – | – | – | 4 |
| Transfers | – | – | – | – | – | 3 | (3) | – |
| Dividend paid[4] | – | – | – | – | – | – | (670) | (670) |
| **Balance at 31 December 2005** | **747** | **1,637** | **82** | **1,955** | **9** | **131** | **4,193** | **8,754** |

[1] At 31 December 2005, $316 million of the Company profit and loss account of $4,193 million was not distributable under the Companies Act 1985 (31 December 2004: $258 million).

[2] The prior year adjustment of $452 million relates to the adoption of FRS 20 and FRS 21. Details are provided in note 44d.

[3] The key change in accounting policy on adoption of FRS 25 and FRS 26 is the separation of the equity conversion option within convertible debt instruments. At 1 January 2005, the fair value of the conversion option within the convertible bond issued by Anglo American plc (net of tax) was transferred to equity.

[4] Dividends paid relate only to shareholders on the United Kingdom principal register excluding dividends waived by Greenwood Nominees Limited as nominees for Butterfield Trust (Guernsey) Limited, the trustee for the Anglo American employee share scheme. Dividends paid to shareholders on the Johannesburg branch register are distributed by a South African subsidiary in accordance with the terms of the Dividend Access Share Provisions of Anglo American plc's articles of association.

The audit fee in respect of the parent company was $27,000 (2004: $26,000).

### 44c. Fixed asset investments

| US$ million | Investments in subsidiaries' equity |
|---|---|
| **Cost** | |
| At 1 January 2005 | 12,459 |
| Acquisitions | 1,408 |
| Disposals | (885) |
| Transfer of long term loans to amounts due from subsidiaires | (99) |
| **At 31 December 2005** | **12,883** |
| **Provisions for impairment** | |
| At 1 January 2005 | (8) |
| Charge for the year | – |
| **At 31 December 2005** | **(8)** |
| **Net book value** | |
| **At 31 December 2005** | **12,875** |
| At 31 December 2004 | 12,451 |

### 44d. Accounting policies: Anglo American plc, the Company

The Anglo American plc (the Company) balance sheet and related notes have been prepared in accordance with United Kingdom generally accepted accounting principles ('UK GAAP') and in accordance with UK company law. The financial information has been prepared on a historical cost basis as modified by the revaluation of certain financial instruments.

A summary of the principal accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

The preparation of financial statements in conformity with UK GAAP 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 period. Although these estimates are based on management's best knowledge of the amount, event or actions, following implementation of these standards, actual results may differ from those estimates.

As permitted by section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these financial statements. The profit after tax for the year of the parent company amounted to $3,720 million (2004: $990 million as restated for the adoption of accounting standards as described below).

### Changes in accounting policies

The following UK GAAP accounting policy changes have been made in 2005:

- FRS 17 *Retirement benefits*;
- FRS 20 *Share-based payments*;
- FRS 21 *Events after the balance sheet date*;
- FRS 25 *Financial instruments: Disclosure and presentation*; and
- FRS 26 *Financial instruments: Measurement*.

The adoption of these standards represents a change in accounting policy and the comparative information has been restated accordingly except where the exemption from restating comparative information under FRS 25 and FRS 26 has been taken. The effect of adoption of each of these standards is summarised below.

#### FRS 17 Retirement benefits

The Company has elected to take advantage of the exemption included in FRS 17 in respect of multi-employer defined benefit pension schemes. Disclosures of the Group pension schemes and assumptions relevant to, and the fair value of assets and liabilities of, the defined benefit schemes are set out in note 28 to the consolidated financial statements of the Group for the year ended 31 December 2005. Charges in respect of defined contribution schemes for the directors of the Company are given in the Group remuneration report.

#### FRS 20 Share-based payments

The Standard requires options granted to directors to be measured at fair value at grant date using an option pricing model and charged to the profit and loss account over the vesting period of the options. This accounting change has reduced net profit for the Company for the year ended 31 December 2004 by $3 million. Had the previous accounting policy been applied in 2005, net profit for the Company for the year ended 31 December 2005 would have been $5 million higher.

#### FRS 21 Events after the balance sheet date

In accordance with the Companies Act 1985 (IAS and other accounting amendments) FRS 20 requires that dividends proposed are recognised in the period in which they are formally approved for payment. The change in timing of recognising proposed dividends and the related tax thereon has increased net assets of the Company at 31 December 2004 by $452 million. Had the previous accounting policy been applied in 2005 net profit for the Company for the year ended 31 December 2005 would have been $5 million higher.

#### FRS 25 Financial instruments: Disclosure and presentation

FRS 25 requires financial instrument disclosures identical to those required by IAS 32. The Company has elected to take the exemption provided in paragraph 3C(b) of FRS 25 in respect of these parent company financial statements. Full disclosures are provided in the consolidated financial statements of the Group for the year ended 31 December 2005.

#### FRS 26 Financial instruments: Measurement

FRS 26 aligns UK accounting for financial instruments with the requirements of IAS 39. FRS 26 has been applied prospectively from 1 January 2005, as permitted, and as such restated comparative information presented excludes any adjustments required in respect of FRS 26. The Company has taken the policy option within FRS 26 of presenting its investments in joint ventures and associates at cost.

The financial effects of adoption of FRS 26 at 1 January 2005 are shown in note 44b.

The Company has also applied the following UK standards for the first time in 2005 however this has not represented a change in accounting policy previously applied and it has not been necessary to restate any comparative information:

- FRS 23 *The effects of changes in foreign exchange rates*;
- FRS 28 *Corresponding amounts*.

### Significant accounting policies

#### Retirement benefits

The Company operates both defined benefit and defined contribution schemes for its employees as well as post retirement medical plans. As the Company has elected to take advantage of the exemption included in FRS17 in respect of multi-employer defined benefit pension schemes, these schemes are accounted for as though they were defined contribution schemes. For defined contribution schemes the amount charged to the income statement is the contributions paid or payable during the year.

#### Deferred taxation

Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, subject to the recoverability of deferred tax assets. Deferred tax assets and liabilities are not discounted.

#### Share-based payments

The Company has applied the requirements of FRS 20. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that had not vested as at 1 January 2005.

The Company makes equity-settled share-based payments to the directors, which are measured at fair value at the date of grant. For those share schemes 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 Company'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 IFRS charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

Accounting for share-based payments is the same as under IFRS 2 and details on the schemes and option pricing models relevant to the charge included in the Company financial statements is set out in note 29 to the consolidated financial statements of the Group for the year ended 31 December 2005.

#### Investments

Investments represent equity holdings in subsidiaries, joint ventures and associates and are held at cost.

#### Convertible debt (pre 1 January 2005)

Convertible bonds are recorded entirely as liabilities irrespective of the probability of future conversion until either converted or redeemed.

#### Convertible debt (post 1 January 2005)

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 Company, is included in equity.

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 and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### 44e. Independent auditors' report on the individual company financial statements to the members of Anglo American plc

We have audited the individual company financial statements (the 'financial statements') of Anglo American plc for the year ended 31 December 2005 which comprise the balance sheet (note 44a), and the related notes 44b to 44d. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the Group financial statements of Anglo American plc for the year ended 31 December 2005.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the individual company financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Principles are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We report to you if, in our opinion, the directors' report is not consistent with the financial statements. We also report to you if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We also report to you if, in our opinion, the Company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the Annual Report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Principles, of the state of the Company's affairs as at 31 December 2005; and
- the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
21 February 2006

# Ore Reserves and Mineral Resources estimates

## Introduction

The Ore Reserve and Mineral Resource estimates presented in this report are prepared in accordance with the Anglo American plc Policy for the Reporting of Ore Reserves and Mineral Resources. This policy requires that the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* 2004 edition (the JORC Code) be used as a minimum standard. Some AA plc subsidiaries have a primary listing in South Africa where public reporting is carried out according to the *South African Code for Reporting of Mineral Resources and Mineral Reserves* 2000 edition (the SAMREC Code). The SAMREC Code is similar to the JORC Code and the Ore Reserve and Mineral Resource terminology appearing in this section follows the definitions in both the JORC (2004) and SAMREC (2000) Codes.

The information on Ore Reserves and Mineral Resources were prepared by or under the supervision of Competent Persons as defined in the JORC or SAMREC Codes. All Competent Persons have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he/she is undertaking. All the Competent Persons consent to the inclusion in this report of the matters based on their information in the form and context in which it appears. The names of the Competent Persons are lodged with the Anglo American plc company secretaries in London and are available on request.

Anglo American Group Companies are subject to a comprehensive programme of audits aimed at providing assurance in respect of Ore Reserve and Mineral Resource estimates. The audits are conducted by suitably qualified competent persons from within a particular division, another division of the Company or from independent consultants. The frequency and depth of the audits is a function of the risks and/or uncertainties associated with a particular Ore Reserve and Mineral Resource, the overall value thereof and time that has lapsed since an independent third party audit has been conducted. Those operations/projects subject to independent, third party audits during the year are indicated in footnotes to the tables.

The JORC and SAMREC Codes require the use of reasonable economic assumptions. These include long-range commodity price forecasts which are prepared by in-house specialists largely using estimates of future supply and demand and long term economic outlooks. Ore Reserve estimates are dynamic and are influenced by changing economic conditions, technical issues, environmental regulations and relevant new information and therefore can vary from year to year. Mineral Resource estimates also change and tend to be influenced mostly by new information pertaining to the understanding of the deposit and secondly the conversion to Ore Reserves.

The estimates of Ore Reserves and Mineral Resources are as at 31 December 2005. Unless otherwise stated, Mineral Resources are additional to those resources which have been modified to produce the Ore Reserves. The figures in the tables have been rounded and, if used to derive totals and averages, could cause minor computational differences. Ore Reserves in the context of this report have the same meaning as 'Mineral Reserves' as defined by the SAMREC Code. Metric units are used throughout the report, in addition Imperial units are also used for Anglo Platinum and AngloGold Ashanti.

In South Africa, the Minerals and Petroleum Resources Development Act, Number 28 of 2002 (MPRDA) was implemented on 1 May 2004, and effectively transferred custodianship of the previously privately held mineral rights to the State. Mining companies were given up to two years to apply for prospecting permit conversions and five years to apply for mining licence conversions for existing operations and one year for 'unused' old order mineral rights ('unused old order mineral rights' were mineral titles legally held at the time of the MPRDA implementation, but where no previous application had been made for a prospecting permit or a mining licence under the previous Minerals Act).

A Prospecting Right is a new order right that is valid for up to five years that can be obtained either by the conversion of existing old order prospecting licences or through new applications. An Exploration Right is identical to a Prospecting Right, but is commodity specific in respect of petroleum and gas.

A Mining Right is a new order right valid for up to thirty years obtained either by the conversion of an old order mining licence, or as a new order right pursuant to the exercise of the exclusive right to apply for a new order Prospecting Right. A Production Right is identical to a Mining Right but is commodity specific in respect of petroleum and gas.

Relinquished Mineral Rights: Anglo American plc has relinquished certain unused old order mineral rights to the State by not applying for new order rights over specific properties previously held under mineral title.

In preparing the Ore Reserve and Mineral Resource statement, Anglo American plc has adopted the following reporting principles in respect of South African Prospecting and Mining Rights:

- where application for new order Mining and Prospecting Rights have been submitted and these are still being processed, the relevant resources and reserves have been included in the statement;
- where applications for new order Mining and Prospecting Rights have not yet been submitted and the required deadline for submission has not passed, the relevant reserves and resources have been included in the statement;
- where applications for new order Prospecting Rights have been initially refused and are the subject of ongoing review and discussions with the relevant authorities, and where Anglo American plc has reasonable expectations that the rights will be granted in due course, the relevant reserves and resources have been included in the statement and where relevant appear in the footnotes; and
- where old order mineral rights have been relinquished under the provisions of the MPRDA, the relevant resources have been excluded from the statement.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Platinum

The Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 2004) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves. Mineral Resources are reported over an economic and mineable resource cut appropriate to the specific ore deposit. The figures reported represent 100% of the Mineral Resources and Ore Reserves attributable to Anglo Platinum Limited unless otherwise noted. Anglo American plc's interest in Anglo Platinum is 74.51%.

| Anglo Platinum Ore Reserves Operations/ Projects by reef | Classification | Tonnes[1] million 2005 | 2004 | Grade[2] g/t 2005 | 2004 | Contained metal tonnes 2005 | 2004 | Contained metal million ounces[3] 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|
| Merensky Reef[4] | | | | 4E PGE | 4E PGE | | | | |
| | Proved | 98.6 | 91.3 | 5.42 | 5.57 | 534.4 | 508.9 | 17.2 | 16.4 |
| | Probable | 118.7 | 124.8 | 5.70 | 6.14 | 676.8 | 765.8 | 21.8 | 24.6 |
| | **Total** | **217.3** | **216.0** | **5.57** | **5.90** | **1,211.2** | **1,274.7** | **38.9** | **41.0** |
| UG2 Reef[5] | | | | 4E PGE | 4E PGE | | | | |
| | Proved | 279.5 | 229.5 | 4.03 | 4.12 | 1,127.4 | 944.8 | 36.2 | 30.4 |
| | Probable | 420.8 | 362.3 | 4.12 | 4.41 | 1,735.6 | 1,596.9 | 55.8 | 51.3 |
| | **Total** | **700.3** | **591.8** | **4.09** | **4.29** | **2,863.0** | **2,541.7** | **92.0** | **81.7** |
| Platreef[6] | | | | 4E PGE | 4E PGE | | | | |
| | Proved | 276.9 | 246.8 | 3.21 | 3.34 | 889.8 | 825.5 | 28.6 | 26.5 |
| | Proved (stockpiles)[7] | 12.4 | 9.9 | 2.76 | 2.91 | 34.1 | 28.9 | 1.1 | 0.9 |
| | Probable | 59.1 | 92.0 | 3.29 | 4.09 | 194.1 | 376.0 | 6.2 | 12.1 |
| | **Total** | **348.3** | **348.7** | **3.21** | **3.53** | **1,118.0** | **1,230.4** | **35.9** | **39.6** |
| All Reefs | | | | 4E PGE | 4E PGE | | | | |
| | Proved | 667.4 | 577.6 | 3.87 | 4.00 | 2,585.7 | 2,308.0 | 83.1 | 74.2 |
| | Probable | 598.6 | 579.1 | 4.35 | 4.73 | 2,606.5 | 2,738.8 | 83.8 | 88.1 |
| | **Total metric** | **1,265.9** | **1,156.6** | **4.10** | **4.36** | **5,192.2** | **5,046.8** | | |
| | **Total All Reefs imperial[3]** | **1,395.5Mton** | **1,275.0Mton** | **0.120oz/t** | **0.127oz/t** | | | **166.9** | **162.3** |
| Tailings[8] | | | | 4E PGE | 4E PGE | | | | |
| | Proved | – | – | – | – | – | – | – | – |
| | Probable | 48.2 | 33.5 | 0.98 | 1.10 | 47.2 | 36.9 | 1.5 | 1.2 |
| | **Total metric** | **48.2** | **33.5** | **0.98** | **1.10** | **47.2** | **36.9** | | |
| | **Total Tailings imperial[3]** | **53.2Mton** | **37.0Mton** | **0.029oz/t** | **0.032oz/t** | | | **1.5** | **1.2** |

Rounding of figures may cause computational discrepancies.

New joint venture (JV) agreements have been finalised (PSA2 with Aquarius Platinum South Africa and Mototolo with Xstrata).

(1) The tonnage is quoted as metric tonnes and abbreviated as Mt for million tonnes.

(2) **Grade: 4E PGE** is the sum of platinum, palladium, rhodium and gold grades in grammes per tonne.

(3) **Imperial units:** tonnage is reported in million short tons (Mton), grade in troy ounces per short ton (oz/t) and contained metal in million troy ounces (Moz).

(4) **Merensky Reef:** The global grade decrease results from changes in stope widths applied due to improved understanding of the geology and mineralisation obtained from additional drilling. Stope bolting has been introduced at Amandelbult Section for safety reasons, leading to an increased stope width and hence reduced grades.

(5) **UG2 Reef:** Metal increases by 10 Moz due to the conversion of Mineral Resources to Ore Reserves and the introduction of JV Reserves. Tonnage increases by 108 Mt mainly due to mechanised mining methods applied in the Rustenburg and Mototolo mining areas. The overall effect is a decrease in grade.

(6) **Platreef:** Recently encountered geotechnical constraints led to a restriction of the depth of the final pit layout at PPRust North, resulting in some of the previously reported portion of the higher grade Ore Reserves being re-allocated to Mineral Resources and necessitating a re-design of the pit.

(7) **Platreef stockpiles:** These are reported separately as Proved Ore Reserves and aggregated into the summation tabulations.

(8) **Tailings:** These are reported separately as Ore Reserves but are not aggregated in the total Ore Reserve figures.

The following operations/projects were reviewed by an external third party consulting firm: Rustenburg Section, Amandelbult Section, PPRust North, Ga-Phasha, Styldrift and Unki.

## **Platinum** continued

### Anglo Platinum Mineral Resources

| Operations/ Projects by reef | Classification | Tonnes[1] million 2005 | Tonnes[1] million 2004 | Grade[2] g/t 2005 | Grade[2] g/t 2004 | Contained metal tonnes 2005 | Contained metal tonnes 2004 | Contained metal million ounces[3] 2005 | Contained metal million ounces[3] 2004 |
|---|---|---|---|---|---|---|---|---|---|
| Merensky reef[4] | | | | 4E PGE | 4E PGE | | | | |
| | Measured | 68.4 | 76.1 | 5.62 | 5.23 | 384.7 | 398.3 | 12.4 | 12.8 |
| | Indicated | 250.0 | 261.4 | 5.30 | 5.63 | 1,326.2 | 1,470.4 | 42.6 | 47.3 |
| | **Measured and Indicated** | **318.4** | **337.5** | **5.37** | **5.54** | **1,710.9** | **1,868.7** | **55.0** | **60.1** |
| | Inferred | 1,057.8 | 1,138.9 | 5.54 | 5.53 | 5,863.5 | 6,299.4 | 188.5 | 202.5 |
| | Total | 1,376.2 | 1,476.4 | 5.50 | 5.53 | 7,574.4 | 8,168.1 | 243.5 | 262.6 |
| UG2 Reef[5] | | | | 4E PGE | 4E PGE | | | | |
| | Measured | 262.7 | 312.0 | 5.48 | 5.25 | 1,438.1 | 1,638.8 | 46.2 | 52.7 |
| | Indicated | 660.7 | 766.8 | 5.45 | 5.12 | 3,601.6 | 3,925.4 | 115.8 | 126.2 |
| | **Measured and Indicated** | **923.4** | **1,078.9** | **5.46** | **5.16** | **5,039.6** | **5,564.2** | **162.0** | **178.9** |
| | Inferred | 1,394.3 | 1,648.2 | 5.41 | 5.30 | 7,550.2 | 8,732.1 | 242.7 | 280.7 |
| | Total | 2,317.7 | 2,727.1 | 5.43 | 5.24 | 12,589.8 | 14,296.3 | 404.8 | 459.6 |
| Platreef[6] | | | | 4E PGE | 4E PGE | | | | |
| | Measured | 206.1 | 148.5 | 2.58 | 1.88 | 531.2 | 278.6 | 17.1 | 9.0 |
| | Indicated | 715.0 | 309.2 | 2.46 | 2.49 | 1,757.1 | 769.0 | 56.5 | 24.7 |
| | **Measured and Indicated** | **921.2** | **457.7** | **2.48** | **2.29** | **2,288.3** | **1,047.6** | **73.6** | **33.7** |
| | Inferred | 1,472.5 | 575.5 | 1.79 | 1.37 | 2,629.2 | 788.6 | 84.5 | 25.4 |
| | Total | 2,393.7 | 1,033.2 | 2.05 | 1.78 | 4,917.5 | 1,836.2 | 158.1 | 59.0 |
| All Reefs | | | | 4E PGE | 4E PGE | | | | |
| | Measured | 537.2 | 536.7 | 4.38 | 4.31 | 2,354.0 | 2,315.7 | 75.7 | 74.5 |
| | Indicated | 1,625.8 | 1,337.4 | 4.11 | 4.61 | 6,684.9 | 6,164.8 | 214.9 | 198.2 |
| | **Measured and Indicated** | **2,163.0** | **1,874.1** | **4.18** | **4.53** | **9,038.9** | **8,480.5** | **290.6** | **272.7** |
| | Inferred | 3,924.6 | 3,362.6 | 4.09 | 4.70 | 16,042.9 | 15,820.1 | 515.8 | 508.6 |
| | **Total metric** | **6,087.6** | **5,236.6** | **4.12** | **4.64** | **25,081.8** | **24,300.6** | | |
| | **Total imperial**[3] | **6,710.4Mton** | **5,772.4Mton** | **0.120oz/t** | **0.135oz/t** | | | **806.4** | **781.3** |
| Tailings[7] | | | | 4E PGE | 4E PGE | | | | |
| | Measured | – | – | – | – | – | – | – | – |
| | Indicated | 161.9 | 180.1 | 1.05 | 1.03 | 170.2 | 186.4 | 5.5 | 6.0 |
| | **Measured and Indicated** | **161.9** | **180.1** | **1.05** | **1.03** | **170.2** | **186.4** | **5.5** | **6.0** |
| | Inferred | | – | | – | | – | | – |
| | **Total Tailings metric** | **161.9** | **180.1** | **1.05** | **1.03** | **170.2** | **186.4** | | |
| | **Total Tailings imperial**[3] | **178.5Mton** | **198.5Mton** | **0.031oz/t** | **0.030oz/t** | | | **5.5** | **6.0** |

Rounding of figures may cause computational discrepancies.

