Financial statements

Contents

Responsibility statements 82
Independent auditors' report to the members of Anglo American plc 83

Principal statements
Consolidated income statement 84
Consolidated balance sheet 85
Consolidated cash flow statement 86
Consolidated statement of recognised income and expense 87
Reconciliation from EBITDA to cash inflows from continuing operations 87

Notes to the financial statements
1 Accounting policies 88
2 Segmental information 92
3 Profit for the financial year 96
4 Operating profit from subsidiaries and joint ventures 97
5 Exploration expenditure 98
6 Employee numbers and costs 98
7 Special items and remeasurements 98
8 Net finance costs 100
9 Financial instrument gains and losses 100
10 Tax on profit on ordinary activities 101
11 Dividends 101
12 Earnings per share 101
13 Intangible assets 102
14 Tangible assets 103
15 Environmental rehabilitation trusts 104
16 Investments in associates 104
17 Joint ventures 105
18 Financial asset investments 105
19 Inventories 105
20 Trade and other receivables 106
21 Trade and other payables 106
22 Financial assets 106
23 Financial liabilities 106
24 Financial risk management and derivative financial assets/liabilities 107
25 Provisions for liabilities and charges 111
26 Deferred tax 111
27 Retirement benefits 112
28 Called-up share capital and share-based payments 115
29 Reconciliation of changes in equity 122
30 Consolidated cash flow analysis 123
31 EBITDA by business segment 124
32 Acquisitions 125
33 Disposals and demerger of subsidiaries and businesses 126
34 Disposal groups and non-current assets held for sale 127
35 Discontinued operations 128
36 Capital commitments 129
37 Contingent liabilities and contingent assets 129
38 Operating leases 130
39 Related party transactions 130
40 Group companies 131
41 Events occurring after end of year 132
42 Financial statements of the parent company 133

Responsibility statements
for the year ended 31 December 2008

We confirm that to the best of our knowledge:

(a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of Anglo American plc and the undertakings included in the consolidation taken as a whole; and

(b) the Operating and financial review includes a fair review of the development and performance of the business and the position of Anglo American plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Cynthia Carroll
Chief executive

René Médori
Finance director

Independent auditors' report to the members of Anglo American plc

We have audited the Group and Company financial statements (the 'Financial statements') of Anglo American plc for the year ended 31 December 2008 which comprise the Consolidated income statement, the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of recognised income and expense, the Reconciliation from EBITDA to cash inflows from continuing operations, the Accounting policies, the related notes 2 to 41 and the Company balance sheet and related notes. These Financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration 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 Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the Company financial statements and the Remuneration report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the Financial statements and the part of the Remuneration report to be audited in accordance with relevant 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 and whether the Financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the Financial statements. The information given in the directors' report includes that specific information presented in the operating and financial review that is cross referred from the business review section of the directors' report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 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 Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial statements. Our responsibilities do not extend to any further information outside of the Annual Report.

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 Remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Financial statements, and of whether the accounting policies are appropriate to the Group's and 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 Remuneration report to be 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 Remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 December 2008;
- the Company financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the Financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
London

19 February 2009

Consolidated income statement
for the year ended 31 December 2008

US$ million	Note	Before special items and remeasurements 2008	Special items and remeasurements (note 7) 2008	2008	Before special items and remeasurements 2007	Special items and remeasurements (note 7) 2007	2007
Group revenue	2	26,311	–	26,311	25,470	–	25,470
Total operating costs		(18,330)	(1,131)	(19,461)	(16,952)	(246)	(17,198)
Operating profit from subsidiaries and joint ventures	2,4	7,981	(1,131)	6,850	8,518	(246)	8,272
Net profit on disposals	7	–	1,009	1,009	–	460	460
Share of net income from associates	2,16	1,303	(190)	1,113	640	(443)	197
Total profit from operations and associates	2	9,284	(312)	8,972	9,158	(229)	8,929
Investment income		589	–	589	616	–	616
Interest expense		(850)	–	(850)	(797)	–	(797)
Other financing (losses)/gains		(191)	51	(140)	44	29	73
Net finance costs	8	(452)	51	(401)	(137)	29	(108)
Profit before tax		8,832	(261)	8,571	9,021	(200)	8,821
Income tax expense	10	(2,545)	94	(2,451)	(2,676)	(17)	(2,693)
Profit for the financial year – continuing operations		6,287	(167)	6,120	6,345	(217)	6,128
Profit for the financial year – discontinued operations	35	–	–	–	318	1,726	2,044
Profit for the financial year – total Group		6,287	(167)	6,120	6,663	1,509	8,172
Attributable to (continuing operations):							
Minority interests		1,050	(145)	905	868	(34)	834
Equity shareholders of the Company	3	5,237	(22)	5,215	5,477	(183)	5,294
Attributable to (discontinued operations):							
Minority interests		–	–	–	34	–	34
Equity shareholders of the Company	3	–	–	–	284	1,726	2,010
Attributable to (total Group):							
Minority interests		1,050	(145)	905	902	(34)	868
Equity shareholders of the Company	3	5,237	(22)	5,215	5,761	1,543	7,304

	Note	2008	2007
Earnings per share (US$)			
Basic – continuing operations	12	4.34	4.04
Basic – discontinued operations	12	–	1.54
Basic – total Group	12	4.34	5.58
Diluted – continuing operations	12	4.29	3.99
Diluted – discontinued operations	12	–	1.51
Diluted – total Group	12	4.29	5.50
Dividends			
Proposed ordinary dividend per share (US cents)		–	86
Proposed ordinary dividend (US$ million)		–	1,031
Ordinary dividends paid during the year per share (US cents)	11	130	113
Ordinary dividends paid during the year (US$ million)	11	1,538	1,527
Dividend in specie (US$ million)	11	–	3,718

Underlying earnings and underlying earnings per share are set out in note 12.

Consolidated balance sheet
as at 31 December 2008

US$ million	Note	2008	2007
Intangible assets	13	3,006	1,556
Tangible assets	14	29,545	23,534
Environmental rehabilitation trusts	15	244	252
Investments in associates	16	3,612	3,341
Financial asset investments	18	3,115	4,780
Trade and other receivables	20	94	159
Deferred tax assets	26	258	474
Other financial assets (derivatives)	24	4	–
Other non-current assets		167	105
Total non-current assets		40,045	34,201
Inventories	19	2,702	2,344
Trade and other receivables	20	2,929	3,572
Current tax assets		471	223
Other current financial assets (derivatives)	24	372	535
Current financial asset investments	18	173	–
Cash and cash equivalents	30b	2,771	3,129
Total current assets		9,418	9,803
Assets classified as held for sale	34	275	758
Total assets		49,738	44,762
Trade and other payables	21	(4,770)	(3,950)
Short term borrowings	23	(6,784)	(5,895)
Short term provisions	25	(168)	(142)
Current tax liabilities		(804)	(992)
Other current financial liabilities (derivatives)	24	(1,436)	(501)
Total current liabilities		(13,962)	(11,480)
Medium and long term borrowings	23	(7,211)	(2,404)
Retirement benefit obligations	27	(401)	(444)
Other financial liabilities (derivatives)	24	(61)	(85)
Deferred tax liabilities	26	(4,555)	(4,650)
Provisions for liabilities and charges	25	(1,317)	(1,082)
Other non-current liabilities		(395)	–
Total non-current liabilities		(13,940)	(8,665)
Liabilities directly associated with assets classified as held for sale	34	(80)	(287)
Total liabilities		(27,982)	(20,432)
Net assets		21,756	24,330
Equity			
Called-up share capital	28,29	738	738
Share premium account	29	2,713	2,713
Other reserves	29	(2,057)	3,155
Retained earnings	29	18,827	15,855
Equity attributable to equity shareholders of the Company		20,221	22,461
Minority interests	29	1,535	1,869
Total equity		21,756	24,330

The financial statements were approved by the Board of directors on 19 February 2009.

Cynthia Carroll
Chief executive

René Médori
Finance director

4 FINANCIAL STATEMENTS

Consolidated cash flow statement

for the year ended 31 December 2008

US$ million	Note	2008	2007
Cash inflows from continuing operations	30a	9,579	9,375
Dividends from associates		609	275
Dividends from financial asset investments		50	36
Income tax paid		(2,173)	(2,886)
Net cash inflows from operating activities – continuing operations		8,065	6,800
Net cash inflows from operating activities – discontinued operations		–	464
Net cash inflows from operating activities – total Group		8,065	7,264
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents acquired[1]	32	(5,887)	(772)
Investment in joint ventures	32	(609)	(1,114)
Investment in associates		(9)	(1)
Cash flows from derivatives related to acquisitions		(661)	–
Purchase of tangible assets		(5,146)	(3,931)
Purchase of financial asset investments		(741)	(47)
Investment of advance received in anticipation of disposal[2]		(281)	–
Loans granted		(108)	(108)
Interest received and other investment income		291	228
Disposal and demerger of subsidiaries, net of cash and cash equivalents disposed	33	468	110
Sale of interests in associates		205	–
Repayment of loans and capital by associates		42	119
Proceeds from disposal of tangible assets		30	111
Proceeds from sale of financial asset investments		851	601
Other cash flows from derivatives not related to net debt		(166)	(2)
Other investing activities		(29)	(30)
Net cash used in investing activities – continuing operations		(11,750)	(4,836)
Net cash inflows from investing activities – discontinued operations		–	2,575
Net cash used in investing activities – total Group		(11,750)	(2,261)
Cash flows from financing activities			
Issue of shares by subsidiaries to minority interests		62	29
Sale of treasury shares to employees		40	134
Purchase of treasury shares		(710)	(6,217)
Interest paid		(741)	(483)
Dividends paid to minority interests		(796)	(728)
Dividends paid to Company shareholders		(1,550)	(1,538)
Receipt of short term borrowings		1,432	2,780
Receipt of medium and long term borrowings		5,184	341
Cash flows from derivatives related to net debt		380	–
Advance received in anticipation of disposal[2]		307	–
Other financing activities		(66)	21
Net cash inflows from/(used in) financing activities – continuing operations		3,542	(5,661)
Net cash inflows from financing activities – discontinued operations		–	692
Net cash inflows from/(used in) financing activities – total Group		3,542	(4,969)
Net (decrease)/increase in cash and cash equivalents		(143)	34
Cash and cash equivalents at start of year	30c	3,074	2,980
Cash movements in the year		(143)	34
Effects of changes in foreign exchange rates		(187)	60
Cash and cash equivalents at end of year	30c	2,744	3,074

[1] Includes amounts paid to acquire minority interests in subsidiaries.

[2] Advance received in respect of anticipated disposal of the Group's 50% interest in the Booysendal joint venture, invested in unlisted preference shares (guaranteed by Nedbank Limited and Nedbank Group Limited) and an escrow account, pending completion of the transaction. Refer to note 21 for further details.

Consolidated statement of recognised income and expense
for the year ended 31 December 2008

US$ million	2008	2007
Net (loss)/gain on revaluation of available for sale investments	(888)	2,326
Net gain on revaluation of available for sale investments – associates	–	10
Net loss on cash flow hedges	(874)	(286)
Net gain/(loss) on cash flow hedges – associates	4	(41)
Net exchange loss on translation of foreign operations	(4,514)	(303)
Actuarial net loss on post retirement benefit schemes	(129)	(37)
Actuarial net loss on post retirement benefit schemes – associates	(7)	(6)
Deferred tax	167	(123)
Net (expense)/income recognised directly in equity	(6,241)	1,540
Transferred to income statement: sale of available for sale investments	(476)	(298)
Transferred to income statement: cash flow hedges	380	315
Transferred to initial carrying amount of hedged items: cash flow hedges	637	–
Transferred to income statement: exchange differences on disposal of foreign operations	2	337
Tax on items transferred from equity	(94)	3
Total transferred from equity	449	357
Profit for the financial year	6,120	8,172
Total recognised income and expense for the financial year[1]	328	10,069
Attributable to:		
Minority interests	487	844
Equity shareholders of the Company	(159)	9,225

[1] Total recognised income and expense for the financial year of nil (2007: $2,026 million) relates to discontinued operations.

Reconciliation from EBITDA[1] to cash inflows from continuing operations
for the year ended 31 December 2008

US$ million	2008	2007
EBITDA – continuing operations	11,847	11,171
Share of operating profit of associates before special items and remeasurements	(2,104)	(1,072)
Depreciation and amortisation in associates	(253)	(183)
Share-based payment charges	155	138
Operating fair value gains before special items and remeasurements	(1)	(12)
Provisions	46	77
Increase in inventories	(999)	(352)
Decrease/(increase) in operating receivables	80	(389)
Increase in operating payables	896	53
Other adjustments	(88)	(56)
Cash inflows from continuing operations	9,579	9,375

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

US$ million	2008	2007
Operating profit, including associates, before special items and remeasurements – continuing operations[2]	10,085	9,590
Depreciation and amortisation		
Subsidiaries and joint ventures	1,509	1,398
Associates	253	183
EBITDA – continuing operations	11,847	11,171

[2] 'Operating profit, including associates, before special items and remeasurements – continuing operations' is reconciled to 'Profit for the financial year – continuing operations' in note 2.