New joint venture (JV) agreements have been finalised: PSA2 with Aquarius Platinum South Africa and Mototolo with Xstrata. Pending the finalisation of a JV agreement only 50% of the Booysendal Mineral Resources are reported. The Modikwa JV with ARM expanded and now includes the Modikwa Deeps and portions of Driekop. Only the 50% attributable Mineral Resources to Anglo Platinum are reported.

(1) The tonnage is quoted as metric tonnes and abbreviated as Mt for million tonnes.

(2) **Grade:** 4E PGE is the sum of platinum, palladium, rhodium and gold grades in grammes per tonne.

(3) **Imperial units:** tonnage is reported in million short tons (Mton), grade in troy ounces per short ton (oz/t) and contained metal in million troy ounces (Moz).

(4) **Merensky Reef:** Changes are mainly due to the attributable reporting of JV Merensky Reef Mineral Resources (Booysendal and Modikwa).

(5) **UG2 Reef:** Changes are mainly due to the attributable reporting of all the JV UG2 Mineral Resources. In addition, Mineral Resources decreased due to conversion to Ore Reserves in the new PSA1 JV with Aquarius Platinum South Africa. Disposal of Elandsfontein 440JQ to a third party resulted in a 13.6 million ounce decrease.

(6) **Platreef:** Extensive core drilling during 2005 has increased the volume of, and confidence in, the Mineral Resources. Zwartfontein North resources have now reached reporting status due to additional drilling and modelling.
In 2005 a 1g/t cut-off has been applied for reporting Platreef Mineral Resources.

(7) **Tailings:** These are reported separately as Mineral Resources but are not aggregated in the total Mineral Resource figures.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Platinum continued

| Anglo Platinum Ore Reserves Other Projects | Classification | Tonnes[1] million 2005 | 2004 | Grade[2] g/t 2005 | 2004 | Contained metal tonnes 2005 | 2004 | Contained metal million ounces[3] 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|
| Zimbabwe | | | | 4E PGE | 4E PGE | | | | |
| Unki – Great Dyke[4] | Proved | 5.2 | 14.9 | 3.81 | 4.30 | 19.9 | 64.1 | 0.6 | 2.1 |
| | Probable | 43.2 | 22.2 | 3.81 | 4.30 | 164.5 | 95.5 | 5.3 | 3.1 |
| | **Total metric** | **48.4** | **37.1** | **3.81** | **4.30** | **184.4** | **159.6** | | |
| | **Total imperial[3]** | **53.4Mton** | **40.9Mton** | **0.111oz/t** | **0.125oz/t** | | | **5.9** | **5.1** |

| Anglo Platinum Mineral Resources Other Projects | Classification | Tonnes[1] million 2005 | 2004 | Grade[2] g/t 2005 | 2004 | Contained metal tonnes 2005 | 2004 | Contained metal million ounces[3] 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|
| Zimbabwe | | | | 4E PGE | 4E PGE | | | | |
| Unki – Great Dyke[5] | Measured | 7.9 | 19.5 | 4.08 | 4.98 | 32.1 | 97.1 | 1.0 | 3.1 |
| | Indicated | 11.7 | 29.1 | 4.28 | 4.98 | 49.9 | 144.9 | 1.6 | 4.7 |
| | **Measured and Indicated** | **19.5** | **48.6** | **4.20** | **4.98** | **82.1** | **242.0** | **2.6** | **7.8** |
| | Inferred | 98.7 | 11.6 | 4.29 | 4.98 | 423.5 | 57.8 | 13.6 | 1.9 |
| | **Total metric** | **118.2** | **60.2** | **4.28** | **4.98** | **505.6** | **299.8** | | |
| | **Total imperial[3]** | **130.3Mton** | **66.4Mton** | **0.125oz/t** | **0.145oz/t** | | | **16.3** | **9.6** |
| South Africa | | | | 3E PGE | 3E PGE | | | | |
| Anooraq – Anglo Platinum JV[6] | | | | | | | | | |
| Platreef | Measured | – | – | – | – | – | – | – | – |
| | Indicated | 88.3 | 88.3 | 1.35 | 1.35 | 119.2 | 119.2 | 3.8 | 3.8 |
| | **Measured and Indicated** | **88.3** | **88.3** | **1.35** | **1.35** | **119.2** | **119.2** | **3.8** | **3.8** |
| | Inferred | 52.0 | 52.0 | 1.23 | 1.23 | 64.0 | 64.0 | 2.1 | 2.1 |
| | **Total metric** | **140.4** | **140.4** | **1.31** | **1.31** | **183.3** | **183.3** | | |
| | **Total imperial[3]** | **154.7Mton** | **154.7Mton** | **0.038oz/t** | **0.038oz/t** | | | **5.9** | **5.9** |
| Sheba's Ridge[7] | | | | 3E PGE | 3E PGE | | | | |
| | Measured | 143.1 | – | 0.74 | – | 106.3 | – | 3.4 | – |
| | Indicated | 109.6 | 180.9 | 0.80 | 0.66 | 88.1 | 118.9 | 2.8 | 3.8 |
| | **Measured and Indicated** | **252.7** | **180.9** | **0.77** | **0.66** | **194.4** | **118.9** | **6.3** | **3.8** |
| | Inferred | 18.7 | 150.8 | 0.71 | 0.65 | 13.3 | 98.3 | 0.4 | 3.2 |
| | **Total metric** | **271.4** | **331.7** | **0.77** | **0.65** | **207.7** | **217.2** | | |
| | **Total imperial[3]** | **299.1Mton** | **365.6Mton** | **0.022oz/t** | **0.019oz/t** | | | **6.7** | **7.0** |
| Canada | | | | 3E PGE | 3E PGE | | | | |
| River Valley[8] | Measured | 4.3 | 4.3 | 1.79 | 1.79 | 7.6 | 7.6 | 0.2 | 0.2 |
| | Indicated | 11.0 | 8.4 | 1.20 | 1.17 | 13.3 | 9.8 | 0.4 | 0.3 |
| | **Measured and Indicated** | **15.3** | **12.7** | **1.37** | **1.38** | **20.9** | **17.4** | **0.7** | **0.5** |
| | Inferred | 1.2 | 1.8 | 1.24 | 1.09 | 1.5 | 2.0 | 0.0 | 0.1 |
| | **Total metric** | **16.5** | **14.5** | **1.36** | **1.34** | **22.4** | **19.4** | | |
| | **Total imperial[3]** | **18.2Mton** | **16.0Mton** | **0.040oz/t** | **0.039oz/t** | | | **0.7** | **0.6** |
| Brasil | | | | 3E PGE | 3E PGE | | | | |
| Pedra Branca[9] | Measured | – | – | – | – | – | – | – | – |
| | Indicated | – | – | – | – | – | – | – | – |
| | **Measured and Indicated** | – | – | – | – | – | – | – | – |
| | Inferred | 6.5 | – | 2.27 | – | 14.7 | – | 0.5 | – |
| | **Total metric** | **6.5** | – | **2.27** | – | **14.7** | – | | |
| | **Total imperial[3]** | **7.2Mton** | – | **0.066oz/t** | – | | | **0.5** | – |

Rounding of figures may cause computational discrepancies.

[1] The tonnage is quoted as metric tonnes and abbreviated as Mt for million tonnes.

[2] **Grade: 4E PGE** is the sum of platinum, palladium, rhodium and gold grades in grammes per tonne,
**3E PGE** is the sum of platinum, palladium and gold grades in grammes per tonne.

[3] **Imperial units:** tonnage is reported in million short tons (Mton), grade in troy ounces per short ton (oz/t) and contained metal in million troy ounces (Moz).

[4] **Unki Ore Reserves:** A revision of the stope width resulted in a grade decrease and tonnage increase. The new mine plan converts only the first five years into Proved Ore Reserves.

[5] **Unki Mineral Resources:** A revised resource cut resulted in a grade decrease and tonnage increase. The 2005 model covers a different area than previously reported.

[6] **Anooraq** – **Anglo Platinum JV:** Following the finalisation of an agreement, Anglo Platinum holds an attributable interest of 50%.

[7] **Sheba's Ridge:** Following the finalisation of an agreement, Anglo Platinum holds an attributable interest of 35%. The revised modelling with external reviews by SRK and Snowden resulted in Mineral Resource classification upgrades. In 2005, a cut-off of US$10.5 per tonne total revenue from the constituent metals was applied. In 2004, erroneously reported 2.1 Moz contained ounces in the Inferred category.

[8] **River Valley:** Anglo Platinum holds an attributable interest of 50%.

[9] **Pedra Branca:** Anglo Platinum holds an attributable interest of 50%. In 2005, a cut-off 3E PGE grade of 0.7g/t was applied. The Mineral Resources were not reported in 2004.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Gold

In determining the economic parameters to be used, AngloGold Ashanti has been guided by the preferred position of the SEC in the USA, whereby the economic parameters used are based on a three year historical average. The Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 2004) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The figures reported represent 100% of the Mineral Resources and Ore Reserves attributable to AngloGold Ashanti. Anglo American plc's interest in AngloGold Ashanti is 50.88%.

| AngloGold Ashanti[1] Ore Reserves | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade g/t 2005 | Grade g/t 2004 | Contained Au tonnes 2005 | Contained Au tonnes 2004 | Contained metal million ounces[2] 2005 | Contained metal million ounces[2] 2004 |
|---|---|---|---|---|---|---|---|---|---|
| South Africa[3] | Proved | 14.5 | 30.9 | 7.54 | 5.21 | 109.0 | 160.8 | 3.5 | 5.2 |
| | Probable | 188.7 | 256.8 | 3.84 | 4.11 | 725.0 | 1,056.7 | 23.3 | 34.0 |
| | **Total** | **203.2** | **287.7** | **4.10** | **4.23** | **834.0** | **1,217.5** | **26.8** | **39.1** |
| Argentina | Proved | 1.6 | 0.6 | 7.99 | 9.99 | 12.6 | 6.0 | 0.4 | 0.2 |
| | Probable | 4.5 | 6.2 | 6.53 | 6.87 | 29.2 | 42.9 | 0.9 | 1.4 |
| | **Total** | **6.0** | **6.9** | **6.91** | **7.15** | **41.8** | **49.0** | **1.3** | **1.6** |
| Australia | Proved | 47.7 | 45.8 | 1.16 | 1.21 | 55.2 | 55.6 | 1.8 | 1.8 |
| | Probable | 102.5 | 102.6 | 1.17 | 1.33 | 120.2 | 135.9 | 3.9 | 4.4 |
| | **Total** | **150.2** | **148.4** | **1.17** | **1.29** | **175.3** | **191.5** | **5.6** | **6.2** |
| Brazil | Proved | 2.7 | 3.3 | 6.01 | 6.58 | 16.2 | 21.4 | 0.5 | 0.7 |
| | Probable | 9.8 | 8.6 | 7.45 | 7.59 | 73.2 | 65.5 | 2.4 | 2.1 |
| | **Total** | **12.5** | **11.9** | **7.14** | **7.31** | **89.4** | **86.9** | **2.9** | **2.8** |
| Ghana[4] | Proved | 39.5 | 45.0 | 1.94 | 2.09 | 76.7 | 94.3 | 2.5 | 3.0 |
| | Probable | 46.7 | 43.8 | 5.44 | 6.23 | 254.0 | 273.1 | 8.2 | 8.8 |
| | **Total** | **86.1** | **88.9** | **3.84** | **4.13** | **330.7** | **367.3** | **10.6** | **11.8** |
| Guinea | Proved | 23.6 | 21.6 | 0.62 | 0.77 | 14.5 | 16.6 | 0.5 | 0.5 |
| | Probable | 36.7 | 32.7 | 1.00 | 1.10 | 36.6 | 35.9 | 1.2 | 1.2 |
| | **Total** | **60.3** | **54.3** | **0.85** | **0.97** | **51.1** | **52.5** | **1.6** | **1.7** |
| Mali | Proved | 9.7 | 8.1 | 2.75 | 2.74 | 26.5 | 22.1 | 0.9 | 0.7 |
| | Probable | 9.3 | 15.0 | 3.95 | 3.31 | 36.5 | 49.7 | 1.2 | 1.6 |
| | **Total** | **18.9** | **23.1** | **3.34** | **3.11** | **63.1** | **71.8** | **2.0** | **2.3** |
| Namibia | Proved | 1.2 | 0.9 | 1.85 | 1.09 | 2.2 | 1.0 | 0.1 | 0.0 |
| | Probable | 8.9 | 6.9 | 1.65 | 2.06 | 14.7 | 14.2 | 0.5 | 0.5 |
| | **Total** | **10.1** | **7.9** | **1.67** | **1.94** | **16.9** | **15.3** | **0.5** | **0.5** |
| Tanzania | Proved | 22.1 | 24.4 | 3.40 | 3.01 | 75.1 | 73.7 | 2.4 | 2.4 |
| | Probable | 40.4 | 46.2 | 4.69 | 4.49 | 189.2 | 207.4 | 6.1 | 6.7 |
| | **Total** | **62.4** | **70.6** | **4.23** | **3.98** | **264.3** | **281.1** | **8.5** | **9.0** |
| USA | Proved | 87.4 | 47.9 | 0.86 | 1.07 | 75.4 | 51.2 | 2.4 | 1.6 |
| | Probable | 31.8 | 73.9 | 0.86 | 0.94 | 27.4 | 69.4 | 0.9 | 2.2 |
| | **Total** | **119.1** | **121.8** | **0.86** | **0.99** | **102.7** | **120.6** | **3.3** | **3.9** |
| Total | Proved | 249.8 | 228.6 | 1.86 | 2.20 | 463.4 | 502.7 | 14.9 | 16.2 |
| | Probable | 479.2 | 592.8 | 3.14 | 3.29 | 1,506.0 | 1,950.8 | 48.4 | 62.7 |
| | **Total metric** | **729.0** | **821.4** | **2.70** | **2.99** | **1,969.4** | **2,453.6** | | |
| | **Total imperial[2]** | **803.6Mton** | **905.4Mton** | **0.079oz/t** | **0.087oz/t** | | | **63.3Moz** | **78.9Moz** |

Rounding of figures may cause computational discrepancies.

## **Gold** continued

| AngloGold Ashanti[1] Mineral Resources | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade g/t 2005 | Grade g/t 2004 | Contained Au tonnes 2005 | Contained Au tonnes 2004 | Contained metal million ounces[2] 2005 | Contained metal million ounces[2] 2004 |
|---|---|---|---|---|---|---|---|---|---|
| South Africa[5] | Measured | 31.4 | 90.3 | 13.66 | 5.13 | 429.4 | 463.1 | 13.8 | 14.9 |
| | Indicated | 435.3 | 423.9 | 4.76 | 6.51 | 2,073.9 | 2,758.5 | 66.7 | 88.7 |
| | Inferred | 29.7 | 135.3 | 6.68 | 3.08 | 198.3 | 417.1 | 6.4 | 13.4 |
| | **Total** | **496.4** | **649.5** | **5.44** | **5.60** | **2,701.6** | **3,638.7** | **86.9** | **117.0** |
| Argentina | Measured | 10.8 | 7.9 | 2.35 | 2.06 | 25.2 | 16.3 | 0.8 | 0.5 |
| | Indicated | 15.3 | 19.4 | 3.54 | 3.77 | 54.2 | 73.3 | 1.7 | 2.4 |
| | Inferred | 6.5 | 3.5 | 3.49 | 5.40 | 22.7 | 18.7 | 0.7 | 0.6 |
| | **Total** | **32.6** | **30.8** | **3.14** | **3.52** | **102.2** | **108.3** | **3.3** | **3.5** |
| Australia | Measured | 62.4 | 59.7 | 1.15 | 1.26 | 71.9 | 75.2 | 2.3 | 2.4 |
| | Indicated | 164.5 | 146.0 | 1.04 | 1.26 | 171.5 | 184.4 | 5.5 | 5.9 |
| | Inferred | 143.0 | 84.7 | 1.01 | 1.20 | 144.7 | 101.7 | 4.7 | 3.3 |
| | **Total** | **369.9** | **290.3** | **1.05** | **1.24** | **388.1** | **361.3** | **12.5** | **11.6** |
| Brazil | Measured | 8.2 | 8.1 | 6.60 | 6.73 | 54.0 | 54.6 | 1.7 | 1.8 |
| | Indicated | 16.2 | 15.2 | 7.71 | 7.80 | 125.0 | 118.4 | 4.0 | 3.8 |
| | Inferred | 28.5 | 23.0 | 7.04 | 7.22 | 200.7 | 165.9 | 6.5 | 5.3 |
| | **Total** | **52.9** | **46.3** | **7.18** | **7.32** | **379.8** | **338.9** | **12.2** | **10.9** |
| Ghana | Measured | 101.2 | 91.6 | 3.33 | 3.90 | 336.6 | 357.0 | 10.8 | 11.5 |
| | Indicated | 64.9 | 74.0 | 4.83 | 5.10 | 313.7 | 377.4 | 10.1 | 12.1 |
| | Inferred | 41.9 | 36.6 | 5.82 | 9.04 | 244.0 | 331.2 | 7.8 | 10.6 |
| | **Total** | **208.0** | **202.2** | **4.30** | **5.27** | **894.4** | **1,065.7** | **28.8** | **34.3** |
| Guinea | Measured | 23.6 | 32.6 | 0.62 | 0.78 | 14.7 | 25.4 | 0.5 | 0.8 |
| | Indicated | 58.7 | 74.4 | 1.03 | 1.00 | 60.3 | 74.6 | 1.9 | 2.4 |
| | Inferred | 90.4 | 25.7 | 0.63 | 1.18 | 57.2 | 30.4 | 1.8 | 1.0 |
| | **Total** | **172.7** | **132.7** | **0.77** | **0.98** | **132.3** | **130.4** | **4.3** | **4.2** |
| Mali | Measured | 17.3 | 16.5 | 2.02 | 2.10 | 35.1 | 34.6 | 1.1 | 1.1 |
| | Indicated | 32.5 | 23.9 | 2.58 | 2.74 | 83.7 | 65.4 | 2.7 | 2.1 |
| | Inferred | 36.0 | 36.6 | 1.93 | 2.12 | 69.6 | 77.4 | 2.2 | 2.5 |
| | **Total** | **85.8** | **76.9** | **2.19** | **2.31** | **188.3** | **177.4** | **6.1** | **5.7** |
| Namibia[5] | Measured | 10.3 | 9.2 | 0.88 | 0.73 | 9.1 | 6.7 | 0.3 | 0.2 |
| | Indicated | 27.9 | 63.0 | 1.42 | 1.30 | 39.5 | 81.7 | 1.3 | 2.6 |
| | Inferred | 6.0 | 65.6 | 1.20 | 1.13 | 7.1 | 74.4 | 0.2 | 2.4 |
| | **Total** | **44.2** | **137.7** | **1.26** | **1.18** | **55.8** | **162.8** | **1.8** | **5.2** |
| Tanzania[5] | Measured | 25.8 | 39.4 | 3.40 | 2.72 | 87.7 | 107.2 | 2.8 | 3.4 |
| | Indicated | 63.0 | 103.3 | 4.56 | 3.66 | 287.1 | 377.7 | 9.2 | 12.1 |
| | Inferred | 7.5 | 27.1 | 5.23 | 2.91 | 39.1 | 79.0 | 1.3 | 2.5 |
| | **Total** | **96.2** | **169.8** | **4.30** | **3.32** | **413.9** | **563.9** | **13.3** | **18.1** |
| USA | Measured | 146.0 | 80.6 | 0.95 | 1.00 | 138.2 | 80.6 | 4.4 | 2.6 |
| | Indicated | 72.9 | 122.8 | 0.91 | 0.96 | 66.1 | 117.3 | 2.1 | 3.8 |
| | Inferred | 8.2 | 45.3 | 0.73 | 0.91 | 6.0 | 41.1 | 0.2 | 1.3 |
| | **Total** | **227.2** | **248.7** | **0.93** | **0.96** | **210.3** | **239.0** | **6.8** | **7.7** |
| Total[1] | Measured | 437.1 | 435.9 | 2.75 | 2.80 | 1,202.0 | 1,220.7 | 38.6 | 39.2 |
| | Indicated | 951.1 | 1,065.8 | 3.44 | 3.97 | 3,275.1 | 4,228.7 | 105.3 | 136.0 |
| | Inferred | 397.8 | 483.2 | 2.49 | 2.77 | 989.5 | 1,336.9 | 31.8 | 43.0 |
| | **Total metric** | **1,786.0** | **1,984.9** | **3.06** | **3.42** | **5,466.6** | **6,786.4** | | |
| | **Total imperial**[2] | **1,968.7**Mton | **2,188.0**Mton | **0.089**oz/t | **0.100**oz/t | | | **175.8**Moz | **218.2**Moz |

Rounding of figures may cause computational discrepancies.