4 FINANCIAL STATEMENTS

Notes to the financial statements

1. Accounting policies

Basis of preparation

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

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

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

Details of the Group's significant accounting policies and critical accounting estimates are set out in the 'Operating and financial review' and form part of these financial statements; these are set out on pages 56 and 57.

Significant areas of estimation uncertainty include:
- useful economic lives of assets and ore reserves estimates;
- impairment of assets;
- restoration, rehabilitation and environmental costs; and
- retirement benefits.

Adoption of standards and changes in accounting policies

The Group has adopted with effect from 1 January 2008, IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* and IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*.

The Group has also adopted with effect from 1 July 2008, *Reclassification of Financial Assets* (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*).

The adoption of these statements has not had a material impact from a Group perspective.

Discontinued operations

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

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

Both of these operations are presented as discontinued.

Basis of consolidation

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

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

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

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

Associates

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

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

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

Joint venture entities

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

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

Joint venture operations

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

Revenue recognition

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

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

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

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

1. Accounting policies continued

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

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

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

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

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

Tangible assets

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

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

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

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

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

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

Non-mining licences and other intangibles

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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 a gain in the income statement.

Impairment of goodwill

Goodwill arising on business combinations is allocated to the group of CGUs that is 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 are provided in note 13. The recoverable amount of the CGU or group of CGUs to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when 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.

Inventory

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

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

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

Notes to the financial statements continued

1. Accounting policies continued

Retirement benefits

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

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

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

Tax

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

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

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

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

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

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

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

Leases

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

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

Assets held under finance leases are recognised as assets of the Group on inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element of the rental is charged against profit so as to produce a constant periodic rate of interest on the remaining balance of the liability, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's general policy on borrowing costs set out on page 91.

Non-current assets held for sale and discontinued operations

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

Non-current assets (and disposal groups) are classified as held for sale from the date these conditions are met and are measured at the lower of carrying amount and fair value less costs to sell. Any resulting impairment is reported through the income statement as a special item. On classification as held for sale the assets are no longer depreciated. Comparative amounts are not adjusted.

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

Restoration, rehabilitation and environmental costs

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

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out on page 89.

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

1. Accounting policies continued

Foreign currency transactions and translation

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

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

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

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

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.

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 the income statement in the period in which they are incurred.

Share-based payments

The Group has applied the requirements of IFRS 2 *Share-based Payment*. 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 and expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. For those share schemes with market related vesting conditions, the fair value is determined using the Monte Carlo method at the grant date. The fair value of share options issued with non-market vesting conditions has been calculated using the Black Scholes model. For all other share awards, the fair value is determined by reference to the market value of the share at the date of grant. For all share schemes with non-market related vesting conditions, the likelihood of vesting has been taken into account when determining the relevant charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

Black economic empowerment (BEE) transactions

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

Employee benefit trust

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

Cash and cash equivalents

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

Trade receivables

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

Trade payables

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

Equity instruments

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

Investments

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

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

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

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

Financial liabilities and equity instruments

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

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.

Notes to the financial statements continued

1. Accounting policies continued

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

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

Derecognition of financial assets and liabilities

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

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

New IFRS accounting standards and interpretations not yet adopted

IFRS 8 *Operating Segments* replaces the segmental reporting requirements of IAS 14 *Segment Reporting*. The key change is to align the determination of segments in the financial statements with that used by management in their resource allocation decisions. The Group is currently evaluating the impact that IFRS 8 will have on disclosure.

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

IFRS 3 *Business Combinations* revised makes a number of changes to the accounting for and disclosure of business combinations. Once adopted the Group will account for subsequent business combinations in accordance with this standard.

IAS 27 *Consolidated and Separate Financial Statements* revised requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Once adopted any transaction within this scope will be accounted for in accordance with the revised standard.

The following new IFRS accounting standards and interpretations not yet adopted are not expected to have a significant impact on the Group:

Amendments to IFRS 2 *Share-based Payment* clarifies the definition of vesting conditions and the accounting treatment of cancellations. Vesting conditions are defined as either service or performance conditions. Cancellations by employees are accounted for in the same way as cancellations by the Group.

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* prohibits designating inflation as a hedgeable component of a fixed rate debt and inclusion of time value in the one-sided hedged risk when designating options as hedges.

Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* addresses the liability versus equity classification of certain puttable financial instruments and instruments, or components thereof, which impose upon an entity an obligation to deliver a pro rata share of net assets on liquidation.

Annual improvements to IFRSs amends a number of standards including changes in presentation, recognition and measurement plus terminology and editorial changes.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* clarifies that net investment hedging applies to differences in functional currency not presentation currency, the hedging instrument can be held by any entity in a group and how an entity should determine the amounts to be reclassified from equity to the income statement for both the hedging instrument and the hedged item.

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.

The Corporate Activities and Unallocated Costs segment includes insurance costs.

Discontinued operations comprise the Paper and Packaging and Gold segments. The results for discontinued operations are disclosed in note 35.

2. Segmental information continued

Primary reporting format – by business segment

US$ million	Segment revenue 2008	Segment revenue 2007	Segment result before special items and remeasurements[1] 2008	Segment result before special items and remeasurements[1] 2007	Segment result after special items and remeasurements[1] 2008	Segment result after special items and remeasurements[1] 2007
Subsidiaries and joint ventures						
Platinum	6,288	6,673	2,206	2,635	2,187	2,635
Base Metals	5,878	7,129	2,505	4,338	2,153	4,338
Ferrous Metals and Industries	4,455	4,207	1,857	1,155	1,242	1,158
Coal	5,319	2,880	1,742	365	1,723	224
Industrial Minerals	4,371	4,581	228	474	137	407
Exploration	–	–	(212)	(157)	(162)	(157)
Corporate Activities and Unallocated Costs	–	–	(345)	(292)	(430)	(333)
Total subsidiaries and joint ventures – continuing operations	26,311[2]	25,470[2]	7,981	8,518	6,850	8,272
Revenue and net income from associates						
Platinum	39	116	13	38	13	38
Diamonds	3,096	3,076	237	223	47	(229)
Ferrous Metals and Industries	2,394	1,193	724	189	724	198
Coal	1,117	694	329	190	329	190
Industrial Minerals	7	10	–	–	–	–
Total associates – continuing operations	6,653	5,089	1,303	640	1,113	197
Total operations including net income from associates – continuing operations	32,964	30,559	9,284	9,158	7,963	8,469
Net profit on disposals – continuing operations					1,009	460
Total profit from operations and associates – continuing operations					8,972	8,929

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

[2] This represents segment revenue; the Group's share of associates' revenue is provided for additional information.