[1] AngloGold Ashanti report Mineral Resources 'as inclusive of those Mineral Resources modified to produce the Ore Reserve' (JORC), i.e. the Ore Reserves are included in the Mineral Resource figures.

[2] Imperial units: tonnage is reported in million short tons (Mton), grade in troy ounces per short ton (oz/t) and contained metal in million troy ounces (Moz).

[3] Reductions in Ore Reserve caused by economics: Moab Khotsong (4.1 Moz), Mponeng (1.3 Moz) and Tau Lekoa (1.6 Moz).

[4] The Obuasi 2005 Ore Reserve, which is a major component of the Ghana total, is based on a Mineral Resource model estimated in early 2005, using the techniques against which the conversion factors between Mineral Resource and Ore Reserve have historically been determined. The Obuasi 2005 Mineral Resource was estimated during the fourth quarter of 2005, using improved techniques. Consequently, the Modifying Factors between this *in situ* Mineral Resource and the ore delivered to the mill have as yet not been quantified and are being determined by ongoing reconciliation.

[5] Scoping studies including capital requirements and current costs showed that a significant amount of material previously included in Mineral Resource no longer showed reasonable economic potential. Consequently this material has been excluded from the current Mineral Resource statement.

In accordance with its external Audit policy it is AngloGold Ashanti's intention to audit the 2005 Mineral Resource and Ore Reserves for the following operations: Moab Khotsong, Tau Lekoa, VRGO, Navachab, Siguiri and Serra Grande.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Coal

The Coal Reserve and Coal Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 2004) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000).
The Coal Resources are additional to those resources which have been modified to produce the Coal Reserves.

The Gas Reserve estimates are compiled in accordance with the Society of Petroleum Engineers and World Petroleum Council guidelines.

| Anglo Coal Coal Reserves[1] | Reported[2] % | Attributable[2] % | Classification | Tonnes million[3] 2005 | Tonnes million[3] 2004 | Yield[4] % 2005 | Heat content[5] (kcal/kg) Gross as received 2005 | Tonnes million[3] 2005 | Tonnes million[3] 2004 |
|---|---|---|---|---|---|---|---|---|---|
| **Export Metallurgical** | | | | ROM[1] | ROM[1] | SALEABLE[1] | SALEABLE[1] | SALEABLE[1] | SALEABLE[1] |
| Australia | | | Proved | 381 | 285 | 77 | 7,290 | 305 | 232 |
| | | | Probable | 252 | 206 | 70 | 7,110 | 185 | 166 |
| | 100 | 67.4 | **Total** | **633** | **491** | **74** | **7,220** | **490** | **398** |
| South Africa | | | Proved | 5 | 3 | 62 | 6,540 | 3 | 2 |
| | | | Probable | 3 | 6 | 64 | 6,450 | 2 | 4 |
| | 100 | 100 | **Total** | **8** | **9** | **63** | **6,510** | **5** | **6** |
| **Export Thermal** | | | | | | | | | |
| Australia | | | Proved | 152 | 137 | 87 | 6,410 | 134 | 119 |
| | | | Probable | 70 | 62 | 83 | 6,350 | 59 | 51 |
| | 100 | 67.8 | **Total** | **222** | **199** | **86** | **6,390** | **193** | **170** |
| Colombia | | | Proved | 239 | 202 | 99 | 6,130 | 241 | 204 |
| | | | Probable | 75 | 64 | 99 | 6,210 | 76 | 64 |
| | 33.3 | 33.3 | **Total** | **314** | **266** | **99** | **6,150** | **317** | **268** |
| South Africa | | | Proved | 204 | 196 | 59 | 6,230 | 122 | 117 |
| | | | Probable | 246 | 347 | 56 | 6,230 | 141 | 204 |
| | 100 | 100 | **Total** | **450** | **543** | **57** | **6,230** | **263** | **321** |
| Venezuela | | | Proved | 39 | 37 | 100 | 7,030 | 40 | 38 |
| | | | Probable | – | – | | | – | – |
| | 24.9 | 24.9 | **Total** | **39** | **37** | **100** | **7,030** | **40** | **38** |
| **Total Export** | | | Proved | 1,020 | 859 | 81 | 6,660 | 845 | 712 |
| | | | Probable | 646 | 685 | 70 | 6,580 | 463 | 489 |
| | | | **Total** | **1,666** | **1,544** | **76** | **6,630** | **1,308** | **1,201** |
| **Domestic Power Generation** | | | | | | | | | |
| Austria | | | Proved | 221 | 226 | 98 | 4,610 | 216 | 214 |
| | | | Probable | 32 | 58 | 98 | 4,530 | 31 | 57 |
| | 100 | 100 | **Total** | **253** | **284** | **98** | **4,600** | **247** | **271** |
| South Africa | | | Proved | 554 | 574 | 95 | 4,040 | 538 | 533 |
| | | | Probable | 270 | 292 | 100 | 5,010 | 270 | 292 |
| | 99.7 | 99.7 | **Total** | **824** | **866** | **96** | **4,360** | **808** | **825** |
| **Domestic Synfuels** | | | | | | | | | |
| South Africa | | | Proved | 106 | 104 | 100 | 4,820 | 106 | 104 |
| | | | Probable | – | 7 | | | – | 7 |
| | 100 | 100 | **Total** | **106** | **111** | **100** | **4,820** | **106** | **111** |
| **Total Domestic** | | | Proved | 882 | 904 | 96 | 4,280 | 860 | 852 |
| | | | Probable | 302 | 357 | 100 | 4,960 | 301 | 355 |
| | | | **Total** | **1,184** | **1,261** | **97** | **4,450** | **1,161** | **1,207** |
| **Total Coal Reserves** | | | Proved | 1,902 | 1,763 | 88 | 5,460 | 1,705 | 1,564 |
| | | | Probable | 948 | 1,042 | 79 | 5,950 | 764 | 845 |
| | | | **Total** | **2,850** | **2,805** | **85** | **5,610** | **2,469** | **2,409** |

| Anglo Coal Gas Reserves[6] | Reported[2] % | Attributable[2] % | Classification | Energy PJ[6] 2005 | Volume Bcf[6] 2005 |
|---|---|---|---|---|---|
| **Coal Bed Methane Gas Reserves** | | | | SALEABLE | SALEABLE |
| Australia | | | Proved: 1P | 17 | 16 |
| | | | Probable: 2P–1P | 27 | 25 |
| | 100 | 51.0 | **Total 2P** | **44** | **41** |

Rounding of figures may cause computational discrepancies.

**Export Metallurgical** refers to operations where the main product is coking coal and/or coal for pulverised coal injection (PCI), primarily for the export market. The weighted average production of coking coal and PCI is 69% and 80% for the Australian and South African metallurgical operations respectively.

**Export Thermal** refers to operations that primarily produce thermal coal for the export market.

**Domestic Power Generation** refers to operations that produce coal for, and are typically tied to power stations.

**Domestic Synfuels** refers to operations in South Africa that produce coal for supply to Sasol for the production of synthetic fuel and chemicals.

Footnote references are explained at the end of the section.

| Anglo Coal Coal Resources[7] | Reported[2] | Attributable[2] | | Tonnes[3] million | | Heat content[5] (kcal/kg) Gross as received | |
|---|---|---|---|---|---|---|---|
| Additional Coal Resources | % | % | Classification | 2005 | 2004 | 2005 | 2004 |
| **Export Metallurgical** | | | | MTIS[7] | MTIS[7] | MTIS[7] | MTIS[7] |
| Australia | | | Measured | 171 | 123 | 6,970 | 6,870 |
| | | | Indicated | 170 | 144 | 6,980 | 6,740 |
| | 100 | 71.5 | **Measured and Indicated** | **341** | **267** | **6,980** | **6,790** |
| | | | Inferred in Mine Plan[8] | 54 | | 6,870 | |
| South Africa | | | Measured | 9 | 9 | 6,920 | 6,960 |
| | | | Indicated | 16 | 16 | 7,080 | 7,080 |
| | 100 | 100 | **Measured and Indicated** | **25** | **25** | **7,030** | **7,040** |
| | | | Inferred in Mine Plan[8] | – | | – | |
| **Export Thermal** | | | | | | | |
| Australia | | | Measured | 47 | 42 | 6,420 | 5,980 |
| | | | Indicated | 22 | 21 | 6,140 | 5,160 |
| | 100 | 77.0 | **Measured and Indicated** | **69** | **63** | **6,330** | **5,760** |
| | | | Inferred in Mine Plan[8] | 6 | | 6,540 | |
| Colombia | | | Measured | 68 | 55 | 6,600 | 6,580 |
| | | | Indicated | 280 | 220 | 6,350 | 6,480 |
| | 33.3 | 33.3 | **Measured and Indicated** | **348** | **275** | **6,400** | **6,500** |
| | | | Inferred in Mine Plan[8] | 1 | | 7,420 | |
| South Africa | | | Measured | 303 | 306 | 5,900 | 5,840 |
| | | | Indicated | 191 | 249 | 6,100 | 6,120 |
| | 100 | 100 | **Measured and Indicated** | **494** | **555** | **5,970** | **5,960** |
| | | | Inferred in Mine Plan[8] | 85 | | 5,850 | |
| Venezuela | | | Measured | – | 4 | – | 7,260 |
| | | | Indicated | 33 | 6 | 7,590 | 7,580 |
| | 24.9 | 24.9 | **Measured and Indicated** | **33** | **10** | **7,590** | **7,480** |
| | | | Inferred in Mine Plan[8] | – | | – | |
| **Total Export** | | | Measured | 598 | 539 | 6,340 | 6,190 |
| | | | Indicated | 712 | 656 | 6,500 | 6,380 |
| | | | **Measured and Indicated** | **1,310** | **1,195** | **6,430** | **6,300** |
| | | | Inferred in Mine Plan[8] | 147 | | 6,270 | |
| **Domestic Power Generation** | | | | | | | |
| Australia | | | Measured | 253 | 340 | 5,000 | 5,010 |
| | | | Indicated | 354 | 300 | 4,670 | 4,540 |
| | 100 | 100 | **Measured and Indicated** | **607** | **640** | **4,810** | **4,790** |
| | | | Inferred in Mine Plan[8] | 1 | | 3,770 | |
| South Africa | | | Measured | 131 | 53 | 4,200 | 5,240 |
| | | | Indicated | 92 | 38 | 5,060 | 5,090 |
| | 96.2 | 96.2 | **Measured and Indicated** | **223** | **91** | **4,560** | **5,170** |
| | | | Inferred in Mine Plan[8] | 45 | | 5,070 | |
| **Domestic Synfuels** | | | | | | | |
| South Africa | | | Measured | – | 2 | – | 4,980 |
| | | | Indicated | 26 | 12 | 5,330 | 4,970 |
| | 100 | 100 | **Measured and Indicated** | **26** | **14** | **5,330** | **4,970** |
| | | | Inferred in Mine Plan[8] | – | | – | |
| **Total Domestic** | | | | | | | |
| | | | Measured | 384 | 395 | 4,730 | 5,040 |
| | | | Indicated | 472 | 350 | 4,780 | 4,610 |
| | | | **Measured and Indicated** | **856** | **745** | **4,760** | **4,840** |
| | | | Inferred in Mine Plan[8] | 46 | | 5,040 | |
| **Total Additional Coal Resources** | | | | | | | |
| | | | Measured | 982 | 934 | 5,710 | 5,700 |
| | | | Indicated | 1,184 | 1,006 | 5,810 | 5,770 |
| | | | **Measured and Indicated** | **2,166** | **1,940** | **5,770** | **5,740** |
| | | | Inferred in Mine Plan[8] | 192 | | 5,960 | |

Rounding of figures may cause computational discrepancies.

**Additional Coal Resources** refers to areas included in the lease areas of Metallurgical, Thermal, Domestic Power Generation or Synfuels Collieries.

Footnote references are explained at the end of the section.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

| Other Coal Resources | Reported[2] % | Attributable[2] % | Classification | Tonnes[3] million 2005 | Tonnes[3] million 2004 | Heat content[5] (kcal/kg) Gross as received 2005 | Heat content[5] (kcal/kg) Gross as received 2004 |
|---|---|---|---|---|---|---|---|
| Australia | | | Measured | 370 | 395 | 6,310 | 6,380 |
| | | | Indicated | 390 | 435 | 6,500 | 6,510 |
| | 100 | 93.0 | **Measured and Indicated** | **760** | **830** | **6,410** | **6,450** |
| South Africa | | | Measured | 210 | – | 5,080 | |
| | | | Indicated | 2,245 | 3,280 | 4,430 | 4,690 |
| | 100 | 99.0 | **Measured and Indicated** | **2,455** | **3,280** | **4,490** | **4,690** |
| Total Other Coal Resources | | | Measured | 580 | 395 | 5,860 | 6,380 |
| | | | Indicated | 2,635 | 3,715 | 4,740 | 4,900 |
| | | | **Measured and Indicated** | **3,215** | **4,110** | **4,940** | **5,050** |

| Additional and Other Coal Resources | Reported[2] % | Attributable[2] % | Classification | Tonnes[3] million 2005 | Tonnes[3] million 2004 | Heat content[5] (kcal/kg) Gross as received 2005 | Heat content[5] (kcal/kg) Gross as received 2004 |
|---|---|---|---|---|---|---|---|
| Total Coal Resources | | | Measured | 1,562 | 1,329 | 5,770 | 5,910 |
| | | | Indicated | 3,819 | 4,721 | 5,070 | 5,090 |
| | | | **Measured and Indicated** | **5,381** | **6,050** | **5,280** | **5,270** |
| | | | Inferred in Mine Plan[8] | 192 | | 5,970 | |

Rounding of figures may cause computational discrepancies.

**Other Coal Resources** refers to coal resources in Project areas not included in the Additional Coal Resources of Metallurgical, Thermal, Power Generation or Synfuels Collieries.

(1) Coal Reserves are quoted on a Run of Mine (ROM) reserve tonnage basis, which represent the tonnes delivered to the plant, and on a saleable reserve tonnage basis, which represent the product tonnes produced.

(2) Reported (%) and Attributable (%) refers to 2005 only. For the 2004 Reported and Attributable figures, please refer to the previous annual report.

(3) Includes 100% of Coal Reserves and Coal Resources of consolidated entities and the Group's share of joint ventures and associates where applicable. Where the Group's share is more than 50%, then 100% of the reserves and resources are reported. The tonnage is quoted as metric tonnes and abbreviated as Mt for million tonnes.

(4) Yield (%) represents the ratio of saleable reserve tonnes to ROM reserve tonnes and is quoted on a constant moisture basis or on an air dried to air dried basis.

(5) The coal quality for the Coal Reserves is quoted as a weighted average of the heat content of all saleable coal products. The coal quality for the Coal Resources are reported on an in situ heat content basis.

Coal quality parameters for the Coal Reserves for Metallurgical and Thermal Collieries meet the contractual specifications for coking coal, PCI, metallurgical coal, steam coal and domestic coal.

Coal quality parameters for the Coal Reserves for Power Generation and Synfuels Collieries meet the specifications of the individual supply contracts.

(6) Gas Reserves are reported in terms of volume (Bcf or billions of cubic feet) and energy (Petajoules (PJ), or one thousand trillion Joules) on a saleble gas reserve basis.

(7) Coal Resources are quoted on a mineable tonnage in situ (MTIS) basis in addition to those resources which have been modified to produce the reported Coal Reserves. Coal quality is quoted on a MTIS basis.

(8) Inferred in the Mine Plan refers to Coal Resources that are included in the life of mine schedule of the respective Collieries but which are not reported as Coal Reserves. This represents a change in the reporting from 2004.

**Material changes to Run of Mine (ROM) Coal Reserves from 2004 to 2005:**

**Export Metallurgical** – **Australia:** The increase in reserves from 491 Mt to 633 Mt is attributed mainly to the inclusion of additional resources into German Creek Colliery (+60 Mt) and the approval of the Lake Lindsay Project (+98 Mt).

**Export Thermal** – **Australia:** The increase in reserves from 199 Mt to 222 Mt is due mainly to an increase in reserves at Drayton Colliery (+32 Mt) following the optimisation of the mine layout.

**Export Thermal** – **Colombia:** The increase in reserves from 266 Mt to 314 Mt is mainly as a result of the approval to expand production and the commensurate change in the mine plan (+38 Mt).

**Export Thermal** – **South Africa:** The decrease in reserves from 543 Mt to 450 Mt is attributed mainly to the downgrading of certain reserves to inferred resources in the mine plan as a result of insufficient borehole washability coal quality data at Greenside Colliery (-56 Mt) and depletion by mining in 2005 (-30 Mt).

**Domestic Power Generation** – **South Africa:** The decrease in reserves from 866 Mt to 824 Mt is primarily due to depletion by mining in 2005 (-36 Mt) and due to a transfer of probable reserves to inferred resources within the mine plan at New Denmark Colliery (-34 Mt) that is offset by an increase of reserves at Kriel Colliery (+38 Mt) brought about by a transfer of additional resources to reserves.

Material changes to Additional Coal Resources from 2004 to 2005:

**Inferred Coal Resources** included in mine plans are defined and reported separately in 2005 as Additional Coal Resources for all operations, and not included in the reserve tabulations, have resulted in a gain of additional resources (+192 Mt).

**Export Metallurgical** – **Australia:** The increase in resources from 267Mt to 395 Mt is attributed mainly to the transfer of resources within the mine plan to Additional Coal Resources (+68 Mt) and the inclusion of inferred resources within the mine plan (+7 Mt) at German Creek Colliery. An increase of 17 Mt at Dawson Central and North Collieries is due mainly to the inclusion of inferred resources in the mine plan (+40 Mt) offset by losses (-21 Mt) as a result of igneous sills and seam washouts identified by exploration drilling. Lake Lindsay Other Coal Resources are transferred to Additional Coal Resources (+30 Mt).

**Export Thermal** – **Colombia:** The increase in additional resources from 275 Mt to 349 Mt is as a result of a change brought about by the revised mine plan associated with the approved production increase.

**Export Thermal** – **South Africa:** The increase from 555 Mt to 579 Mt is brought about by the transfer of reserves to inferred resources in the mine plan at Greenside Colliery (+85 Mt) offset by a decrease at Goedehoop Colliery (-64 Mt) resulting from the redefinition of selective mining horizons in the Elders Project area.

**Export Thermal** – **Venezuela:** The increase in attributable additional resources from 10 Mt to 33 Mt is as a result of the discovery of additional resources during exploration drilling.

**Domestic Power Generation** – **Australia:** The decrease in resources from 640 Mt to 608 Mt is due mainly to the change in economic assumptions at Callide Colliery (-57 Mt).

**Domestic Power Generation** – **South Africa:** The increase in resources from 91 Mt to 268 Mt is due primarily to the inclusion of inferred resources in the mine plan at New Denmark Colliery (+46 Mt) and the inclusion of Maccauvlei West Project into additional resources at New Vaal Colliery due to additional exploration drilling (+107 Mt).

Material changes to Other Coal Resources from 2004 to 2005:

**Australia:** The decrease in Other Coal Resources from 830 Mt to 760 Mt is due to the transfer of Lake Lindsay Project other coal resources to reserves and additional resources (-121 Mt), offset by the transfer of inferred resources to measured resources at Saddlers Creek (+57 Mt).

**South Africa:** The decrease in Other Coal Resources from 3,280 Mt to 2,455 Mt is attributed to:

**Elders:** +177 Mt due to a change in economic assumptions.

**Arnot North / Mafube Macro Project:** -212 Mt made up of -93 Mt sold, -86 Mt transferred to inferred resources and relinquishing -35 Mt due to the MPRDA.

**Zondagsfontein:** -278 Mt due to transfer to inferred resources as a result of an improved definition of resources following a feasibility study.

**Coalbrook:** a reduction in Other Coal Resources due to relinquishment of the coal resources (-520 Mt) in response to the limitations of the 8 year time frame for development imposed by the MPRDA.

**New Largo:** the sale of coal to Ingwe (-51 Mt) offset by a change in economic assumptions (+38 Mt).

Other Resources

**Monash Energy** is investigating the production of liquid fuels from brown coal in the Latrobe Valley, Victoria, Australia. The coal resource and reserve statement will be finalised on completion of a feasibility study. Brown coal resources are estimated at approximately 6,000 Mt at 62% moisture content.

Impact of the Minerals and Petroleum Resources Development Act (MPRDA) on the reporting of Coal Resources and Coal Reserves in South Africa

In preparing the 2005 Coal Reserve and Coal Resource statement, Anglo Coal has adopted the following policy in respect of mineral rights:

**Mining Rights:** Where applications for Mining Rights have been submitted and these are still being processed, these have been included in the statement. Where applications for Mining Rights have not yet been submitted these have also been included in the statement. The deadline for submission is April 2009.

**Prospecting Rights:** Where applications for new Prospecting Rights have been initially refused and are still the subject of ongoing review and discussions with the relevant authorities, but Anglo Coal has a reasonable expectation that the rights will be granted in due course, the relevant resources have been included in the statement. These relevant resources exclude coal resources associated with certain Prospecting Rights that Anglo Coal intends to transfer to Black Economic Empowerment Junior Miner companies as part of Anglo Coal South Africa's continued strategy of empowerment. As at 31 December 2005, 1,675 Mt of the reported Other Coal Resources and 91 Mt of reported Additional Coal Resources were subject to applications for new Prospecting Rights, of which applications in respect of 1,463 Mt have initially been refused and are the subject of ongoing review and discussions with the relevant authorities. Consistent with the principles adopted in the reporting of mineral resources in South Africa previously described in the introduction, Anglo Coal currently expects that the outcome of such review and discussions will be favourable.

Audits were carried out in 2005 on the following operations and project areas:

**South Africa:** New Vaal – Mac West Project and Mafube expansion Project.
**Australia:** Lake Lindsay Project, Moranbah North, Dartbrook and Drayton.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Base Metals

The Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 2004) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves. The figures reported represent 100% of the Ore Reserves and Mineral Resources, the percentage attributable to Anglo American plc is stated separately.

| Copper Division Ore Reserves | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade %Cu 2005 | Grade %Cu 2004 | Contained metal thousand tonnes 2005 | Contained metal thousand tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| Los Bronces (OP) | 100 | | | | | | | |
| Sulphide (TCu)[1] Flotation | | Proved | 588.1 | 638.0 | 0.93 | 0.92 | 5,469 | 5,839 |
| | | Probable | 194.8 | 77.7 | 0.75 | 0.68 | 1,461 | 532 |
| | | **Total** | **782.9** | **715.7** | **0.89** | **0.89** | **6,930** | **6,371** |
| Sulphide (TCu) Dump Leach | | Proved | 569.9 | 480.9 | 0.42 | 0.47 | 2,394 | 2,261 |
| | | Probable | 567.0 | 656.7 | 0.34 | 0.33 | 1,928 | 2,142 |
| | | **Total** | **1,136.9** | **1,137.6** | **0.38** | **0.39** | **4,321** | **4,403** |
| El Soldado (OP and UG) | 100 | | | | | | | |
| Sulphide (TCu) Flotation | | Proved | 77.1 | 76.8 | 1.04 | 1.06 | 802 | 815 |
| | | Probable | 62.2 | 65.7 | 0.86 | 0.89 | 535 | 584 |
| | | **Total** | **139.3** | **142.5** | **0.96** | **0.98** | **1,337** | **1,398** |
| Mantos Blancos (OP) | 100 | | | | | | | |
| Sulphide (ICu)[2] Flotation | | Proved | 3.1 | 9.2 | 1.47 | 0.68 | 46 | 62 |
| | | Probable | 17.4 | 17.1 | 0.94 | 1.21 | 164 | 207 |
| | | **Total** | **20.5** | **26.3** | **1.02** | **1.02** | **209** | **269** |
| Oxide (ASCu) Vat Leach | | Proved | 0.9 | 9.4 | 0.98 | 0.67 | 9 | 63 |
| | | Probable | 17.1 | 10.2 | 0.77 | 0.97 | 132 | 99 |
| | | **Total** | **18.0** | **19.6** | **0.78** | **0.82** | **140** | **162** |
| Oxide (ASCu) Dump Leach | | Proved | 0.3 | 2.5 | 0.30 | 0.40 | 1 | 10 |
| | | Probable | 7.3 | 3.2 | 0.32 | 0.40 | 23 | 13 |
| | | **Total** | **7.6** | **5.7** | **0.32** | **0.40** | **24** | **23** |
| Mantoverde (OP) | 100 | | | | | | | |
| Oxide (ASCu)[3] Heap Leach | | Proved | 56.2 | 51.8 | 0.63 | 0.63 | 354 | 326 |
| | | Probable | 9.9 | 28.6 | 0.55 | 0.65 | 54 | 186 |
| | | **Total** | **66.1** | **80.4** | **0.62** | **0.64** | **409** | **512** |
| Oxide (ASCu)[4] Dump Leach | | Proved | 35.2 | 25.7 | 0.37 | 0.29 | 130 | 75 |
| | | Probable | 11.9 | 21.3 | 0.38 | 0.29 | 45 | 62 |
| | | **Total** | **47.1** | **47.0** | **0.37** | **0.29** | **175** | **136** |
| Collahuasi (OP)[5] | 44 | | | | | | | |
| Oxide and Mixed (TCu) Heap Leach | | Proved | 16.0 | 27.9 | 1.06 | 1.01 | 170 | 282 |
| | | Probable | 19.2 | 12.3 | 1.01 | 1.24 | 194 | 153 |
| | | **Total** | **35.2** | **40.2** | **1.03** | **1.08** | **364** | **435** |
| Sulphide (TCu)[6] Flotation – direct feed | | Proved | 229.3 | 282.6 | 1.10 | 1.09 | 2,525 | 3,088 |
| | | Probable | 1,154.3 | 1,151.0 | 0.97 | 0.97 | 11,248 | 11,211 |
| | | **Total** | **1,383.6** | **1,433.6** | **1.00** | **1.00** | **13,773** | **14,299** |
| Low Grade Sulphide (TCu) Flotation – stockpile | | Proved | – | – | – | – | – | – |
| | | Probable | 385.3 | 375.8 | 0.53 | 0.53 | 2,027 | 1,974 |
| | | **Total** | **385.3** | **375.8** | **0.53** | **0.53** | **2,027** | **1,974** |

Rounding of figures may cause computational discrepancies.
Mining method: UG = Underground, OP = Open Pit.

## Base Metals continued

| Copper Division Mineral Resources | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade %Cu 2005 | Grade %Cu 2004 | Contained metal thousand tonnes 2005 | Contained metal thousand tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| **Los Bronces (OP)** | 100 | | | | | | | |
| Sulphide (TCu)[7] Flotation | | Measured | 54.0 | 451.5 | 0.57 | 0.60 | 308 | 2,721 |
| | | Indicated | 542.1 | 619.4 | 0.50 | 0.51 | 2,711 | 3,161 |
| | | **Measured and Indicated** | **596.1** | **1,070.9** | **0.51** | **0.55** | **3,018** | **5,882** |
| | | Inferred in Mine Plan | 21.6 | – | 0.64 | – | 138 | – |
| Sulphide (TCu) Dump Leach | | Measured | – | – | – | – | – | – |
| | | Indicated | – | – | – | – | – | – |
| | | **Measured and Indicated** | | | | | | |
| | | Inferred in Mine Plan | 112.3 | | 0.31 | | 347 | |
| **El Soldado (OP and UG)** | 100 | | | | | | | |
| Sulphide (TCu) Flotation | | Measured | 54.8 | 34.3 | 0.82 | 0.82 | 449 | 281 |
| | | Indicated | 37.8 | 54.4 | 0.75 | 0.73 | 284 | 397 |
| | | **Measured and Indicated** | **92.6** | **88.7** | **0.79** | **0.76** | **733** | **678** |
| | | Inferred in Mine Plan | 39.9 | | 0.72 | | 287 | |
| **Mantos Blancos (OP)** | 100 | | | | | | | |
| Sulphide (ICu) Flotation | | Measured | 18.6 | 5.6 | 0.85 | 0.84 | 158 | 47 |
| | | Indicated | 92.7 | 90.8 | 0.77 | 0.81 | 714 | 735 |
| | | **Measured and Indicated** | **111.3** | **96.4** | **0.78** | **0.81** | **872** | **782** |
| | | Inferred in Mine Plan | 1.3 | | 1.12 | | 15 | |
| Oxide (ASCu) Vat Leach | | Measured | 1.0 | 1.5 | 0.62 | 0.49 | 6 | 7 |
| | | Indicated | 10.3 | 9.3 | 0.61 | 0.57 | 63 | 53 |
| | | **Measured and Indicated** | **11.3** | **10.8** | **0.61** | **0.56** | **69** | **60** |
| | | Inferred in Mine Plan | 0.8 | | 0.65 | | 5 | |
| Oxide (ASCu) Dump Leach | | Measured | – | – | – | – | – | – |
| | | Indicated | – | – | – | – | – | – |
| | | **Measured and Indicated** | | | | | | |
| | | Inferred in Mine Plan | 0.7 | | 0.29 | | 2 | |
| **Mantoverde (OP)** | 100 | | | | | | | |
| Oxide (ASCu) Heap Leach | | Measured | 47.8 | 34.6 | 0.42 | 0.45 | 201 | 156 |
| | | Indicated | 48.2 | 73.6 | 0.38 | 0.38 | 183 | 280 |
| | | **Measured and Indicated** | **96.0** | **108.2** | **0.40** | **0.40** | **384** | **435** |
| | | Inferred in Mine Plan | – | | – | | – | |
| Oxide (ASCu) Dump Leach | | Measured | 1.2 | 1.1 | 0.32 | 0.32 | 4 | 4 |
| | | Indicated | 1.5 | 0.3 | 0.30 | 0.35 | 5 | 1 |
| | | **Measured and Indicated** | **2.7** | **1.4** | **0.31** | **0.33** | **8** | **5** |
| | | Inferred in Mine Plan | – | | – | | – | |
| **Collahuasi (OP)[5]** | 44 | | | | | | | |
| Oxide and Mixed (TCu) Heap Leach | | Measured | 0.1 | 0.1 | 0.97 | 0.97 | 1 | 1 |
| | | Indicated | 1.8 | 1.8 | 1.09 | 1.09 | 20 | 20 |
| | | **Measured and Indicated** | **1.9** | **1.9** | **1.09** | **1.09** | **20** | **20** |
| | | Inferred in Mine Plan | 0.5 | | 0.74 | | 4 | |
| Sulphide (TCu) Flotation – direct feed | | Measured | 12.3 | 12.3 | 0.86 | 0.86 | 106 | 107 |
| | | Indicated | 189.1 | 189.1 | 0.89 | 0.88 | 1,680 | 1,671 |
| | | **Measured and Indicated** | **201.5** | **201.5** | **0.89** | **0.88** | **1,785** | **1,777** |
| | | Inferred in Mine Plan | 202.2 | | 0.93 | | 1,878 | |
| Low Grade Sulphide (TCu) Flotation – stockpile | | Measured | 36.3 | 38.4 | 0.45 | 0.45 | 162 | 173 |
| | | Indicated | 238.8 | 239.1 | 0.46 | 0.46 | 1,110 | 1,111 |
| | | **Measured and Indicated** | **275.0** | **277.5** | **0.46** | **0.46** | **1,272** | **1,283** |
| | | Inferred in Mine Plan | 106.9 | | 0.48 | | 510 | |

Rounding of figures may cause computational discrepancies.
Mining method: UG = Underground, OP = Open Pit.
TCu = total copper, ICu = insoluble copper (total copper less acid soluble copper), ASCu = acid soluble copper.

[1] **Los Bronces Sulphide (Flotation):** Reserve metal gains result from conversion of resources to reserves based on new drilling information.

[2] **Mantos Blancos (Sulphide Flotation):** Reserve metal loss due to transfer to vat leach process.

[3] **Mantoverde (Oxide Heap Leach):** Ore loss due mainly to change in pit design in order to optimise waste stripping.

[4] **Mantoverde (Oxide Dump Leach):** Metal gain results from relatively high carbonate-content material, previously considered waste, now being amenable for the dump leach process.

[5] **Collahuasi:** In the 2004 Annual Report, only the attributable tonnage was stated.

[6] **Collahuasi Sulphide (Flotation):** Metal decrease due to mining depletion and transfer of ore to low grade sulphide.

[7] **Los Bronces Sulphide (Flotation):** Measured and Indicated Resources have decreased due to conversion to reserves as well as a change in the classification methodology, inherited from the previous owner. The significant movements of material to Inferred resources which are not reported, are expected to be reversed with the current and future in-fill drilling programs. Furthermore, although not reported, the total Inferred Resources have increased due to new information from the recent drilling campaign.

The Ore Reserves and Mineral Resources of the following operations were audited during 2005 by third party, independent auditors: El Soldado and Mantoverde.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Base Metals continued

| Nickel Division Ore Reserves | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade %Ni 2005 | Grade %Ni 2004 | Contained metal thousand tonnes 2005 | Contained metal thousand tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| Loma de Níquel (OP) | 91.4 | | | | | | | |
| Laterite | | Proved | 12.7 | 17.4 | 1.52 | 1.53 | 193 | 266 |
| | | Probable | 23.3 | 18.9 | 1.46 | 1.43 | 340 | 270 |
| | | **Total** | **36.0** | **36.3** | **1.48** | **1.48** | **533** | **536** |
| Codemin (OP) | 100 | | | | | | | |
| Laterite | | Proved | 3.2 | 3.2 | 1.33 | 1.33 | 42 | 42 |
| | | Probable | 0.5 | 0.5 | 1.33 | 1.33 | 7 | 7 |
| | | **Total** | **3.7** | **3.7** | **1.33** | **1.33** | **49** | **49** |

| Nickel Division Mineral Resources | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade %Ni 2005 | Grade %Ni 2004 | Contained metal thousand tonnes 2005 | Contained metal thousand tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| Loma de Níquel (OP) | 91.4 | | | | | | | |
| Laterite | | Measured | 0.8 | 1.0 | 1.40 | 1.42 | 11 | 14 |
| | | Indicated | 4.8 | 4.5 | 1.45 | 1.46 | 70 | 66 |
| | | **Measured and Indicated** | **5.6** | **5.5** | **1.44** | **1.45** | **81** | **79** |
| | | Inferred in Mine Plan | – | | – | | – | |
| Codemin (OP) | 100 | | | | | | | |
| Laterite | | Measured | 3.4 | 3.4 | 1.29 | 1.29 | 43 | 43 |
| | | Indicated | 3.5 | 3.5 | 1.25 | 1.25 | 44 | 44 |
| | | **Measured and Indicated** | **6.9** | **6.9** | **1.27** | **1.27** | **87** | **87** |
| | | Inferred in Mine Plan | – | | – | | – | |

Rounding of figures may cause computational discrepancies.
Mining method: OP = Open Pit.

## **Base Metals** continued

For the polymetallic deposits, the tonnage figures apply to each metal.

| Zinc Division Ore Reserves | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | Contained metal thousand tonnes 2005 | Contained metal thousand tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| **Black Mountain (UG)** | 100 | | | | | | | |
| Broken Hill Deeps[1] | | | | | | | | |
| Zinc | | | | | %Zn | %Zn | | |
| | | Proved | – | 0.1 | – | 3.53 | – | 5 |
| | | Probable | 12.8 | 14.0 | 3.79 | 3.68 | 483 | 513 |
| | | **Total** | **12.8** | **14.1** | **3.79** | **3.68** | **483** | **519** |
| Copper | | | | | %Cu | %Cu | | |
| | | Proved | | | – | 0.42 | – | 1 |
| | | Probable | | | 0.73 | 0.67 | 93 | 94 |
| | | **Total** | | | **0.73** | **0.67** | **93** | **94** |
| Lead | | | | | %Pb | %Pb | | |
| | | Proved | | | – | 2.57 | – | 4 |
| | | Probable | | | 3.90 | 3.66 | 497 | 511 |
| | | **Total** | | | **3.90** | **3.65** | **497** | **514** |
| Swartberg[2] | | | | | | | | |
| Zinc | | | | | %Zn | %Zn | | |
| | | Proved | – | – | – | – | – | – |
| | | Probable | 0.3 | 2.5 | 1.79 | 1.01 | 5 | 25 |
| | | **Total** | **0.3** | **2.5** | **1.79** | **1.01** | **5** | **25** |
| Copper | | | | | %Cu | %Cu | | |
| | | Proved | | | – | – | – | – |
| | | Probable | | | 0.13 | 0.40 | 0 | 10 |
| | | **Total** | | | **0.13** | **0.40** | **0** | **10** |
| Lead | | | | | %Pb | %Pb | | |
| | | Proved | | | – | – | – | – |
| | | Probable | | | 4.62 | 3.50 | 14 | 88 |
| | | **Total** | | | **4.62** | **3.50** | **14** | **88** |
| **Lisheen (UG)[3]** | 100 | | | | | | | |
| Zinc | | | | | %Zn | %Zn | | |
| | | Proved | 6.8 | 8.6 | 13.20 | 12.38 | 902 | 1,059 |
| | | Probable | 3.7 | 3.4 | 15.58 | 9.97 | 583 | 341 |
| | | **Total** | **10.6** | **12.0** | **14.04** | **11.69** | **1,485** | **1,399** |
| Lead | | | | | %Pb | %Pb | | |
| | | Proved | | | 2.30 | 2.15 | 157 | 184 |
| | | Probable | | | 1.92 | 1.41 | 72 | 48 |
| | | **Total** | | | **2.16** | **1.94** | **229** | **232** |
| **Skorpion (OP)[4]** | 100 | | | | | | | |
| Zinc | | | | | %Zn | %Zn | | |
| | | Proved | 8.4 | 10.4 | 12.73 | 11.37 | 1,070 | 1,186 |
| | | Probable | 6.1 | 9.3 | 9.35 | 9.58 | 570 | 887 |
| | | **Total** | **14.5** | **19.7** | **11.31** | **10.53** | **1,640** | **2,073** |

Rounding of figures may cause computational discrepancies.
Mining method: UG = Underground, OP = Open Pit.