The table above represents continuing operations only, as disclosed in the income statement. Total Group revenue including share of revenue from associates and revenue from discontinued operations is $32,964 million (2007: $35,674 million) being $32,964 million (2007: $30,559 million) from continuing operations and nil (2007: $5,115 million) from discontinued operations. See note 35 for summarised segmental disclosures relating to discontinued operations.

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

US$ million	Operating profit before special items and remeasurements[1] 2008	Operating profit before special items and remeasurements[1] 2007	Operating profit after special items and remeasurements[1] 2008	Operating profit after special items and remeasurements[1] 2007
Total subsidiaries and joint ventures – continuing operations	7,981	8,518	6,850	8,272
Associates				
Platinum	20	62	20	62
Diamonds	508	484	282	19
Ferrous Metals and Industries	1,078	277	1,078	277
Coal	498	249	498	249
Total associates – continuing operations	2,104	1,072	1,878	607
Operating profit including associates – continuing operations	10,085	9,590	8,728	8,879

[1] Associates' operating profit is reconciled to 'Share of net income from associates' as follows:

US$ million	2008	2007
Operating profit from associates before special items and remeasurements – continuing operations	2,104	1,072
Operating special items and remeasurements	(226)	(465)
Operating profit from associates after special items and remeasurements – continuing operations	1,878	607
Net profit on disposals	18	24
Net finance costs (before remeasurements)	(147)	(85)
Financing remeasurements	(15)	(4)
Income tax expense (after special items and remeasurements)	(606)	(303)
Minority interests (after special items and remeasurements)	(15)	(42)
Share of net income from associates – continuing operations	1,113	197

'Operating profit, including associates, before special items and remeasurements – continuing operations' is reconciled to 'Profit for the financial year – continuing operations' as follows:

US$ million	2008	2007
Operating profit, including associates, before special items and remeasurements – continuing operations	10,085	9,590
Operating special items and remeasurements		
Subsidiaries and joint ventures	(1,131)	(246)
Platinum	(19)	–
Base Metals	(352)	–
Ferrous Metals and Industries	(615)	3
Coal	(19)	(141)
Industrial Minerals	(91)	(67)
Exploration	50	–
Corporate Activities and Unallocated Costs	(85)	(41)
Associates	(226)	(465)
Diamonds	(226)	(465)
Operating profit, including associates, after special items and remeasurements – continuing operations	8,728	8,879
Net profit on disposals		
Subsidiaries and joint ventures	1,009	460
Associates	18	24
Associates' net finance costs (before remeasurements)	(147)	(85)
Associates' financing remeasurements	(15)	(4)
Associates' income tax expense (before special items and remeasurements)	(623)	(305)
Associates' tax on special items and remeasurements	17	2
Associates' minority interests (before special items and remeasurements)	(31)	(42)
Associates' minority interests on special items and remeasurements	16	–
Total profit from operations and associates – continuing operations	8,972	8,929
Net finance costs (before remeasurements)	(452)	(137)
Financing remeasurements	51	29
Profit before tax – continuing operations	8,571	8,821
Income tax expense (after special items and remeasurements)	(2,451)	(2,693)
Profit for the financial year – continuing operations	6,120	6,128

Notes to the financial statements continued

2. Segmental information continued

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

US$ million	Segment assets[1] 2008	Segment assets[1] 2007	Segment liabilities[2] 2008	Segment liabilities[2] 2007	Net segment assets 2008	Net segment assets 2007	Capital expenditure[3] 2008	Capital expenditure[3] 2007
Platinum	9,713	9,926	(668)	(692)	9,045	9,234	3,026	2,512
Base Metals	6,783	5,897	(1,309)	(908)	5,474	4,989	1,874	582
Ferrous Metals and Industries	11,823	4,517	(656)	(530)	11,167	3,987	7,688	2,412
Coal	5,300	4,987	(1,338)	(1,003)	3,962	3,984	1,705	1,052
Industrial Minerals	3,935	5,370	(600)	(861)	3,335	4,509	479	352
Exploration	3	1	(7)	–	(4)	1	1	–
Corporate Activities and Unallocated Costs	225	225	(298)	(346)	(73)	(121)	42	44
Continuing operations	37,782	30,923	(4,876)	(4,340)	32,906	26,583	14,815	6,954
Paper and Packaging	–	–	–	–	–	–	–	198
Discontinued operations	–	–	–	–	–	–	–	198
Total Group	37,782	30,923	(4,876)	(4,340)	32,906	26,583	14,815	7,152
Unallocated assets and liabilities								
Investments in associates	3,612	3,341	–	–	3,612	3,341		
Financial asset investments	3,288	4,780	–	–	3,288	4,780		
Deferred tax assets/(liabilities)	258	474	(4,555)	(4,650)	(4,297)	(4,176)		
Cash and cash equivalents	2,771	3,129	–	–	2,771	3,129		
Other financial assets/(liabilities) – derivatives	376	535	(1,497)	(586)	(1,121)	(51)		
Other non-operating assets/(liabilities)	1,651	1,580	(2,515)	(2,264)	(864)	(684)		
Other provisions	–	–	(544)	(293)	(544)	(293)		
Borrowings	–	–	(13,995)	(8,299)	(13,995)	(8,299)		
Net assets	49,738	44,762	(27,982)	(20,432)	21,756	24,330		

[1] Segment assets at 31 December 2008 are operating assets and consist of intangible assets of $3,006 million (2007: $1,556 million), tangible assets of $29,545 million (2007: $23,534 million), biological assets of $3 million (2007: $3 million), environmental rehabilitation trusts of $244 million (2007: $252 million), inventories of $2,702 million (2007: $2,344 million), retirement benefit assets of $32 million (2007: $52 million) and operating receivables of $2,250 million (2007: $3,182 million).

[2] Segment liabilities at 31 December 2008 are operating liabilities and consist of non-interest bearing current liabilities of $3,534 million (2007: $2,965 million), restoration and decommissioning provisions of $941 million (2007: $931 million) and retirement benefit obligations of $401 million (2007: $444 million).

[3] Capital expenditure reflects cash payments and accruals in respect of additions to intangible assets of $24 million (2007: $9 million), tangible assets of $5,726 million (2007: $4,129 million) and additions resulting from acquisitions of interests in subsidiaries and joint ventures of $9,065 million (2007: $3,014 million).