(1) **Black Mountain (Broken Hill Deeps):** In 2004 Broken Hill and the Deeps orebodies were reported combined. With the shift in mining operations to the Deeps orebody, the Broken Hill Ore Reserves have been closed off and re-allocated to Mineral Resources. Ore Reserves contain 12.8 Mt of silver ore at 54 g/t as a by-product.

(2) **Black Mountain (Swartberg):** Changes to the method for calculating the economic cut-off has led to a decrease in the Swartberg Ore Reserve. Ore Reserves contain 0.3 Mt of silver ore at 81g/t as a by-product.

(3) **Lisheen:** Improved grades from drilling in the Bog Zone satellite orebody resulted in a net metal increase in the Ore Reserve.

(4) **Skorpion:** New information from infill drilling has resulted in a decrease in reserve tonnes but an increase in grade. Net effect is an overall decrease in contained zinc metal. A portion of the reserve has been reclassified and is reported as Inferred Resource in the mine plan.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Base Metals continued

For the polymetallic deposits, the tonnage figures apply to each metal.

| Zinc Division Mineral Resources | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | Contained metal thousand tonnes 2005 | Contained metal thousand tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| **Black Mountain (UG)** | 100 | | | | | | | |
| Broken Hill Deeps[5] | | | | | | | | |
| Zinc | | | | | %Zn | %Zn | | |
| | | Measured | 1.7 | 1.7 | 2.93 | 2.90 | 50 | 48 |
| | | Indicated | 4.3 | 5.1 | 4.36 | 4.20 | 185 | 213 |
| | | **Measured and Indicated** | **6.0** | **6.7** | **3.95** | **3.88** | **235** | **261** |
| | | Inferred in Mine Plan | – | | – | | – | |
| Copper | | | | | %Cu | %Cu | | |
| | | Measured | | | 0.54 | 0.61 | 9 | 10 |
| | | Indicated | | | 0.85 | 0.83 | 36 | 42 |
| | | **Measured and Indicated** | | | **0.76** | **0.78** | **45** | **52** |
| | | Inferred in Mine Plan | | | – | | – | |
| Lead | | | | | %Pb | %Pb | | |
| | | Measured | | | 3.80 | 4.34 | 65 | 72 |
| | | Indicated | | | 4.30 | 4.15 | 183 | 210 |
| | | **Measured and Indicated** | | | **4.16** | **4.20** | **248** | **282** |
| | | Inferred in Mine Plan | | | – | | – | |
| Swartberg[6] | | | | | | | | |
| Zinc | | | | | %Zn | %Zn | | |
| | | Measured | – | – | – | – | – | – |
| | | Indicated | 17.2 | 17.8 | 0.62 | 0.66 | 107 | 118 |
| | | **Measured and Indicated** | **17.2** | **17.8** | **0.62** | **0.66** | **107** | **118** |
| | | Inferred in Mine Plan | – | | – | | – | |
| Copper | | | | | %Cu | %Cu | | |
| | | Measured | | | – | – | – | – |
| | | Indicated | | | 0.70 | 0.69 | 121 | 123 |
| | | **Measured and Indicated** | | | **0.70** | **0.69** | **121** | **123** |
| | | Inferred in Mine Plan | | | – | | – | |
| Lead | | | | | %Pb | %Pb | | |
| | | Measured | | | – | – | – | – |
| | | Indicated | | | 2.85 | 2.90 | 491 | 517 |
| | | **Measured and Indicated** | | | **2.85** | **2.90** | **491** | **517** |
| | | Inferred in Mine Plan | | | – | | – | |
| **Lisheen (UG)** | 100 | | | | | | | |
| Zinc | | | | | %Zn | %Zn | | |
| | | Measured | 1.4 | 1.1 | 13.80 | 13.36 | 194 | 148 |
| | | Indicated | 1.0 | 0.4 | 12.11 | 9.63 | 122 | 41 |
| | | **Measured and Indicated** | **2.4** | **1.5** | **13.09** | **12.33** | **317** | **188** |
| | | Inferred in Mine Plan | 0.9 | | 16.56 | | 150 | |
| Lead | | | | | %Pb | %Pb | | |
| | | Measured | | | 2.39 | 2.38 | 34 | 26 |
| | | Indicated | | | 1.54 | 1.43 | 16 | 6 |
| | | **Measured and Indicated** | | | **2.04** | **2.12** | **49** | **32** |
| | | Inferred in Mine Plan | | | 2.80 | | 25 | |
| **Skorpion (OP)** | 100 | | | | | | | |
| Zinc | | | | | %Zn | %Zn | | |
| | | Measured | – | | | | | |
| | | Indicated | – | | | | | |
| | | **Measured and Indicated** | – | | | | | |
| | | Inferred in Mine Plan | 0.3 | | 9.19 | | 31 | |

Rounding of figures may cause computational discrepancies.
Mining method: UG = Underground, OP = Open Pit.

[5] **Black Mountain (Broken Hill Deeps):** Mineral Resources contain 6.0 Mt of silver ore at 60 g/t as a by-product.

[6] **Black Mountain (Swartberg):** Mineral Resources contain 17.2 Mt of silver ore at 34 g/t as a by-product.

## Base Metals continued

| Niobium Ore Reserves | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | Contained metal thousand tonnes 2005 | Contained metal thousand tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| Catalão (OP) | 100 | | | | | | | |
| Niobium | | | | | $\%Nb_2O_5$ | $\%Nb_2O_5$ | | |
| Carbonatite | | Proved | 7.0 | 7.0 | 1.15 | 1.15 | 80 | 80 |
| | | Probable | 7.6 | 8.4 | 1.45 | 1.47 | 110 | 124 |
| | | **Total** | **14.6** | **15.4** | **1.30** | **1.33** | **189** | **204** |

| Projects Ore Reserves | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | Contained metal thousand tonnes 2005 | Contained metal thousand tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| Quellaveco (OP)[(1)] | 80 | | | | | | | |
| Copper | | | | | %Cu | %Cu | | |
| Sulphide | | Proved | 250.1 | 250.1 | 0.76 | 0.76 | 1,901 | 1,901 |
| Flotation | | Probable | 688.3 | 688.3 | 0.59 | 0.59 | 4,061 | 4,061 |
| | | **Total** | **938.4** | **938.4** | **0.64** | **0.64** | **5,962** | **5,962** |
| Barro Alto (OP)[(2)] | 100 | | | | | | | |
| Nickel | | | | | %Ni | %Ni | | |
| Laterite | | Proved | 22.6 | 22.9 | 1.85 | 1.85 | 418 | 424 |
| | | Probable | 7.0 | 7.3 | 1.79 | 1.80 | 125 | 131 |
| | | **Total** | **29.6** | **30.2** | **1.83** | **1.84** | **542** | **555** |
| Gamsberg (OP)[(3)] | 100 | | | | | | | |
| Zinc | | | | | %Zn | %Zn | | |
| | | Proved | 34.6 | 35.0 | 7.55 | 7.55 | 2,613 | 2,641 |
| | | Probable | 110.3 | 110.3 | 5.55 | 5.55 | 6,124 | 6,124 |
| | | **Total** | **144.9** | **145.2** | **6.03** | **6.04** | **8,737** | **8,765** |

| Projects Mineral Resources | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | Contained metal thousand tonnes 2005 | Contained metal thousand tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| Quellaveco (OP) | 80 | | | | | | | |
| Copper | | | | | %Cu | %Cu | | |
| Sulphide | | Measured | 1.5 | 1.5 | 0.53 | 0.53 | 8 | 8 |
| Flotation | | Indicated | 176.7 | 176.7 | 0.46 | 0.46 | 813 | 813 |
| | | **Measured and Indicated** | **178.2** | **178.2** | **0.46** | **0.46** | **821** | **821** |
| Barro Alto (OP) | 100 | | | | | | | |
| Nickel | | | | | %Ni | %Ni | | |
| Laterite | | Measured | 0.8 | 0.8 | 1.63 | 1.63 | 13 | 13 |
| | | Indicated | 21.2 | 21.2 | 1.36 | 1.36 | 288 | 288 |
| | | **Measured and Indicated** | **22.0** | **22.0** | **1.37** | **1.36** | **301** | **301** |

Rounding of figures may cause computational discrepancies.
Mining method: OP = Open Pit.

(1) **Quellaveco:** Based on a feasibility study completed in 2000.

(2) **Barro Alto:** Based on a feasibility study completed in 2002, which is currently being updated.
During 2005 approximately 0.6 Mt at 2.13 %Ni was mined from Barro Alto and processed at the Codemin plant.

(3) **Gamsberg:** Based on a feasibility study completed in 2000. During 2005 approximately 0.2 Mt at 8.41 %Zn of Proved Reserves were mined from Gamsberg via an exploration adit. The mine plan includes an additional 54.2 Mt at 4.10 %Zn of Inferred Mineral Resources.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## **Base Metals** continued

For the multi-product deposits, the tonnage figures apply to each product.

| Heavy Minerals Ore Reserves | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | Contained product million tonnes 2005 | Contained product million tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| Namakwa Sands (OP) | 100 | | | | | | | |
| Ilmenite | | | | | %Ilm | %Ilm | | |
| | | Proved | 168.3 | 182.7 | 4.2 | 4.2 | 7.1 | 7.7 |
| | | Probable | 168.9 | 173.3 | 3.4 | 3.5 | 5.8 | 6.0 |
| | | **Total** | **337.2** | **356.0** | **3.8** | **3.9** | **12.9** | **13.7** |
| Zircon | | | | | %Zir | %Zir | | |
| | | Proved | | | 1.1 | 1.1 | 1.8 | 2.0 |
| | | Probable | | | 0.8 | 0.8 | 1.4 | 1.4 |
| | | **Total** | | | **0.9** | **1.0** | **3.2** | **3.4** |
| Rutile | | | | | %Rut | %Rut | | |
| | | Proved | | | 0.2 | 0.2 | 0.4 | 0.4 |
| | | Probable | | | 0.2 | 0.2 | 0.3 | 0.4 |
| | | **Total** | | | **0.2** | **0.2** | **0.7** | **0.8** |

| Heavy Minerals Mineral Resources | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | Contained product million tonnes 2005 | Contained product million tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| Namakwa Sands (OP) | 100 | | | | | | | |
| Ilmenite | | | | | %Ilm | %Ilm | | |
| | | Measured | 177.8 | 178.3 | 3.4 | 3.4 | 6.0 | 6.0 |
| | | Indicated | 106.1 | 104.2 | 2.9 | 2.9 | 3.0 | 3.0 |
| | | **Measured and Indicated** | **283.9** | **282.5** | **3.2** | **3.2** | **9.0** | **9.0** |
| | | Inferred in Mine Plan | 181.1 | | 2.2 | | 4.0 | |
| Zircon | | | | | %Zir | %Zir | | |
| | | Measured | | | 0.8 | 0.8 | 1.3 | 1.3 |
| | | Indicated | | | 0.8 | 0.8 | 0.8 | 0.8 |
| | | **Measured and Indicated** | | | **0.8** | **0.8** | **2.1** | **2.1** |
| | | Inferred in Mine Plan | | | 0.6 | | 1.0 | |
| Rutile | | | | | %Rut | %Rut | | |
| | | Measured | | | 0.1 | 0.2 | 0.2 | 0.3 |
| | | Indicated | | | 0.2 | 0.2 | 0.2 | 0.2 |
| | | **Measured and Indicated** | | | **0.2** | **0.2** | **0.4** | **0.5** |
| | | Inferred in Mine Plan | | | 0.1 | | 0.3 | |

Rounding of figures may cause computational discrepancies.
Mining method: OP = Open Pit.

## Ferrous Metals and Industries

The Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 2004) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves.

The figures reported represent 100% of the Ore Reserves and Mineral Resources, the percentage attributable to Anglo American plc is stated separately.

| Ore Reserves | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | % Yield 2005 | % Yield 2004 |
|---|---|---|---|---|---|---|---|---|
| Hotazel Manganese Mines (OP)[1] | 40 | | | | %Mn | %Mn | | |
| Mamatwan | | Proved | 22.4 | 31.5 | 37.9 | 37.7 | | |
| | | Probable | 15.0 | 19.1 | 37.7 | 37.2 | | |
| | | **Total** | **37.4** | **50.6** | **37.8** | **37.5** | | |
| Wessels | | Proved | 1.9 | 2.2 | 48.0 | 48.0 | | |
| | | Probable | 9.3 | 10.3 | 48.0 | 48.0 | | |
| | | **Total** | **11.2** | **12.5** | **48.0** | **48.0** | | |
| GEMCO (OP)[2] | 40 | | | | %Mn | %Mn | | |
| | | Proved | 61.7 | 59.3 | 48.5 | 46.3 | 51.3 | 49.0 |
| | | Probable | 39.6 | 33.6 | 47.2 | 47.2 | 47.0 | 46.2 |
| | | **Total** | **101.2** | **92.9** | **48.0** | **46.6** | **49.1** | **48.0** |
| Highveld (OP)[3] | 80 | | | | $\%V_2O_5$ | $\%V_2O_5$ | | |
| | | Proved | 21.9 | 23.1 | 1.68 | 1.69 | | |
| | | Probable | 3.1 | 3.5 | 1.70 | 1.70 | | |
| | | **Total** | **24.9** | **26.6** | **1.69** | **1.69** | | |

| Mineral Resources | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | % Yield 2005 | % Yield 2004 |
|---|---|---|---|---|---|---|---|---|
| Hotazel Manganese Mines (OP)[4] | 40 | | | | %Mn | %Mn | | |
| Mamatwan | | Measured | 29.5 | 34.3 | 37.9 | 37.7 | | |
| | | Indicated | 21.0 | 20.5 | 37.7 | 37.2 | | |
| | | **Measured and Indicated** | **50.5** | **54.8** | **37.7** | **37.5** | | |
| Wessels | | Measured | 3.6 | 4.2 | 48.1 | 48.0 | | |
| | | Indicated | 20.4 | 20.4 | 47.9 | 48.0 | | |
| | | **Measured and Indicated** | **24.0** | **24.6** | **47.9** | **48.0** | | |
| GEMCO (OP)[5] | 40 | | | | %Mn | %Mn | | |
| | | Measured | 63.8 | 67.5 | 48.3 | 48.5 | 42.0 | 46.6 |
| | | Indicated | 50.2 | 42.3 | 46.9 | 47.0 | 38.0 | 46.1 |
| | | **Measured and Indicated** | **113.9** | **109.7** | **47.0** | **47.9** | **38.9** | **46.4** |
| Highveld (OP)[6] | 80 | | | | $\%V_2O_5$ | $\%V_2O_5$ | | |
| | | Measured | – | 49.8 | | 1.70 | | |
| | | Indicated | 244.0 | 252.5 | 1.70 | 1.69 | | |
| | | **Measured and Indicated** | **244.0** | **302.3** | **1.70** | **1.69** | | |

Rounding of figures may cause computational discrepancies.
Mining method: OP = Open Pit.

(1) The decrease in Mamatwan Ore Reserves is due to the introduction of a boundary pillar as a result of a change in the mining plan.
Mamatwan tonnages stated as Wet Metric Tonnes, while Wessels is Dry Metric Tonnes. In the 2004 Annual Report, only the attributable tonnage was stated.

(2) The Ore Reserves reported are stated with total tonnage but report the grade values only above the nominated cut-off of 40% Mn product grade.
The grade is reported using beneficiated grades, as beneficiated grades are used in mine scheduling, quality control and blending (rather than in situ grades).

(3) The Ore Reserve grades and tonnages are reported after crushing, washing and screening.

(4) Hotazel Manganese Mines report Measured and Indicated Mineral Resources as 'inclusive of those Mineral Resources modified to produce the Ore Reserve' (JORC), Mamatwan tonnages stated as Wet Metric Tonnes, while Wessels is Dry Metric Tonnes.

(5) GEMCO report Measured and Indicated Mineral Resources as 'inclusive of those Mineral Resources modified to produce the Ore Reserve' (JORC).

(6) During 2005, 49.8Mt of Measured Resources and 8.65 Mt of Indicated Resources, which are in addition to the Mineral Resources that were converted to Ore Reserves, were relinquished. These resources were not considered strategic to the mine plan, and as such the old order unused mining rights were allowed to expire.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Ferrous Metals and Industries continued

The figures reported represent 100% of the Ore Reserves and Mineral Resources, the percentage attributable to Anglo American plc is stated separately. Mineral Resource estimates for Kumba are inclusive of those resources which have been modified to produce the Ore Reserve estimates. For the multi-product deposits the tonnage figures apply to each product.

### Kumba Resources Limited Ore Reserves

| Iron Ore | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | Saleable product million tonnes 2005 | Saleable product million tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| Sishen Iron Ore Mine (OP)[1] | 51.6 | | | | % Fe | % Fe | | |
| DMS and jig plant | | Proved | 727 | 510 | 59.3 | 63.6 | | 436 @66.3% Fe |
| | | Probable | 294 | 208 | 58.1 | 63.7 | | 178 @66.1% Fe |
| | | **Total** | **1,021** | **717** | **59.0** | **63.6** | **843@65.2%Fe** | **614 @66.3% Fe** |
| Thabazimbi Iron Ore Mine (OP)[2] | 65.7 | | | | % Fe | % Fe | | |
| Within current pit layouts | | Proved | 10 | 15 | 61.2 | 60.9 | 9 @64.1% Fe | 13 @63.5% Fe |
| | | Probable | 4 | 1 | 60.2 | 61.5 | 3 @63.6% Fe | 1 @64.1% Fe |
| | | **Total** | **14** | **16** | **60.9** | **60.9** | **13 @63.9% Fe** | **14 @63.5% Fe** |
| Sishen South Iron Ore Project (OP)[3] | 65.7 | | | | % Fe | % Fe | | |
| 9Mt per annum design | | Proved | 101 | | 64.8 | | | |
| | | Probable | 66 | | 63.3 | | | |
| | | **Total** | **167** | | **64.2** | | | |

| Coal | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | Saleable product million tonnes 2005 | Saleable product million tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| Grootegeluk Coal Mine (OP)[4] | 65.7 | | | | | | | |
| Coking Coal | | Proved | 673 | 706 | | | 42 | 35 |
| | | Probable | 67 | 67 | | | 6 | 5 |
| | | **Total** | **740** | **773** | | | **48** | **40** |
| Thermal Coal | | Proved | | | | | 245 | 264 |
| | | Probable | | | | | 25 | 26 |
| | | **Total** | | | | | **270** | **290** |
| Metallurgical Coal | | Proved | | | | | 38 | 40 |
| | | Probable | | | | | 1 | 1 |
| | | **Total** | | | | | **39** | **41** |
| Total Saleable Product | | | | | | | **357** | **371** |
| Leeuwpan Coal Mine (OP)[5] | 65.7 | | | | | | | |
| Thermal and Metallurgical Coal | | Proved | 95 | 111 | | | 46 | 57 |
| | | Probable | 48 | 48 | | | 27 | 23 |
| | | **Total** | **143** | **159** | | | **73** | **80** |
| Tshikondeni Coal Mine (OP)[6] | 65.7 | | | | | | | |
| Coking Coal | | Proved | 6.9 | 7.1 | | | 3.6 | 4.1 |
| | | Probable | – | – | | | – | – |
| | | **Total** | **6.9** | **7.1** | | | **3.6** | **4.1** |
| Inyanda Coal – Advanced Project (OP)[7] | 32.8 | | | | | | | |
| A-grade Export Steam Coal | | Proved | 14.6 | 14.6 | | | 10.1 | 10.1 |
| | | Probable | – | – | | | – | – |
| | | **Total** | **14.6** | **14.6** | | | **10.1** | **10.1** |

| Base Metals | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade 2005 | Grade 2004 | Metal Saleable thousand tonnes 2005 | Metal Saleable thousand tonnes 2004 |
|---|---|---|---|---|---|---|---|---|
| Rosh Pinah (UG)[8] | 58.8 | | | | | | | |
| Zinc | | | | | % Zn | % Zn | | |
| | | Proved | 2.7 | 1.0 | 11.1 | 9.5 | 300 | 91 |
| | | Probable | 1.9 | 2.7 | 7.7 | 10.9 | 148 | 299 |
| | | **Total** | **4.6** | **3.7** | **9.7** | **10.6** | **448** | **390** |
| Lead | | | | | % Pb | % Pb | | |
| | | Proved | | | 2.4 | 2.7 | 65 | 26 |
| | | Probable | | | 2.3 | 2.6 | 44 | 72 |
| | | **Total** | | | **2.4** | **2.7** | **110** | **98** |

Rounding of figures may cause computational discrepancies.
Mining method: UG = Underground, OP = Open Pit.

## Ferrous Metals and Industries continued

### Kumba Resources Limited Ore Reserves

| Industrial Minerals | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Saleable product million tonnes 2005 | Saleable product million tonnes 2004 |
|---|---|---|---|---|---|---|
| Glen Douglas Dolomite Mine (OP)[9] | 65.7 | | | | | |
| Metallurgical Dolomite | | Proved | 40.3 | 33.8 | 38.3 | |
| | | Probable | – | – | – | |
| | | **Total** | **40.3** | **33.8** | **38.3** | |
| Aggregate | | Proved | 13.0 | 12.2 | 12.3 | |
| | | Probable | – | – | – | |
| | | **Total** | **13.0** | **12.2** | **12.3** | |
| Bridgetown Dolomite Mine (OP)[10] | 32.8 | | | | | |
| Metallurgical Dolomite | | Proved | 7.3 | 7.7 | 4.0 | 4.6 |
| | | Probable | – | – | – | – |
| | | **Total** | **7.3** | **7.7** | **4.0** | **4.6** |
| Aggregate | | Proved | | | 3.3 | 3.1 |
| | | Probable | | | – | – |
| | | **Total** | | | **3.3** | **3.1** |

| Mineral Sands | Attributable (%) | Classification | Tonnes million 2005 | Tonnes million 2004 | Saleable product Grade 2005 | Saleable product Grade 2004 |
|---|---|---|---|---|---|---|
| Hillendale Mine, excl. Braeburn (OP)[11] | 65.7 | | | | % Heavy Minerals | |
| % Heavy Minerals | | | | | %THM | %THM |
| | | Proved | 30 | 41 | 6.9 | 6.6 |
| | | Probable | – | – | – | – |
| | | **Total** | **30** | **41** | **6.9** | **6.6** |
| % Ilmenite in THM | | | | | %Ilm | %Ilm |
| | | Proved | | | 60 | 58 |
| | | Probable | | | – | – |
| | | **Total** | | | **60** | **58** |
| % Rutile in THM | | | | | %Rut | %Rut |
| | | Proved | | | 3.5 | – |
| | | Probable | | | – | 3.2 |
| | | **Total** | | | **3.5** | **3.2** |
| % Zircon in THM | | | | | %Zir | %Zir |
| | | Proved | | | 8 | – |
| | | Probable | | | – | 7 |
| | | **Total** | | | **8** | **7** |
| % Leucoxene in THM | | | | | %Leu | %Leu |
| | | Proved | | | 1.6 | – |
| | | Probable | | | – | 0.9 |
| | | **Total** | | | **1.6** | **0.9** |
| Fairbreeze A+B+C+C Ext. (OP)[12] | 65.7 | | | | % Heavy Minerals | |
| % Heavy Minerals | | | | | %THM | %THM |
| | | Proved | 137 | 138 | 6.1 | 6.1 |
| | | Probable | 44 | 20 | 7.2 | 4.2 |
| | | **Total** | **182** | **158** | **6.4** | **5.9** |
| % Ilmenite in THM | | | | | %Ilm | %Ilm |
| | | Proved | | | 60 | 60 |
| | | Probable | | | 61 | 49 |
| | | **Total** | | | **60** | **59** |
| % Rutile in THM | | | | | %Rut | %Rut |
| | | Proved | | | 3.1 | – |
| | | Probable | | | 3.4 | 3.3 |
| | | **Total** | | | **3.3** | **3.3** |
| % Zircon in THM | | | | | %Zir | %Zir |
| | | Proved | | | 8 | – |
| | | Probable | | | 8 | 8 |
| | | **Total** | | | **8** | **8** |
| % Leucoxene in THM | | | | | %Leu | %Leu |
| | | Proved | | | 1.4 | – |
| | | Probable | | | 1.8 | 1.6 |
| | | **Total** | | | **1.7** | **1.6** |

Rounding of figures may cause computational discrepancies.
Mining method: OP = Open Pit.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Ferrous Metals and Industries continued

| Kumba Resources Limited Ore Reserves Mineral Sands continued | Attributable (%) | Classification | Tonnes million 2005 | Tonnes million 2004 | Saleable product Grade 2005 | Saleable product Grade 2004 |
|---|---|---|---|---|---|---|
| Gravelotte sand (OP) | 65.7 | | | | % Heavy Minerals | |
| | | | | | %Ilm | %Ilm |
| | | Proved | 52 | 52 | 11 | 11 |
| | | Probable | – | – | – | – |
| | | Total | 52 | 52 | 11 | 11 |
| Cooljarloo Mine, Tiwest (OP) | 32.8 | | | | %Heavy Minerals | |
| % Heavy Minerals | | | | | %THM | %THM |
| | | Proved | 25 | 43 | 3.7 | 2.9 |
| | | Probable | 149 | 131 | 2.7 | 2.5 |
| | | Total | 174 | 174 | 2.8 | 2.6 |
| % Ilmenite in THM | | | | | %Ilm | %Ilm |
| | | Proved | | | 60 | 60 |
| | | Probable | | | 61 | 61 |
| | | Total | | | 61 | 61 |
| % Rutile in THM | | | | | %Rut | %Rut |
| | | Proved | | | 4.8 | 4.5 |
| | | Probable | | | 4.5 | 4.1 |
| | | Total | | | 4.6 | 4.2 |
| % Zircon in THM | | | | | %Zir | %Zir |
| | | Proved | | | 10 | 10 |
| | | Probable | | | 10 | 10 |
| | | Total | | | 10 | 10 |
| % Leucoxene in THM | | | | | %Leu | %Leu |
| | | Proved | | | 2.7 | 3.0 |
| | | Probable | | | 3.1 | 3.4 |
| | | Total | | | 3.0 | 3.3 |
| Jurien, Tiwest – Project (OP)[13] | 32.8 | | | | % Heavy Minerals | |
| % Heavy Minerals | | | | | %THM | %THM |
| | | Proved | – | 13.9 | – | 6.3 |
| | | Probable | 15.7 | 1.9 | 7.9 | 6.6 |
| | | Total | 15.7 | 15.8 | 7.9 | 6.3 |
| % Ilmenite in THM | | | | | %Ilm | %Ilm |
| | | Proved | | | – | 55 |
| | | Probable | | | 54 | 54 |
| | | Total | | | 54 | 55 |
| % Rutile in THM | | | | | %Rut | %Rut |
| | | Proved | | | – | 8.4 |
| | | Probable | | | 6.8 | 6.1 |
| | | Total | | | 6.8 | 8.1 |
| % Zircon in THM | | | | | %Zir | %Zir |
| | | Proved | | | – | 11 |
| | | Probable | | | 10 | 7 |
| | | Total | | | 10 | 11 |
| % Leucoxene in THM | | | | | %Leu | %Leu |
| | | Proved | | | – | 2.1 |
| | | Probable | | | 2.3 | 1.6 |
| | | Total | | | 2.3 | 2.1 |

Rounding of figures may cause computational discrepancies.
Mining method: OP = Open Pit.

## Kumba Resources Limited
## Ore Reserves

| Mineral Sands continued | Attributable (%) | Classification | Tonnes million 2005 | Tonnes million 2004 | Saleable product Grade 2005 | Saleable product Grade 2004 |
|---|---|---|---|---|---|---|
| **Dongara, Ticor Limited – Project (OP)**[14] | 65.7 | | | | % Heavy Minerals | |
| % Heavy Minerals | | | | | %THM | %THM |
| | | Proved | – | – | – | – |
| | | Probable | 20.2 | 22.1 | 10.2 | 10.0 |
| | | **Total** | **20.2** | **22.1** | **10.2** | **10.0** |
| % Ilmenite in THM | | | | | %Ilm | %Ilm |
| | | Proved | | | – | – |
| | | Probable | | | 50 | 48 |
| | | **Total** | | | **50** | **48** |
| % Rutile in THM | | | | | %Rut | %Rut |
| | | Proved | | | – | – |
| | | Probable | | | 6.7 | 7.0 |
| | | **Total** | | | **6.7** | **7.0** |
| % Zircon in THM | | | | | %Zir | %Zir |
| | | Proved | | | – | – |
| | | Probable | | | 9 | 10 |
| | | **Total** | | | **9** | **10** |
| % Leucoxene in THM | | | | | %Leu | %Leu |
| | | Proved | | | – | – |
| | | Probable | | | 1.3 | 2.0 |
| | | **Total** | | | **1.3** | **2.0** |

Rounding of figures may cause computational discrepancies.
Mining method: OP = Open Pit.
The tonnage is quoted as metric tonnes and abbreviated as Mt for million tonnes.

(1) **Sishen Iron Ore Mine:** Ore Reserve tonnage increased significantly due to the inclusion of the jig plant ore. An estimated 500 Mt of the total Mineral Resource is banded iron formation (BIF) material of which around 55% can be blended into the jig plant feed, the remainder will be stockpiled. All stockpiled BIF at the end of the mine's life is excluded from the reported Ore Reserves. The 2005 Total Saleable Product tonnes comprise the following: 600 Mt at 65.7% Fe from the DMS plant and 243 Mt at 64.0% Fe from the jig plant.

(2) **Thabazimbi Iron Ore Mine:** Mining depletion of 3 Mt accounts for most of the decrease in Ore Reserves. 2.95 Mt Inferred Mineral Resources are included in the pit shells, these are not included in the Ore Reserve figures reported.

(3) **Sishen South Iron Ore Project:** Not reported in 2004. Estimates are for a 9 Mt per annum open pit operation.

(4) **Grootegeluk Coal Mine:** Re-configuration of the beneficiation capabilities to create a higher-value product resulted in an increase in the Saleable Coking Coal of 8 Mt and a decrease in the Saleable Thermal Coal of 20 Mt.

(5) **Leeuwpan Coal Mine:** The Reserve estimate includes 53.4 Mt Proved and 16.2 Mt Probable Coal Reserves that occur in an area where Prospecting Rights are under appeal. These Coal Reserves are quoted pending the outcome of the appeal (SAMREC 5.5.1).

The decrease in the Coal Resource (see footnote 18) resulted in a concomitant decrease in Coal Reserve.

(6) **Tshikondeni Coal Mine:** Coal Reserves formerly reported for an area not included in the Mine Lease Area have been excluded (0.2 Mt) from the 2005 estimate.

(7) **Inyanda Coal (Advanced Project):** In 2004 reported the attributable %.

(8) **Rosh Pinah:** Mining depletion (0.6 Mt) and the addition of Ore Reserves from the conversion of Mineral Resources delineated during the intensive exploration programme in 2005 explain the increase in Ore Reserves.

(9) **Glen Douglas Dolomite Mine:** The deepening and subsequent redesign of the pit resulted in the increases of 7.7 Mt (metallurgical) and 1.2 Mt (aggregate) dolomite.

(10) **Bridgetown Dolomite Mine:** The Ore Reserve was depleted by mining activities (0.3Mt), however, changes in saleable tonnes are due to an increase in fines production at the plant. In 2004 reported the attributable %.

(11) **Hillendale Mine:** The decrease in Ore Reserves is due to mining depletion (8.3 Mt) and a change to the mining boundary in relation to the mining fence (2.2 Mt). Leucoxene was not reported in 2004.

(12) **Fairbreeze:** C Ext. is included as an Ore Reserve in 2005 pending the approval of the Mining Right. As the Mining Right for Fairbreeze C Ext. has not yet been granted the Measured Mineral Resources have been converted to Probable Ore Reserves (SAMREC 5.1.1). Note that Fairbreeze C Ext. Ore Reserves were estimated using a cut-off of 3% Ilm, not 1.5% Ilm (used for Fairbreeze C). All valuable heavy minerals for Fairbreeze C and C Ext. and ilmenite for Fairbreeze A and B can be estimated with the highest confidence (Proved). Fairbreeze A and B zircon, rutile and leucoxene are estimated with lower confidence (Probable). Therefore, the Proved and Probable grades for zircon, rutile and leucoxene relate to 17 Mt and 164 Mt respectively. Leucoxene was not reported in 2004.

(13) **Jurien:** Proved Ore Reserves have been downgraded to Probable Ore Reserves with the updating of geological models and Mineral Resources estimates.

(14) **Dongara:** Reported as Magnetic Minerals, Ticor in 2004. Proved Ore Reserves have been downgraded to Probable Ore Reserves with the updating of the geological models and Mineral Resource estimates.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Ferrous Metals and Industries continued

| Kumba Resources Limited Mineral Resources Iron Ore | Attributable % | Classification | Tonnes million 2005 | 2004 | Grade 2005 | 2004 |
|---|---|---|---|---|---|---|
| Sishen Iron Ore Mine (OP)[15] | 51.6 | | | | %Fe | %Fe |
| DMS + jig plant | | Measured | 1,477 | 754 | 57.4 | 65.2 |
| | | Indicated | 480 | 636 | 56.5 | 64.8 |
| | | **Measured and Indicated** | **1,957** | **1,390** | **57.2** | **65.0** |
| Additional resources (underground) | | Measured | 94 | | 64.9 | |
| | | Indicated | 223 | | 64.7 | |
| | | **Measured and Indicated** | **316** | | **64.8** | |
| Thabazimbi Iron Ore Mine (OP)[16] | 65.7 | | | | %Fe | %Fe |
| Within current pit layouts | | Measured | 11 | 51 | 62.1 | 63.1 |
| | | Indicated | 4 | 21 | 61.6 | 62.4 |
| | | **Measured and Indicated** | **15** | **72** | **62.0** | **62.9** |
| Additional resources | | Measured | 12 | | 62.1 | |
| | | Indicated | 14 | | 61.3 | |
| | | **Measured and Indicated** | **27** | | **61.7** | |
| Sishen South (OP)[17] | 65.7 | | | | %Fe | %Fe |
| Advanced project | | Measured | 140 | 146 | 65.4 | 65.4 |
| | | Indicated | 108 | 147 | 64.4 | 64.6 |
| | | **Measured and Indicated** | **248** | **293** | **65.0** | **65.0** |
| Zandrivierspoort (OP) | 32.8 | | | | %Fe | %Fe |
| Project | | Measured | | | | |
| | | Indicated | 447 | 447 | 34.9 | 34.9 |
| | | **Measured and Indicated** | **447** | **447** | **34.9** | **34.9** |

| Coal | Attributable % | Classification | Tonnes million 2005 | 2004 |
|---|---|---|---|---|
| Grootegeluk Coal Mine (OP) | 65.7 | | | |
| Raw Coal | | Measured | 1,428 | 1,463 |
| | | Indicated | 2,075 | 2,075 |
| | | **Measured and Indicated** | **3,503** | **3,539** |
| Leeuwpan Coal Mine (OP)[18] | 65.7 | | | |
| Raw Coal | | Measured | 169 | 187 |
| | | Indicated | 10 | 10 |
| | | **Measured and Indicated** | **179** | **197** |
| Tshikondeni Coal Mine (OP)[19] | 65.7 | | | |
| Raw Coal | | Measured | 25.7 | 27.2 |
| | | Indicated | 10.1 | 10.1 |
| | | **Measured and Indicated** | **35.8** | **37.3** |
| Moranbah South, Australia (OP) | 65.7 | | | |
| Project, Raw Coal | | Measured | | |
| | | Indicated | 586 | 586 |
| | | **Measured and Indicated** | **586** | **586** |
| Inyanda Coal (OP) | 32.8 | | | |
| Advanced Project, Raw Coal | | Measured | 15.3 | 15.3 |
| | | Indicated | | |
| | | **Measured and Indicated** | **15.3** | **15.3** |
| Strehla (OP)[20] | 65.7 | | | |
| Project, Raw Coal | | Measured | | |
| | | Indicated | 22.5 | 22.5 |
| | | **Measured and Indicated** | **22.5** | **22.5** |

Rounding of figures may cause computational discrepancies.
Mining method: OP = Open Pit.

## Ferrous Metals and Industries continued

| Kumba Resources Limited Mineral Resources | Attributable | | Tonnes million | | Grade | |
|---|---|---|---|---|---|---|
| Base Metals | % | Classification | 2005 | 2004 | 2005 | 2004 |
| Rosh Pinah (UG) | 58.8 | | | | | |
| Zinc | | | | | %Zn | %Zn |
| | | Measured | 3.5 | 2.3 | 10.1 | 8.2 |
| | | Indicated | 2.3 | 3.5 | 8.1 | 11.0 |
| | | **Measured and Indicated** | **5.8** | **5.9** | **9.3** | **9.9** |
| Lead | | | | | %Pb | %Pb |
| | | Measured | | | 2.3 | 2.2 |
| | | Indicated | | | 2.6 | 3.0 |
| | | **Measured and Indicated** | | | **2.4** | **2.7** |

| | Attributable | | Tonnes million | | Grade | |
|---|---|---|---|---|---|---|
| Industrial Minerals | % | Classification | 2005 | 2004 | 2005 | 2004 |
| Glen Douglas Dolomite Mine (OP)[21] | 65.7 | | | | %$SiO_2$ | %$SiO_2$ |
| Metallurgical Dolomite | | Measured | 142 | 186 | <2.5 | <2.5 |
| | | Indicated | | | | |
| | | **Measured and Indicated** | **142** | **186** | **<2.5** | **<2.5** |
| Aggregate | | Measured | 40.1 | 12.2 | >2.5 | |
| | | Indicated | | | | |
| | | **Measured and Indicated** | **40.1** | **12.2** | **>2.5** | |
| Bridgetown Dolomite Mine (OP)[22] | 32.8 | | | | %$SiO_2$ | %$SiO_2$ |
| Metallurgical Dolomite + Aggregate | | Measured | 7.3 | 8.0 | <2.5 | <2.5 |
| | | Indicated | | | | |
| | | **Measured and Indicated** | **7.3** | **8.0** | **<2.5** | **<2.5** |

Rounding of figures may cause computational discrepancies.
Mining method: UG = Underground, OP = Open Pit.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Ferrous Metals and Industries continued

| Kumba Resources Limited Mineral Resources<br>Heavy Minerals | Attributable % | Classification | Tonnes million 2005 | 2004 | Grade 2005 | 2004 |
|---|---|---|---|---|---|---|
| Hillendale Mine, incl. Braeburn (OP)[23] | 65.7 | | | | % Ilmenite | % Ilmenite |
| | | Measured | 48.7 | 56.0 | 3.8 | 3.7 |
| | | Indicated | | | | |
| | | **Measured and Indicated** | **48.7** | **56.0** | **3.8** | **3.7** |
| Fairbreeze, incl. A+B+C+C Ext. (OP)[24] | 65.7 | | | | | |
| | | Measured | 202 | 196 | 3.7 | 3.7 |
| | | Indicated | 27 | 27 | 2.5 | 2.5 |
| | | **Measured and Indicated** | **229** | **223** | **3.6** | **3.5** |
| Gravelotte sand (OP) | 65.7 | | | | | |
| | | Measured | 75 | 75 | 9.1 | 9.1 |
| | | Indicated | | | | |
| | | **Measured and Indicated** | **75** | **75** | **9.1** | **9.1** |
| KwaZulu-Natal (OP)[25] | 65.7 | | | | | |
| Block P | | Measured | | | | |
| | | Indicated | 40.6 | 40.6 | 3.1 | 3.1 |
| | | **Measured and Indicated** | **40.6** | **40.6** | **3.1** | **3.1** |
| Fairbreeze D | | Measured | | | | |
| | | Indicated | 9.2 | 9.2 | 2.5 | 2.5 |
| | | **Measured and Indicated** | **9.2** | **9.2** | **2.5** | **2.5** |
| Eastern Cape (OP) | 65.7 | | | | | |
| Nombanjana, Ngcizele and Sandy Point | | Measured | 233 | 233 | 4.5 | 4.5 |
| | | Indicated | | | | |
| | | **Measured and Indicated** | **233** | **233** | **4.5** | **4.5** |
| Limpopo sand (OP) | 65.7 | | | | | |
| Letsitele sand and Gravelotte pebbles | | Measured | 12.5 | 12.5 | 10.5 | 10.5 |
| | | Indicated | | | | |
| | | **Measured and Indicated** | **12.5** | **12.5** | **10.5** | **10.5** |
| Limpopo rock (OP) | 65.7 | | | | | |
| Letsitele rock and Gravelotte rock | | Measured | | | | |
| | | Indicated | 53.6 | 53.6 | 25.9 | 25.9 |
| | | **Measured and Indicated** | **53.6** | **53.6** | **25.9** | **25.9** |
| Ranobé, Madagascar (OP)[26] | 65.7 | | | | | |
| Upper Sand Unit | | Measured | | | | |
| | | Indicated | 553 | | 4.6 | |
| | | **Measured and Indicated** | **553** | | **4.6** | |
| Cooljarloo Mine, Tiwest (OP) | 32.8 | | | | | % Heavy Minerals |
| | | Measured | 157 | 137 | 2.7 | 3.2 |
| | | Indicated | 302 | 322 | 2.4 | 2.4 |
| | | **Measured and Indicated** | **459** | **459** | **2.5** | **2.6** |
| Jurien, Tiwest (OP)[27] | 32.8 | | | | | |
| | | Measured | | 44.0 | | 4.6 |
| | | Indicated | 25.6 | 9.1 | 6.0 | 5.5 |
| | | **Measured and Indicated** | **25.6** | **53.1** | **6.0** | **4.8** |
| Dongara, Ticor Limited (OP)[28] | 65.7 | | | | | |
| | | Measured | 1.3 | 1.3 | 6.9 | 6.9 |
| | | Indicated | 75.4 | 75.4 | 6.6 | 6.6 |
| | | **Measured and Indicated** | **76.7** | **76.7** | **6.6** | **6.6** |

Rounding of figures may cause computational discrepancies.
Mining method: OP = Open Pit.