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

US$ million	Depreciation and amortisation 2008	Depreciation and amortisation 2007	(Impairments)/reversals[1] 2008	(Impairments)/reversals[1] 2007	Other non-cash expenses[2] 2008	Other non-cash expenses[2] 2007
Platinum	507	455	–	–	7	8
Base Metals	340	344	(140)	–	113	94
Ferrous Metals and Industries	87	100	(6)	–	63	48
Coal	293	221	(40)	(153)	110	42
Industrial Minerals	259	258	(71)	(43)	44	55
Exploration	–	–	45	–	–	–
Corporate Activities and Unallocated Costs	23	20	(2)	–	54	45
Continuing operations	1,509	1,398	(214)	(196)	391	292
Paper and Packaging	–	234	–	(5)	–	12
Discontinued operations	–	234	–	(5)	–	12
Total Group	1,509	1,632	(214)	(201)	391	304

[1] See operating special items in note 7.

[2] Other non-cash expenses include share-based payment charges, fair value movements relating to cash settled share-based payment provisions and charges in respect of environmental rehabilitation provisions 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 2008	Revenue 2007
Subsidiaries and joint ventures		
South Africa	3,009	4,014
Rest of Africa	97	178
Europe	9,966	10,718
North America	1,476	1,686
South America	2,923	2,545
Australia and Asia	8,840	6,329
Total subsidiaries and joint ventures – continuing operations	26,311	25,470
Associates		
South Africa	942	796
Rest of Africa	225	82
Europe	1,985	1,498
North America	896	520
South America	84	52
Australia and Asia	2,521	2,141
Total associates – continuing operations	6,653	5,089
Total operations including associates – continuing operations	32,964	30,559

2. Segmental information continued

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

US$ million	Segment assets 2008	Segment assets 2007	Segment liabilities 2008	Segment liabilities 2007	Net segment assets 2008	Net segment assets 2007	Capital expenditure 2008	Capital expenditure 2007
South Africa	13,540	13,879	(1,633)	(1,661)	11,907	12,218	3,841	3,303
Rest of Africa	364	526	(30)	(32)	334	494	16	64
Europe	4,045	5,658	(910)	(1,057)	3,135	4,601	474	526
North America	629	465	(119)	(106)	510	359	195	151
South America	15,688	7,212	(1,431)	(935)	14,257	6,277	9,035	2,436
Australia and Asia	3,516	3,183	(753)	(549)	2,763	2,634	1,254	672
	37,782	30,923	(4,876)	(4,340)	32,906	26,583	14,815	7,152

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

US$ million	Revenue 2008	Revenue 2007	Operating profit/(loss) before special items and remeasurements[1] 2008	Operating profit/(loss) before special items and remeasurements[1] 2007	Operating profit/(loss) after special items and remeasurements[1] 2008	Operating profit/(loss) after special items and remeasurements[1] 2007
Subsidiaries and joint ventures						
South Africa	11,708	12,003	4,468	4,043	4,363	4,044
Rest of Africa	280	540	78	351	78	351
Europe	4,545	4,995	(226)	425	(460)	320
North America	451	230	(33)	30	(25)	31
South America	5,825	6,234	2,612	3,697	1,787	3,697
Australia and Asia	3,502	1,468	1,082	(28)	1,107	(171)
Total subsidiaries and joint ventures – continuing operations	26,311	25,470	7,981	8,518	6,850	8,272
Associates						
South Africa	2,078	1,374	639	248	417	222
Rest of Africa	2,250	2,160	389	342	385	342
Europe	260	872	43	88	43	88
North America	254	63	4	17	4	(422)
South America	918	96	373	198	373	198
Australia and Asia	893	524	656	179	656	179
Total associates – continuing operations	6,653	5,089	2,104	1,072	1,878	607
Total operations including associates – continuing operations	32,964	30,559	10,085	9,590	8,728	8,879

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

Notes to the financial statements continued

3. Profit for the financial year

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

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

US$ million	Operating profit/(loss) before special items and remeasurements[1]	Operating profit/(loss) after special items and remeasurements	Operating special items and remeasurements[2]	Net profit on disposals[2]	Financing special items and remeasurements[2]	Net interest, tax and minority interests	2008 Total
By business segment							
Platinum	2,226	2,207	19	–	–	(913)	1,313
Diamonds	508	282	226	–	–	(252)	256
Base Metals	2,505	2,153	352	–	–	(1,136)	1,369
Ferrous Metals and Industries	2,935	2,320	615	–	–	(1,539)	1,396
Coal	2,240	2,221	19	–	–	(659)	1,581
Industrial Minerals	228	137	91	–	–	(55)	173
Exploration	(212)	(162)	(50)	–	–	12	(200)
Corporate Activities and Unallocated Costs	(345)	(430)	85	–	–	(306)	(651)
Total/Underlying earnings – continuing operations and total Group	10,085	8,728	1,357	–	–	(4,848)	5,237
Underlying earnings adjustments – continuing operations and total Group			(1,357)	1,027	36	272	(22)
Profit for the financial year attributable to equity shareholders of the Company – continuing operations and total Group							5,215

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

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

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

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

[2] Special items and remeasurements for continuing operations are set out in note 7. Special items and remeasurements for discontinued operations are set out in note 35.

4. Operating profit from subsidiaries and joint ventures

US$ million	2008	2007
Group revenue	26,311	25,470
Cost of sales[1]	(15,551)	(14,095)
Gross profit – continuing operations	10,760	11,375
Selling and distribution costs	(1,631)	(1,453)
Administrative expenses	(1,643)	(1,510)
Other gains and losses (see below)	(424)	17
Exploration expenditure (see note 5)	(212)	(157)
Operating profit from subsidiaries and joint ventures – continuing operations	6,850	8,272

[1] Includes special items of $352 million (2007: $251 million), see note 7.

US$ million	2008	2007
Operating profit is stated after charging:		
Depreciation of tangible assets (see note 14)	1,505	1,396
Amortisation of intangible assets (see note 13)	4	2
Rentals under operating leases	210	183
Research and development expenditure	36	41
Operating special items[1]	352	251
Employee costs (see note 6)	3,281	3,691
Adjustment due to provisional pricing[2]	764	4
Other gains and losses comprise:		
Fair value (losses)/gains on derivatives – unrealised	(698)	5
Fair value losses on derivatives relating to capital expenditure – realised	(120)	–
Other fair value losses on derivatives – realised	(108)	–
Foreign currency gains/(losses) on other monetary items	501	(4)
Gains on valuation of biological assets	1	16
On initial recognition	–	–
Change in fair value less estimated point of sale costs	1	16
Total other gains and losses	(424)	17

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

[2] Provisionally priced contracts resulted in a total (realised and unrealised) loss in revenue of $865 million (2007: $38 million gain) and gain in operating costs of $101 million (2007: $34 million loss).

US$ million	2008	2007
Auditors' remuneration – continuing operations		
Audit		
United Kingdom	3	3
Overseas	7	7
Other services provided by Deloitte[1]		
United Kingdom	2	2
Overseas	2	2

[1] 'Other services provided by Deloitte' includes charges incurred in respect of the interim review.

A more detailed analysis of auditors' remuneration for the total Group is provided below:

	2008			
			Paid/ payable to Deloitte	Paid/ payable to auditor (if not Deloitte)
US$ million	United Kingdom	Overseas	Total	Overseas
Statutory audit services[1]				
Anglo American plc Annual Report paid to the Company's auditor	2.2	–	2.2	–
Subsidiary entities – for purposes of Anglo American plc Annual Report	–	3.6	3.6	0.1
Subsidiary entities – additional local statutory requirements	0.6	3.8	4.4	0.5
Subsidiary entities – total	0.6	7.4	8.0	0.6
Total	2.8	7.4	10.2	0.6
Other services[1]				
Other services pursuant to legislation	0.6	0.5	1.1	–
Tax services	0.2	0.6	0.8	–
Internal audit services	–	–	–	0.4
Corporate finance	0.1	–	0.1	–
Other	0.5	1.2	1.7	0.2
Total	1.4	2.3	3.7	0.6

[1] $0.1 million was paid/payable in respect of the audit of Group pension schemes. Other services to these schemes amounted to nil.

	2007			
			Paid/ payable to Deloitte	Paid/ payable to auditor (if not Deloitte)
US$ million	United Kingdom	Overseas	Total	Overseas
Statutory audit services[1]				
Anglo American plc Annual Report paid to the Company's auditor	2.2	–	2.2	–
Subsidiary entities – for purposes of Anglo American plc Annual Report	–	4.8	4.8	0.1
Subsidiary entities – additional local statutory requirements	0.5	4.6	5.1	–
Subsidiary entities – total	0.5	9.4	9.9	0.1
Total	2.7	9.4	12.1	0.1
Other services[1]				
Other services pursuant to legislation	0.7	0.5	1.2	–
Tax services	0.4	0.7	1.1	0.1
Corporate finance	–	0.1	0.1	–
Other	0.9	1.1	2.0	0.2
Total	2.0	2.4	4.4	0.3

[1] $0.1 million was paid/payable in respect of the audit of Group pension schemes. Other services to these schemes amounted to $0.1 million.

Notes to the financial statements continued

5. Exploration expenditure

Exploration expenditure is stated before special items.

US$ million	2008	2007
By business segment		
Platinum	36	36
Base Metals	123	77
Ferrous Metals and Industries	18	12
Coal	35	32
	212	157

6. Employee numbers and costs

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

Thousand	2008[1]	2007[1]
By business segment		
Platinum	56	53
Base Metals	9	10
Ferrous Metals and Industries	15	13
Coal	13	12
Industrial Minerals	11	11
Corporate Activities and Unallocated Costs	1	1
Continuing operations	105	100

[1] Amounts relating to discontinued operations are disclosed in note 35. Average number of employees, excluding associates' employees and including a proportionate share of employees within joint venture entities, for continuing and discontinued operations was 105,000 (2007: 116,000).

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

Thousand	2008	2007
South Africa	79	76
Rest of Africa	1	1
Europe	10	11
North America	1	1
South America	9	7
Australia and Asia	5	4
Continuing operations	105	100

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

US$ million	2008[1]	2007[1]
Wages and salaries	2,774	3,145
Social security costs	153	158
Defined contribution plans	143	162
Defined benefit plans	49	65
Other post employment benefits	7	23
Share-based payments	155	138
Continuing operations	3,281	3,691

[1] Amounts relating to discontinued operations are disclosed in note 35. Total payroll costs, including discontinued operations, were $3,281 million (2007: $4,266 million).

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

Compensation for key management was as follows:

US$ million	2008	2007
Salaries and short term employee benefits	20	28
Post employment benefits	2	4
Termination benefits	2	4
National insurance and social security	3	6
Share-based payments	11	9
Continuing operations	38	51

Key management includes members of the Board and the Executive Committee (ExCo).

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

7. Special items and remeasurements

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

Remeasurements comprise other items which the Group believes should be reported separately to aid an understanding of the underlying financial performance of the Group. This category includes:

(i) unrealised gains and losses on 'non-hedge' derivative instruments open at year end (in respect of future transactions) and the reversal of the historical marked to market value of such instruments settled in the year. The full realised gains or losses are recorded in underlying earnings in the same year as the underlying transaction for which such instruments provide an economic, but not formally designated, hedge (if the underlying transaction is recorded in the balance sheet, e.g. capital expenditure, the realised amount remains in remeasurements on settlement of the derivative). Such amounts are classified in the income statement as financing when the underlying exposure is in respect of net debt and otherwise as operating.

(ii) foreign exchange gains and losses arising on the retranslation of dollar denominated De Beers preference shares held by a rand functional currency subsidiary of the Group. This is classified as financing.

(iii) foreign exchange impact arising in US dollar functional currency entities where tax calculations are generated based on local currency financial information (and hence deferred tax is susceptible to currency fluctuations). Such amounts are included within income tax expense.

Subsidiaries and joint ventures' special items and remeasurements

Operating special items

US$ million	2008	2007
Impairment of Tarmac assets and restructuring costs	(91)	(43)
Impairment of Lisheen	(78)	–
Impairment of Black Mountain	(62)	–
Impairment of Coal Australia assets	(40)	(153)
Reversal of impairment of Silangan exploration asset	45	–
Costs associated with 'One Anglo' initiatives	(72)	–
Provisions for onerous contracts	(39)	–
Costs associated with proposed sale of Tarmac	(3)	(55)
Other	(12)	–
Total operating special items – continuing operations	(352)	(251)
Tax	42	60
Minority interests	1	–
Net total attributable to equity shareholders of the Company – continuing operations	(309)	(191)

7. Special items and remeasurements[(1)] continued

Following structural review of the Industrial Minerals business by management and as a result of trading conditions in the building industry, restructuring and impairment charges totalling $91 million have been recorded. The impairment brings the carrying value in line with fair value (less costs to sell).

Impairments have been recorded at Black Mountain and Lisheen resulting from a reduction in the near term zinc and lead prices. These charges were based on a value in use assessment of recoverable amount using a pre-tax, risk free discount rate which equated to a post tax rate of 6%.

Costs associated with 'One Anglo' initiatives principally comprise advisory costs associated with procurement, shared services and information systems.