Note that all operations and projects were audited in 2005 as part of the Kumba/NewCo Due Diligence process.

[15] **Sishen Iron Ore Mine:** The significant increase is due to the inclusion of jig plant ore whereby lower Fe-grade rocks can be beneficiated to a saleable product using jig technology. Additional resources with a grade >60% Fe that have underground mining potential outside the optimised pit, are reported separately in 2005.

[16] **Thabazimbi Iron Ore Mine:** Allocation of 37.6 Mt from 2004 Mineral Resources to mineral inventory partly explains the decrease in 2005.

[17] **Sishen South:** 133 Mt were allocated to mineral inventory. Remaining Inferred Resources are material to the Project and are 42 Mt at 62 %Fe

[18] **Leeuwpan Coal Mine:** Additional drilling led to an updated geological model and resulted in a decrease of Coal Resources (18 Mt). See note 5 for comment on Prospecting Right.

[19] **Tshikondeni Coal Mine:** The Coal Resources formerly reported in an area not included in Mine Lease Area, have been excluded in the 2005 estimate (0.3 Mt).

[20] **Strehla:** The Mineral Resources occur in an area for which the Prospecting Rights are under appeal. These resources are quoted pending the outcome of the appeal (SAMREC 5.5.1).

[21] **Glen Douglas Dolomite Mine:** Part of the Measured Resource was reclassified as Inferred. Model updates and pit redesign resulted in increases in the metallurgical and aggregate dolomite resources in 2005.

[22] **Bridgetown Dolomite Mine:** Bridgetown's Mineral Resources have been decreased because of exploration and subsequent geology and model updates (0.4 Mt) and mining depletion (0.3 Mt).

[23] **Hillendale Mine, incl. Braeburn:** Mineral Resources decreased by 6.3 Mt as a result of additional drilling and subsequent deposit boundary revision.

[24] **Fairbreeze, incl. A+B+C+C Ext.:** Fairbreeze C and C Ext were updated with new data (0.2 Mt, Fairbreeze C). The 2005 Fairbreeze C Ext Mineral Resource includes a 100m boundary zone, which was excluded in 2004 (5.8 Mt). See note 12 for comment on the pending Mining Licence.

[25] **KwaZulu-Natal:** Fairbreeze D and Block P were combined in the 2004 report.

[26] **Ranobé, Madagascar:** Mineral Resources were not reported in 2004.

[27] **Jurien:** Resources are based on a pit boundary where revenues are 150% of current values. Deep deposits (27.5 Mt) have been allocated to mineral inventory. Certain Resources were downgraded to 'Indicated' because drilling is too widely spaced in places.

[28] **Dongara:** The Dongara geological models were updated with new mineralogical information. These resources were reported as Magnetic Minerals, Ticor in 2004.

# Ore Reserves and Mineral Resources estimates continued

**(stated as at 31 December 2005)**

## Industrial Minerals

The Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 2004) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves.

The figures reported represent 100% of the Ore Reserves and Mineral Resources, the percentage attributable to Anglo American plc is stated separately.

| Phosphate products | Attributable % | Classification | Tonnes million 2005 | Tonnes million 2004 | Grade $\%P_2O_5$ 2005 | Grade $\%P_2O_5$ 2004 |
|---|---|---|---|---|---|---|
| Copebrás – Ore Reserves | 73 | | | | | |
| | | Proved | 48.0 | 52.6 | 12.9 | 12.9 |
| | | Probable | 69.7 | 70.0 | 13.6 | 13.6 |
| | | **Total** | **117.7** | **122.6** | **13.3** | **13.3** |
| Copebrás – Mineral Resources | 73 | | | | | |
| | | Measured | 4.4 | 4.6 | 12.9 | 12.9 |
| | | Indicated | 27.8 | 27.8 | 13.6 | 13.6 |
| | | **Measured and Indicated** | **32.2** | **32.4** | **13.5** | **13.5** |

Rounding of figures may cause computational discrepancies.

## Anglo Paper and Packaging

The Mondi Group in South Africa owns and manages an attributable 295,067 (2004: 294,412) hectares of sustainable man-made forests. All of its producing forests have been certified by the Forestry Stewardship Council. The annual harvest is currently 4.4 Mt.

# Production statistics

The figures below include the entire output of consolidated entities and the Group's share of joint ventures, joint arrangements and associates where applicable, except for Collahuasi in Base Metals which is quoted on a 100% basis.

| | 2005 | 2004 |
|---|---|---|
| **Anglo Platinum (troy ounces)**[(1)(2)] | | |
| Platinum | 2,502,000 | 2,498,200 |
| Palladium | 1,376,700 | 1,331,800 |
| Rhodium | 333,500 | 258,600 |
| Platinum Group Metals (PGM) | 4,212,200 | 4,088,600 |
| Nickel (tonnes) | 20,900 | 22,700 |
| **AngloGold Ashanti (gold in troy ounces)**[(2)] | | |
| South Africa | 2,676,000 | 2,857,000[(3)] |
| Argentina | 211,000 | 211,000 |
| Australia | 455,000 | 410,000 |
| Brazil | 346,000 | 334,000 |
| Ghana | 680,000 | 485,000 |
| Guinea | 246,000 | 83,000 |
| Mali | 528,000 | 475,000 |
| Namibia | 81,000 | 66,000 |
| Tanzania | 613,000 | 570,000 |
| USA | 330,000 | 329,000 |
| Zimbabwe | – | 9,000 |
| | 6,166,000 | 5,829,000 |
| **Gold Fields (gold in troy ounces)**[(2)] | | |
| Gold | – | 207,000 |
| **Anglo Coal (tonnes)** | | |
| **South Africa** | | |
| Eskom | 34,327,900 | 33,668,300 |
| Trade – Thermal | 20,281,100 | 18,648,600 |
| Trade – Metallurgical | 2,268,800 | 2,143,700 |
| | 56,877,800 | 54,460,600 |
| **Australia** | | |
| Thermal | 16,710,300 | 17,378,800 |
| Metallurgical | 9,390,300 | 8,203,800 |
| | 26,100,600 | 25,582,600 |
| **South America** | | |
| Thermal | 10,066,000 | 9,589,600 |
| Total | 93,044,400 | 89,632,800 |
| **Anglo Coal (tonnes)** | | |
| **South Africa** | | |
| Bank | 3,202,200 | 2,733,100 |
| Greenside | 2,730,000 | 2,754,800 |
| Goedehoop | 6,298,600 | 6,462,100 |
| Isibonelo | 1,358,300 | – |
| Kriel | 12,030,900 | 11,059,500 |
| Kleinkopje | 4,483,500 | 4,691,600 |
| Landau | 3,682,900 | 3,474,100 |
| New Denmark | 4,139,400 | 4,975,800 |
| New Vaal | 17,100,000 | 17,312,000 |
| Nooitgedacht | 794,400 | 676,600 |
| Mafube | 1,057,600 | 321,000 |
| | 56,877,800 | 54,460,600 |

(1) Includes Anglo Platinum's share of Northam Platinum Limited, 48,800 ounces (2004: 44,500 ounces).

(2) See the published results of Anglo Platinum Limited, Northam Limited, AngloGold Ashanti Limited and Gold Fields Limited for further analysis of production information.

(3) Excludes production at Ergo which has been closed.

# Production statistics continued

| | | | 2005 | 2004 |
|---|---|---|---|---|
| **Anglo Coal (tonnes)** (continued) | | | | |
| **Australia** | | | | |
| Callide | | | 9,500,000 | 9,355,300 |
| Drayton | | | 4,099,000 | 4,278,800 |
| Dartbrook | | | 1,495,500 | 2,268,100 |
| German Creek | | | 3,560,000 | 4,047,600 |
| Jellinbah East | | | 851,100 | 925,200 |
| Moranbah | | | 3,432,800 | 1,125,900 |
| Dawson Complex | | | 3,162,200 | 3,581,700 |
| | | | 26,100,600 | 25,582,600 |
| **South America** | | | | |
| Carbones del Guasare | | | 1,409,700 | 1,677,600 |
| Carbones del Cerrejón | | | 8,656,300 | 7,912,000 |
| | | | 10,066,000 | 9,589,600 |
| Total | | | 93,044,400 | 89,632,800 |
| **Anglo Base Metals** | | | | |
| **Copper**[1] | | | | |
| **Collahuasi** | | | | |
| 100% basis (Anglo American 44%) | | | | |
| Ore mined | | tonnes | 40,705,000 | 50,342,000 |
| Ore processed | Oxide | tonnes | 6,461,000 | 6,610,000 |
| | Sulphide | tonnes | 36,659,000 | 34,844,000 |
| Ore grade processed | Oxide | %Cu | 0.9 | 0.9 |
| | Sulphide | %Cu | 1.0 | 1.3 |
| Production | Copper concentrate | dmt | 1,234,000 | 1,280,400 |
| | Copper cathode | tonnes | 60,700 | 58,200 |
| | Copper in concentrate | tonnes | 366,400 | 422,800 |
| **Total copper production for Collahuasi** | | tonnes | 427,100 | 481,000 |
| **Minera Sur Andes** | | | | |
| Los Bronces mine | | | | |
| Ore mined | | tonnes | 22,146,000 | 20,995,000 |
| Marginal ore mined | | tonnes | 27,936,000 | 29,187,000 |
| Las Tortolas concentrator | Ore processed | tonnes | 21,034,000 | 20,572,000 |
| | Ore grade processed | %Cu | 1.0 | 1.1 |
| | Average recovery | % | 88.3 | 89.5 |
| Production | Copper concentrate | dmt | 510,000 | 549,000 |
| | Copper cathode | tonnes | 38,800 | 31,800 |
| | Copper in concentrate | tonnes | 188,500 | 199,800 |
| | Total | tonnes | 227,300 | 231,600 |
| El Soldado mine | | | | |
| Ore mined | Open pit – ore mined | tonnes | 2,907,000 | 4,971,000 |
| | Open pit – marginal ore mined | tonnes | 384,000 | 1,061,000 |
| | Underground (sulphide) | tonnes | 1,996,000 | 2,687,000 |
| | Total | tonnes | 5,287,000 | 8,719,000 |
| Ore processed | Oxide | tonnes | 665,000 | 661,000 |
| | Sulphide | tonnes | 7,004,000 | 6,976,000 |
| Ore grade processed | Oxide | %Cu | 1.3 | 1.4 |
| | Sulphide | %Cu | 1.1 | 1.1 |
| Production | Copper concentrate | dmt | 210,500 | 216,700 |
| | Copper cathode | tonnes | 6,500 | 8,100 |
| | Copper in concentrate | tonnes | 60,000 | 60,700 |
| | Total | tonnes | 66,500 | 68,800 |

[1] 2005 copper production figures exclude Palabora and Hudson Bay.

| | | | 2005 | 2004 |
|---|---|---|---|---|
| **Anglo Base Metals** (continued) | | | | |
| **Chagres Smelter** | | | | |
| Copper concentrates smelted | | tonnes | 144,800 | 170,400 |
| Production | Copper blister/anodes | tonnes | 138,100 | 165,000 |
| | Acid | tonnes | 371,900 | 440,500 |
| **Total copper production for the Minera Sur Andes group** | | tonnes | 293,800 | 300,400 |
| **Mantos Blancos** | | | | |
| Mantos Blancos mine | | | | |
| Ore processed | Oxide | tonnes | 4,535,000 | 4,476,000 |
| | Sulphide | tonnes | 3,954,000 | 4,103,000 |
| | Marginal ore mined | tonnes | 5,337,000 | 9,359,000 |
| Ore grade processed | Oxide | %Cu (soluble) | 0.8 | 0.7 |
| | Sulphide | %Cu (insoluble) | 1.1 | 1.0 |
| | Marginal ore | %Cu (soluble) | 0.4 | 0.4 |
| Production | Copper concentrate | dmt | 105,300 | 94,400 |
| | Copper cathode | tonnes | 48,600 | 58,200 |
| | Copper in concentrate | tonnes | 39,100 | 36,700 |
| | Total | tonnes | 87,700 | 94,900 |
| Mantoverde mine | | | | |
| Ore processed | Oxide | tonnes | 9,439,000 | 9,017,000 |
| | Marginal ore | tonnes | 3,625,000 | 7,028,000 |
| Ore grade processed | Oxide | %Cu (soluble) | 0.7 | 0.7 |
| | Marginal ore | %Cu (soluble) | 0.3 | 0.3 |
| Production | Copper cathode | tonnes | 62,000 | 60,100 |
| **Black Mountain and Hudson Bay** | | tonnes | 3,200 | 79,500 |
| **Other** | | tonnes | – | 19,400 |
| **Total attributable copper production** | | tonnes | 634,600 | 766,000 |
| **Nickel, Niobium and Mineral Sands** | | | | |
| **Nickel** | | | | |
| **Codemin** | | | | |
| Ore mined | | tonnes | 528,600 | 403,000 |
| Ore processed | | tonnes | 521,400 | 521,300 |
| Ore grade processed | | % Ni | 2.1 | 1.4 |
| Production | | tonnes | 9,600 | 6,500 |
| **Loma de Níquel** | | | | |
| Ore mined | | tonnes | 1,317,000 | 1,265,000 |
| Ore processed | | tonnes | 1,169,000 | 1,204,000 |
| Ore grade processed | | % Ni | 1.6 | 1.7 |
| Production | | tonnes | 16,900 | 17,400 |
| **Other** | | tonnes | – | 100 |
| **Total attributable nickel production** | | tonnes | 26,500 | 24,000 |
| **Niobium** | | | | |
| **Catalão** | | | | |
| Ore mined | | tonnes | 723,100 | 568,100 |
| Ore processed | | tonnes | 672,300 | 572,500 |
| Ore grade processed | | Kg Nb/tonne | 11.00 | 11.04 |
| Production | | tonnes | 4,000 | 3,500 |

# Production statistics continued

| | | | 2005 | 2004 |
|---|---|---|---|---|
| **Anglo Base Metals** (continued) | | | | |
| **Mineral Sands** | | | | |
| **Namakwa Sands** | | | | |
| Ore mined | | tonnes | 18,100,000 | 18,618,000 |
| Production | Ilmenite | tonnes | 316,100 | 320,600 |
| | Rutile | tonnes | 29,100 | 23,700 |
| | Zircon | tonnes | 128,600 | 119,100 |
| Smelter production | Slag tapped | tonnes | 164,400 | 169,300 |
| | Iron tapped | tonnes | 105,400 | 105,900 |
| **Zinc and Lead** | | | | |
| **Black Mountain** | | | | |
| Ore mined | | tonnes | 1,413,000 | 1,518,000 |
| Ore processed | | tonnes | 1,350,000 | 1,500,000 |
| Ore grade processed | Zinc | %Zn | 3.3 | 2.7 |
| | Lead | %Pb | 3.7 | 3.0 |
| | Copper | %Cu | 0.4 | 0.5 |
| Production | Zinc in concentrate | tonnes | 32,100 | 28,200 |
| | Lead in concentrate | tonnes | 42,200 | 37,500 |
| | Copper in concentrate | tonnes | 3,200 | 5,200 |
| **Hudson Bay** | | | | |
| Ore mined | | tonnes | – | 2,484,000 |
| Ore processed | | tonnes | – | 2,419,000 |
| Ore grade processed | Copper | %Cu | – | 2.2 |
| | Zinc | %Zn | – | 5.2 |
| Concentrate treated | Copper | tonnes | – | 274,900 |
| | Zinc | tonnes | – | 216,500 |
| Production (domestic) | Copper | tonnes | – | 40,000 |
| | Zinc | tonnes | – | 105,200 |
| Production (total) | Copper | tonnes | – | 74,300 |
| | Zinc | tonnes | – | 107,000 |
| | Gold | ounces | – | 73,400 |
| | Silver | ounces | – | 1,020,900 |
| **Lisheen** | | | | |
| Ore mined | | tonnes | 1,527,000 | 1,475,000 |
| Ore processed | | tonnes | 1,461,000 | 1,460,000 |
| Ore grade processed | Zinc | %Zn | 12.0 | 11.7 |
| | Lead | %Pb | 2.0 | 1.8 |
| Production | Zinc in concentrate | tonnes | 159,300 | 156,300 |
| | Lead in concentrate | tonnes | 20,800 | 17,200 |
| **Skorpion** | | | | |
| Ore mined | | tonnes | 1,199,000 | 1,304,000 |
| Ore processed | | tonnes | 1,280,000 | 1,187,000 |
| Ore grade processed | Zinc | %Zn | 12.4 | 12.3 |
| Production | Zinc | tonnes | 132,800 | 119,200 |
| **Total attributable zinc production** | | tonnes | 324,200 | 410,700 |

| | | 2005 | 2004 |
|---|---|---|---|
| **Anglo Industrial Minerals** | | | |
| Aggregates | tonnes | 85,887,000 | 77,579,000 |
| Lime products | tonnes | 1,428,100 | 1,185,700 |
| Concrete | $m^3$ | 8,353,200 | 8,310,800 |
| Sodium tripolyphosphate | tonnes | 106,000 | 115,700 |
| Phosphates | tonnes | 1,036,200 | 1,169,300 |
| **Anglo Paper and Packaging** | | | |
| **Mondi Packaging** | | | |
| Packaging papers | tonnes | 2,705,691 | 2,600,291 |
| Corrugated board and boxes | m $m^2$ | 2,081 | 2,013 |
| Paper sacks | m units | 3,282 | 3,251 |
| Coating and release liners | m $m^2$ | 1,614 | 1,597 |
| Pulp – external | tonnes | 174,700 | 153,045 |
| **Mondi Business Paper** | | | |
| Uncoated wood free paper | tonnes | 1,890,079 | 1,881,851 |
| Newsprint | tonnes | 186,924 | 182,351 |
| Pulp – external | tonnes | 127,745 | 53,142 |
| Wood chips | green metric tonnes | 1,747,290 | 2,125,858 |
| **Mondi Packaging South Africa** | | | |
| Packaging papers | tonnes | 372,992 | 365,557 |
| Corrugated board and boxes | m $m^2$ | 330 | 335 |
| **Newsprint joint ventures** | | | |
| Newsprint (attributable share) | tonnes | 316,459 | 368,635 |
| **Anglo Ferrous Metals and Industries (tonnes)** | | | |
| **Kumba Resources Limited** | | | |
| Iron ore production | | | |
| Lump | | 18,747,000 | 18,248,000 |
| Fines | | 12,240,000 | 11,864,000 |
| Total iron ore | | 30,987,000 | 30,112,000 |
| Coal | | | |
| Power station coal | | 14,573,000 | 14,017,000 |
| Coking coal | | 2,273,000 | 2,409,000 |
| Steam coal | | 2,993,000 | 3,018,000 |
| Total coal | | 19,839,000 | 19,444,000 |
| Zinc metal | | 119,000 | 116,000 |
| Heavy minerals[1] | | | |
| Ilmenite | | 356,000 | 498,000 |
| **Scaw Metals** | | | |
| Rolled products | | 386,500 | 458,000 |
| Cast products | | 133,900 | 110,000 |
| Grinding media | | 461,400 | 429,000 |
| **Highveld Steel** | | | |
| Rolled products | | 684,000 | 674,013 |
| Continuous cast blocks | | 874,900 | 922,477 |
| Vanadium slag | | 66,800 | 67,587 |
| **Samancor** | | | |
| Manganese ore (mtu m) | | 88 | 106 |
| Manganese alloys | | 309,000 | 321,100 |
| **Tongaat-Hulett** | | | |
| Sugar | | 861,000 | 756,000 |
| Aluminium | | 192,000 | 162,000 |
| Starch and glucose | | 595,000 | 576,000 |
| **Hippo Valley** | | | |
| Sugar | | 194,000 | 200,000 |

[1] Further details of heavy minerals production are available in Kumba's annual report.