Operating remeasurements

US$ million	2008	2007
Net (loss)/gain on non-hedge derivatives	(659)	5
Realised loss on derivatives relating to capital expenditure	(120)	–
Total operating remeasurements – continuing operations	(779)	5
Tax	252	(1)
Minority interests	135	–
Net total attributable to equity shareholders of the Company – continuing operations	(392)	4

The net loss on non-hedge derivatives principally related to a net unrealised loss on derivatives relating to capital expenditure held by Anglo Ferrous Brazil and Los Bronces and an unrealised loss on an embedded derivative at Minera Loma de Níquel. Realised losses on derivatives relating to capital expenditure were principally incurred on foreign currency instruments held by Anglo Ferrous Brazil and Los Bronces.

Profits and (losses) on disposals

US$ million	2008	2007
Disposal of interest in China Shenhua Energy	551	–
Disposal of interest in Minera Santa Rosa SCM	142	–
Disposal of Northam Platinum Limited	101	–
Copebrás property compensation	96	–
Disposal of Tarmac Iberia	65	–
Disposal of Namakwa Sands[(1)]	49	–
Part disposal of Exxaro (formerly Kumba Resources)	–	234
Disposal of remaining interest in Highveld[(1)]	–	140
Part disposal of AngloGold Ashanti	–	67
Tongaat-Hulett and Hulamin BBBEE transactions[(1)]	–	(68)
Tarmac land sales	–	25
Disposal of Boschendal Phase II	–	21
Other	5	41
Net profit on disposals – continuing operations[(2)]	1,009	460
Tax	(47)	(71)
Minority interests	(43)	34
Net total attributable to equity shareholders of the Company – continuing operations	919	423

[(1)] See Disposals and demerger of subsidiaries and businesses note 33.

[(2)] Includes charges associated with IFRS 2 on broad based black economic empowerment (BBBEE) and BEE transactions of nil (2007: $68 million).

In April 2008 the Group sold its investment in China Shenhua Energy for $704 million, generating a profit on disposal of $551 million.

On 20 August 2008 the Group sold its 22.4% interest in Northam Platinum Limited for cash proceeds of $205 million. This interest was transferred to a disposal group in September 2007, where it was held until sale.

The sale of the Group's 40% interest in Minera Santa Rosa SCM was completed in December 2008 for consideration of $140 million. This investment had a nominal carrying value.

Financing remeasurements

US$ million	2008	2007
Foreign exchange gain/(loss) on De Beers preference shares	28	(3)
Unrealised net gain on non-hedge derivatives related to net debt	23	32
Total financing remeasurements – continuing operations	51	29
Tax	–	(5)
Net total attributable to equity shareholders of the Company – continuing operations	51	24

The unrealised net gain on non-hedge derivatives related to net debt principally comprises an unrealised gain on an embedded interest rate derivative.

Tax remeasurements

US$ million	2008	2007
Foreign currency translation of deferred tax balances	(153)	–
Minority interests	52	–
Net total attributable to equity shareholders of the Company – continuing operations	(101)	–

Total special items and remeasurements – continuing operations

US$ million	2008	2007
Total special items and remeasurements before tax and minority interests – continuing operations	(71)	243
Tax remeasurements	(153)	–
Tax on special items and remeasurements	247	(17)
Minority interests	145	34
Net total special items and remeasurements attributable to equity shareholders of the Company – continuing operations	168	260

Associates' special items and remeasurements

Associates' operating special items and remeasurements

US$ million	2008	2007
Impairment of De Beers' businesses	(79)	–
Impairment of De Beers' Canadian assets	–	(434)
Share of De Beers' restructuring costs	(37)	(15)
Share of De Beers' class action payment and related costs	(3)	(5)
Unrealised net loss on non-hedge derivatives	(101)	(3)
Other impairments	(6)	(8)
Total associates' operating special items and remeasurements – continuing operations	(226)	(465)
Tax	17	2
Minority interests	16	–
Net total associates' operating special items and remeasurements – continuing operations	(193)	(463)

Due to current trading conditions De Beers has recorded an impairment of $176 million (attributable share $79 million) in respect of certain of its businesses. The impairment brings the carrying value of these assets in line with fair value (less costs to sell), determined using discounted cash flow techniques.

Associates' profits on disposals

US$ million	2008	2007
Disposal of interests in Williamson, Cullinan and Koffiefontein	15	–
Disposal of interests in Acerinox	–	12
Disposal of interest in Gope Exploration Company	–	8
Other	3	4
Associates' net profit on disposals – continuing operations	18	24

4 FINANCIAL STATEMENTS

Notes to the financial statements continued

7. Special items and remeasurements continued

Associates' financing remeasurements

US$ million	2008	2007
Unrealised net loss on non-hedge derivatives related to net debt	(15)	(4)
Total associates' financing remeasurements – continuing operations	(15)	(4)

Total associates' special items and remeasurements – continuing operations

US$ million	2008	2007
Total associates' special items and remeasurements before tax and minority interests – continuing operations	(223)	(445)
Tax	17	2
Minority interests	16	–
Net total associates' special items and remeasurements – continuing operations	(190)	(443)

Operating special items and remeasurements – continuing operations

US$ million	2008	2007
Operating special items	(352)	(251)
Operating remeasurements	(779)	5
Total operating special items and remeasurements (excluding associates) – continuing operations	(1,131)	(246)
Associates' operating special items	(125)	(462)
Associates' operating remeasurements	(101)	(3)
Total associates' operating special items and remeasurements – continuing operations	(226)	(465)
Total operating special items and remeasurements (including associates) – continuing operations	(1,357)	(711)
Operating special items (including associates)	(477)	(713)
Operating remeasurements (including associates)	(880)	2
Total operating special items and remeasurements (including associates) – continuing operations	(1,357)	(711)

8. Net finance costs

Finance costs and exchange gains/(losses) are presented net of effective cash flow hedges for respective interest bearing and foreign currency borrowings.

The weighted average interest rate applicable to interest on general borrowings capitalised for continuing operations was 12.0% (2007: 11.4%). Financing remeasurements are set out in note 7.