# Exchange rates and commodity prices

| | 2005 | 2004 |
|---|---|---|
| **US$ exchange rates** | | |
| Average spot prices for the year | | |
| South African rand | 6.37 | 6.44 |
| Sterling | 0.55 | 0.55 |
| Euro | 0.80 | 0.80 |
| Australian dollar | 1.31 | 1.36 |
| Chilean peso | 559 | 609 |
| Closing spot prices | | |
| South African rand | 6.35 | 5.65 |
| Sterling | 0.58 | 0.52 |
| Euro | 0.85 | 0.74 |
| Australian dollar | 1.36 | 1.28 |
| Chilean peso | 512 | 556 |

| | | 2005 | 2004 |
|---|---|---|---|
| **Commodity prices** | | | |
| Average market prices for the year | | | |
| Gold | US$/oz | 445 | 409 |
| Platinum | US$/oz | 897 | 847 |
| Palladium | US$/oz | 201 | 231 |
| Rhodium | US$/oz | 2,056 | 991 |
| Copper | US cents/lb | 167 | 130 |
| Nickel | US cents/lb | 668 | 628 |
| Zinc | US cents/lb | 63 | 48 |
| Lead | US cents/lb | 44 | 40 |
| European eucalyptus pulp price (CIF) | US$/tonne | 582 | 520 |

# Key financial data

| US$ million (unless otherwise stated) | 2005 | 2004 |
|---|---|---|
| Group revenue including associates | 34,472 | 31,938 |
| Less: share of associates' revenue | (5,038) | (5,670) |
| Group revenue | 29,434 | 26,268 |
| Operating profit including associates before special items and remeasurements | 6,376 | 4,697 |
| Special items and remeasurements (excluding financing remeasurements) | (455) | 933 |
| Net finance costs (including remeasurements), taxation and minority interests of associates | (320) | (399) |
| Total profit from operations and associates | 5,601 | 5,231 |
| Net finance costs (including remeasurements) | (393) | (367) |
| Profit before tax | 5,208 | 4,864 |
| Income tax expense | (1,275) | (923) |
| Profit for the financial year | 3,933 | 3,941 |
| Minority interests | (412) | (440) |
| Profit attributable to equity shareholders of the Company | 3,521 | 3,501 |
| Underlying earnings[1] | 3,736 | 2,684 |
| Earnings per share ($) | 2.43 | 2.44 |
| Underlying earnings per share ($) | 2.58 | 1.87 |
| Ordinary dividend per share (US cents) | 90.0 | 70.0 |
| Special dividend per share (US cents) | 33.0 | – |
| Weighted average number of shares outstanding (million) | 1,447 | 1,434 |
| EBITDA[2] | 8,959 | 7,031 |
| EBITDA interest cover[3] | 20.0 | 18.5 |
| Operating margin (before special items and remeasurements) | 18.5% | 14.7% |
| Ordinary dividend cover (based on underlying earnings) | 2.9 | 2.7 |
| Balance Sheet | | |
| Intangible and tangible assets | 33,368 | 35,816 |
| Other non-current assets and investments | 5,375 | 5,375 |
| Working capital | 3,719 | 3,715 |
| Other net current liabilities | (1,473) | (611) |
| Other non-current liabilities and obligations | (8,418) | (8,339) |
| Net debt | (4,993) | (8,243) |
| Net assets | 27,578 | 27,713 |
| Minority interests | (3,957) | (4,588) |
| Equity attributable to the equity shareholders of the Company | 23,621 | 23,125 |
| Total capital[4] | 32,571 | 35,956 |
| Cash inflows from operations | 7,265 | 5,291 |
| Dividends received from associates and investments | 470 | 396 |
| Return on capital employed[5] | 19.2% | 14.6% |
| EBITDA/average total capital[4] | 26.0% | 21.2% |
| Net debt to total capital[6] | 17.0% | 25.4% |

| US$ million (unless otherwise stated) | 2003[7] | 2002[7][8] | 2001[7][8] |
|---|---|---|---|
| Group turnover including share of joint ventures and associates | 24,909 | 20,497 | 19,282 |
| Less: Share of joint ventures' turnover | (1,060) | (1,066) | (1,109) |
| Share of associates' turnover | (5,212) | (4,286) | (3,387) |
| Group turnover – subsidiaries | 18,637 | 15,145 | 14,786 |
| Operating profit before exceptional items | 2,892 | 3,332 | 3,298 |
| Operating exceptional items | (286) | (81) | (513) |
| Total operating profit | 2,606 | 3,251 | 2,785 |
| Non-operating exceptional items | 386 | 64 | 2,148 |
| Net (interest expense)/investment income | (319) | (179) | 130 |
| Profit on ordinary activities before taxation | 2,673 | 3,136 | 5,063 |
| Taxation on profit on ordinary activities | (749) | (1,042) | (1,247) |
| Taxation on exceptional items | 13 | (3) | (147) |
| Equity minority interests | (345) | (528) | (584) |
| Profit for the financial year | 1,592 | 1,563 | 3,085 |
| Underlying earnings[1] | 1,694 | 1,759 | 1,681 |
| Earnings per share ($) | 1.13 | 1.11 | 2.09 |
| Underlying earnings per share ($) | 1.20 | 1.25 | 1.14 |
| Dividend per share (US cents) | 54.0 | 51.0 | 49.0 |
| Basic number of shares outstanding (million) | 1,415 | 1,411 | 1,474 |
| EBITDA[2] | 4,785 | 4,792 | 4,647 |
| EBITDA interest cover[3] | 9.3 | 50.5 | 58.4 |
| Operating margin (before exceptional items) | 11.6% | 16.3% | 17.1% |
| Dividend cover (based on underlying earnings) | 2.2 | 2.5 | 2.3 |
| Balance Sheet | | | |
| Intangible and tangible fixed assets | 26,646 | 18,841 | 12,870 |
| Investments | 7,206 | 6,746 | 4,873 |
| Working capital | 1,903 | 822 | 282 |
| Provisions for liabilities and charges | (3,954) | (2,896) | (2,194) |
| Net debt | (8,633) | (5,578) | (2,018) |
| Equity minority interests | (3,396) | (2,304) | (1,607) |
| Total shareholders' funds (equity) | 19,772 | 15,631 | 12,206 |
| Total capital[4] | 31,801 | 23,513 | 15,831 |
| Net cash inflow from operating activities | 3,184 | 3,618 | 3,539 |
| Dividends received from joint ventures and associates | 426 | 258 | 258 |
| Return on capital employed[5] | 10.7% | 17.5% | 19.0% |
| EBITDA/average total capital[4] | 17.3% | 24.4% | 26.0% |
| Net debt to total capital[6] | 32.0% | 27.9% | 14.4% |

Years 2004 and 2005 are prepared under IFRS. Years 2001 to 2003 are prepared under UK GAAP.

[1] Underlying earnings is net profit attributable to equity shareholders, adjusted for the effect of special items and remeasurements, and any related tax and minority interests.

[2] EBITDA is operating profit before special items and remeasurements (2001 to 2003: exceptional items) plus depreciation and amortisation in subsidiaries and joint ventures and share of EBITDA of associates.

[3] EBITDA interest cover is EBITDA of subsidiaries and joint ventures divided by net finance costs excluding other net financial income, exchange gains and losses on monetary assets and liabilities, amortisation of discounts on provisions, special items and financial remeasurements (2001 to 2003: exceptional items).

[4] Total capital is net assets excluding net debt.

[5] Return on capital employed is calculated as total operating profit before impairments for the year divided by the average total capital less other investments and adjusted for impairments.

[6] Net debt to total capital is calculated as net debt divided by total capital less investments in associates.

[7] 2001 to 2003 have been restated to reflect the adoption of UITF abstract 38 *Accounting for ESOP trusts*.

[8] 2001 and 2002 have been restated for the adoption of FRS 19.

# Summary by business segment

| US$ million | Turnover[1] | | EBITDA[2] | | Operating profit/(loss)[3] | | Underlying earnings/(loss) | |
|---|---|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| **Platinum** | 3,714 | 3,120 | 1,282 | 853 | 854 | 536 | 483 | 240 |
| **Gold** | 2,644 | 2,409 | 871 | 694 | 332 | 296 | 105 | 139 |
| **Diamonds** | 3,316 | 3,177 | 655 | 655 | 583 | 573 | 430 | 380 |
| **Coal** | 3,349 | 2,382 | 1,243 | 687 | 1,019 | 497 | 724 | 357 |
| South Africa | 1,441 | 1,109 | 519 | 299 | 463 | 252 | 329 | 163 |
| Australia | 1,383 | 840 | 451 | 183 | 316 | 78 | 221 | 78 |
| South America | 525 | 433 | 273 | 205 | 240 | 167 | 174 | 116 |
| **Base Metals** | 3,647 | 3,320 | 1,990 | 1,625 | 1,678 | 1,276 | 1,240 | 1,036 |
| Copper | 2,597 | 2,154 | 1,590 | 1,252 | 1,381 | 1,048 | 983 | 855 |
| Collahuasi | 712 | 611 | 468 | 412 | 397 | 346 | 257 | 280 |
| Minera Sur Andes | 1,306 | 991 | 824 | 608 | 724 | 512 | 529 | 413 |
| Mantos Blancos | 579 | 464 | 299 | 225 | 261 | 195 | 195 | 163 |
| Palabora and other | – | 88 | (1) | 7 | (1) | (5) | 2 | (1) |
| Nickel, Niobium, Mineral Sands | 609 | 528 | 296 | 272 | 249 | 224 | 202 | 177 |
| Catalão | 49 | 44 | 20 | 28 | 18 | 26 | 17 | 29 |
| Codemin | 136 | 89 | 75 | 48 | 69 | 44 | 68 | 27 |
| Loma de Níquel | 249 | 247 | 153 | 158 | 132 | 137 | 92 | 108 |
| Namakwa Sands | 175 | 146 | 48 | 37 | 30 | 16 | 25 | 12 |
| Nkomati and other | – | 2 | – | 1 | – | 1 | – | 1 |
| Zinc | 441 | 638 | 157 | 131 | 102 | 38 | 100 | 37 |
| Black Mountain | 80 | 49 | 12 | 2 | 10 | (3) | 10 | 3 |
| Hudson Bay | – | 405 | – | 78 | – | 37 | – | 31 |
| Lisheen | 147 | 111 | 62 | 29 | 50 | 17 | 54 | 15 |
| Skorpion | 214 | 73 | 83 | 22 | 42 | (13) | 36 | (12) |
| Other | – | – | (53) | (30) | (54) | (34) | (45) | (33) |
| **Industrial Minerals** | 4,073 | 3,858 | 618 | 638 | 370 | 421 | 267 | 288 |
| Tarmac | 3,784 | 3,596 | 570 | 556 | 340 | 354 | 256 | 259 |
| Copebrás | 289 | 262 | 48 | 82 | 30 | 67 | 11 | 29 |
| **Ferrous Metals and Industries** | 6,773 | 6,663 | 1,779 | 1,231 | 1,456 | 887 | 757 | 476 |
| Kumba | 1,936 | 1,416 | 734 | 328 | 568 | 203 | 261 | 80 |
| Highveld Steel | 1,127 | 775 | 472 | 223 | 436 | 169 | 232 | 93 |
| Scaw Metals | 1,029 | 910 | 145 | 110 | 121 | 85 | 85 | 59 |
| Samancor Group | 634 | 817 | 164 | 265 | 144 | 241 | 103 | 157 |
| Tongaat-Hulett | 1,423 | 1,267 | 188 | 114 | 131 | 69 | 49 | 25 |
| Boart Longyear | 618 | 872 | 87 | 103 | 67 | 72 | 35 | 37 |
| Terra | – | 598 | – | 92 | – | 55 | – | 29 |
| Other | 6 | 8 | (11) | (4) | (11) | (7) | (8) | (4) |
| **Paper and Packaging** | 6,956 | 6,919 | 916 | 978 | 495 | 569 | 296 | 367 |
| Mondi Packaging | 3,798 | 3,751 | 528 | 530 | 293 | 297 | 194 | 193 |
| Mondi Business Paper | 2,050 | 2,028 | 310 | 320 | 163 | 180 | 100 | 123 |
| Other | 1,108 | 1,140 | 78 | 128 | 39 | 92 | 2 | 51 |
| **Exploration** | – | – | (150) | (120) | (150) | (120) | (115) | (91) |
| **Corporate**[4] | – | 90 | (245) | (210) | (261) | (238) | (451) | (508) |
| | 34,472 | 31,938 | 8,959 | 7,031 | 6,376 | 4,697 | 3,736 | 2,684 |

[1] Turnover includes share of turnover of joint ventures and associates. Base Metals turnover is shown after deduction of treatment charges and refining charges (TC/RCs).

[2] EBITDA is operating profit before special items and remeasurements plus depreciation and amortisation in subsidiaries and share of EBITDA of joint ventures and associates.

[3] Operating profit includes operating profit before special items and remeasurements from subsidiaries and joint ventures and share of operating profit (before interest, tax, minority interests, special items and remeasurements) of associates.

[4] Includes Gold Fields. The Group disposed of its holdings in Gold Fields in March 2004.

# Reconciliation of subsidiaries' and associates' results

**for the year ended 31 December 2005 – note only key reported lines are reconciled**

| | 2005 US$ million |
|---|---|
| **AngloGold Ashanti Limited** | |
| IFRS adjusted headline earnings (published) | 200 |
| Exploration | 45 |
| Other adjustments | 1 |
| | 246 |
| Minority interest | (121) |
| Depreciation on assets fair valued on acquisition (net of tax) | (20) |
| **Contribution to Anglo American plc underlying earnings** | 105 |

| | 2005 US$ million |
|---|---|
| **Anglo Platinum Limited** | |
| IFRS headline earnings (US$ equivalent of published) | 664 |
| Exploration | 21 |
| Other adjustments | (2) |
| | 683 |
| Minority interest | (173) |
| Depreciation on assets fair valued on acquisition (net of tax) | (51) |
| Impact of change in South African corporate tax rate on assets fair valued on acquisition | 24 |
| **Contribution to Anglo American plc underlying earnings** | 483 |

| | 2005 US$ million |
|---|---|
| **DB Investments (DBI)** | |
| DBI headline earnings before class action payment (100%) | 824 |
| Adjustments[1] | 34 |
| DBI headline earnings before class action payment – AA plc basis(100%) | 858 |
| AA plc's 45% ordinary share interest | 386 |
| Income from preference shares | 44 |
| **Contribution to Anglo American plc underlying earnings** | 430 |

| | 2005 US$ million |
|---|---|
| **Kumba Resources Limited** | |
| IFRS headline earnings (US$ equivalent of published) | 373 |
| Depreciation on assets fair valued on acquisition (net of tax) | (16) |
| Impact of change in South African corporate tax rate on assets fair valued on acquisition | 10 |
| Exploration | 21 |
| Other adjustments | (6) |
| | 382 |
| Minority interest | (130) |
| STC credit on special dividends | 9 |
| **Contribution to Anglo American plc underlying earnings** | 261 |

| | 2005 US$ million |
|---|---|
| **Highveld Steel and Vanadium Corporation Limited** | |
| IFRS headline earnings (US$ equivalent of published) | 270 |
| Other adjustments | 4 |
| | 274 |
| Minority interest | (57) |
| STC credit on special dividends | 15 |
| **Contribution to Anglo American plc underlying earnings** | 232 |

| | 2005 US$ million |
|---|---|
| **The Tongaat-Hulett Group Limited** | |
| IFRS headline earnings (US$ equivalent of published) | 73 |
| Other adjustments | 11 |
| | 84 |
| Minority interest | (40) |
| | 44 |
| Add AA plc's share of Hulett Aluminium | 5 |
| **Contribution to Anglo American plc underlying earnings** | 49 |

[1] Adjustments include the reclassification of the actuarial gains and losses booked to the income statement by Dbsa under the corridor mechanism of IAS 19. As AA plc has early adopted the amended version of IAS 19, this charge has been included in the deficit booked to reserves in prior years.

# Shareholder information

### Annual general meeting
11:00 am on Tuesday, 25 April 2006, at
The Institution of Electrical Engineers
Savoy Place
London WC2R 0BL

### Shareholders' diary 2006/7

| | |
|---|---|
| **Interim results** | August 2006 |
| **Interim dividend payable** | September 2006 |
| **Annual results announcement** | February 2007 |
| **Annual Report** | March 2007 |
| **Annual general meeting** | April 2007 |
| **Final dividend payable** | April 2007 |

### Enquiries
Queries relating to Anglo American plc should be addressed to the Company Secretary or the Investor and Corporate Affairs Department at the following address:

#### Registered and Head Office
Anglo American plc
20 Carlton House Terrace
London SW1Y 5AN, England
Telephone +44 (0)20 7968 8888
Fax +44 (0)20 7968 8500
Registered number 3564138
Website: **www.angloamerican.co.uk**

If you have any questions about your shareholding or dividend, please contact the Registrars at the relevant address below:

#### UK Registrars
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA, England
Telephone, from the UK 0870 609 2286
Telephone, from overseas +44 121 415 7558

#### Transfer Secretaries in South Africa
Ultra Registrars (Pty) Limited
11 Diagonal Street
Johannesburg 2001, South Africa
(PO Box 4844, Johannesburg 2000)
Telephone +27 (0)11 834 2266

# Other Anglo American publications

- 2005 Annual Report
- 2005 Interim Report
- 2005/6 Fact Book
- 2005 Notice of AGM and Shareholder Information Booklet
- 2005 Report to Society
- Optima – Anglo American's current affairs journal
- Good Neighbours: Our Work With Communities
- Good Citizenship: Our Business Principles
- Investing in the future – Black Economic Empowerment

If you would like to receive copies of Anglo American's publications, please write to:

Investor and Corporate Affairs Department
Anglo American plc
20 Carlton House Terrace
London SW1Y 5AN, England

Alternatively, publications can be ordered online at:
**http://www.angloamerican.co.uk/newsandmedia/reportsandpublications/request/requestreportpopup/**

The 2005 Annual Review and the booklet containing the Notice of AGM and other shareholder information are available free of charge from the Company, its UK Registrars and South African Transfer Secretaries.

**Charitable partners**
This is just a selection of the charities which we have worked with in 2005:

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**Anglo American plc**
20 Carlton House Terrace
London SW1Y 5AN
England

Telephone +44 (0)20 7968 8888
Fax +44 (0)20 7968 8500
Registered number 3564138

www.angloamerican.co.uk