US$ million	Before special items and remeasurements 2008	After special items and remeasurements 2008	Before special items and remeasurements 2007	After special items and remeasurements 2007
Investment income				
Interest and other financial income	324	324	323	323
Expected return on defined benefit arrangements	215	215	257	257
Dividend income from financial asset investments	50	50	36	36
Total investment income – continuing operations	589	589	616	616
Interest expense				
Amortisation of discount relating to provisions	(33)	(33)	(36)	(36)
Interest and other finance expense	(815)	(815)	(565)	(565)
Interest on defined benefit arrangements	(201)	(201)	(229)	(229)
Dividend on redeemable preference shares	(16)	(16)	(9)	(9)
	(1,065)	(1,065)	(839)	(839)
Less: interest capitalised	215	215	42	42
Total interest expense – continuing operations	(850)	(850)	(797)	(797)
Other financing (losses)/gains				
Net foreign exchange (losses)/gains	(173)	(145)	59	56
Fair value (losses)/gains on derivatives	(2)	21	(1)	12
Net fair value gains/(losses) on fair value hedges	2	2	(6)	(6)
Other net fair value (losses)/gains	(18)	(18)	(8)	11
Total other financing (losses)/gains – continuing operations	(191)	(140)	44	73
Net finance costs – continuing operations	(452)	(401)	(137)	(108)

9. Financial instrument gains and losses

The net gains and losses recorded in the Consolidated income statement, for the total Group, in respect of financial instruments were as follows:

US$ million	2008	2007
At fair value through profit and loss		
Cash flow hedge derivatives[(1)]	(380)	(315)
Fair value hedge derivatives	(181)	(10)
Fair value hedge underlying instruments	183	4
Other fair value movements[(2)]	(1,723)	198
Loans and receivables		
Foreign exchange	(121)	108
Interest income at amortised cost	287	308
Available for sale		
Net gain transferred on sale	476	298
Other income	50	36
Other financial liabilities		
Foreign exchange	479	(152)
Interest expense at amortised cost	(631)	(565)

[(1)] Gains and losses on derivative instruments designated in cash flow hedge relationships which have been realised in the year have been recorded in Group revenue (2007: Group revenue).

[(2)] Includes the impact of provisional pricing which is disclosed in note 4.

10. Tax on profit on ordinary activities

a) Analysis of charge for the year from continuing operations

US$ million	2008	2007
United Kingdom corporation tax at 28.5%	18	–
United Kingdom corporation tax at 30%	–	163
South Africa tax	840	812
Other overseas tax	1,155	1,259
Prior year adjustments	(78)	(1)
Current tax (excluding special items and remeasurements tax)	1,935	2,233
Deferred tax (excluding special items and remeasurements tax)	610	443
Tax (excluding special items and remeasurements tax)	2,545	2,676
Special items and remeasurements tax	(94)	17
Income tax expense – continuing operations	2,451	2,693

b) Factors affecting tax charge for the year

The effective tax rate for the year of 28.6% (2007: 30.5%) is approximately equal to the applicable standard rate of corporation tax for the year ended 31 December 2008 in the United Kingdom (28.5%) (2007: 30%). The reconciling items are:

US$ million	2008	2007[1]
Profit on ordinary activities before tax – continuing operations	8,571	8,821
Tax on profit on ordinary activities calculated at United Kingdom corporation tax rate of 28.5%	2,443	–
Tax on profit on ordinary activities calculated at United Kingdom corporation tax rate of 30%	–	2,646
Tax effect of share of net income from associates	(317)	(59)
Tax effects of:		
Special items and remeasurements		
Operating special items and remeasurements	28	15
Profits and losses on disposals and financing remeasurements	(255)	(71)
Tax remeasurements	153	–
Items not taxable/deductible for tax purposes		
Exploration expenditure	20	19
Non-deductible net foreign exchange loss	28	2
Non-deductible net interest expense	10	–
Other non-deductible expenses	127	83
Other non-taxable income	(78)	(41)
Temporary difference adjustments		
Changes in tax rates	(84)	12
Movements in tax losses	38	13
Enhanced tax depreciation	(26)	(91)
Other temporary differences	42	(14)
Other adjustments		
Secondary tax on companies and dividend withholding taxes	634	644
Effect of differences between local and UK rates	(181)	(517)
Prior year adjustments to current tax	(78)	(1)
Other adjustments	(53)	53
Income tax expense – continuing operations	2,451	2,693

[1] Comparatives have been reclassified to align with current year presentation.

IAS 1 requires income from associates to be presented net of tax on the face of the income statement. Associates' tax is therefore not included within the Group's total tax charge. Associates' tax included within 'Share of net income from associates' for the year ended 31 December 2008 is $606 million (2007: $303 million). Excluding special items and remeasurements this becomes $623 million (2007: $305 million).

The effective rate of tax before special items and remeasurements including share of associates' tax for the year ended 31 December 2008 was 33.4%. This was an increase from the equivalent effective rate of 31.8% in the year ended 31 December 2007. The main reasons for this net increase are tax losses not recognised for deferred tax purposes and changes in the geographical mix of profits around the Group, partially offset by changes in statutory tax rates and the impact of prior year adjustments. In addition, the 2007 rate benefited from the availability of enhanced tax depreciation on certain assets. In future periods it is expected that the effective tax rate, including associates' tax, will remain at or above the UK statutory tax rate.

11. Dividends

US$ million	2008	2007
Final ordinary paid – 86 US cents per ordinary share (2007: 75 US cents)	1,021	1,058
Interim ordinary paid – 44 US cents per ordinary share (2007: 38 US cents)	517	469
Interim dividend paid – in specie[1]	–	3,718
	1,538	5,245

[1] In specie dividend relates to the Mondi demerger. See Disposals and demerger of subsidiaries and businesses note 33.

The Board has decided to suspend dividend payments.

As stated in note 28, the employee benefit trust has waived the right to receive dividends on the shares it holds although the waiver was temporarily suspended in respect of the Mondi demerger dividend in specie. Immediately after the dividend was paid, the waiver was reinstated.

12. Earnings per share

US$	2008 Continuing operations	2008 Discontinued operations	2008 Total Group	2007 Continuing operations	2007 Discontinued operations	2007 Total Group
Profit for the financial year attributable to equity shareholders of the Company						
Basic earnings per share	4.34	–	4.34	4.04	1.54	5.58
Diluted earnings per share	4.29	–	4.29	3.99	1.51	5.50
Headline earnings for the financial year[1]						
Basic earnings per share	3.78	–	3.78	4.10	0.08	4.18
Diluted earnings per share	3.74	–	3.74	4.04	0.08	4.12
Underlying earnings for the financial year[1]						
Basic earnings per share	4.36	–	4.36	4.18	0.22	4.40
Diluted earnings per share	4.31	–	4.31	4.13	0.21	4.34

[1] Basic and diluted earnings per share are shown based on headline earnings, a Johannesburg stock exchange (JSE Limited) defined performance measure, and underlying earnings, which the directors consider to be a useful additional measure of the Group's performance. Both earnings measures are further explained below.

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

US$ million (unless otherwise stated)	2008 Continuing operations	2008 Discontinued operations	2008 Total Group	2007 Continuing operations	2007 Discontinued operations	2007 Total Group
Basic and diluted earnings						
Profit for the financial year attributable to equity shareholders of the Company	5,215	–	5,215	5,294	2,010	7,304
Number of shares (million)						
Basic number of ordinary shares outstanding[1]			1,202			1,309
Effect of dilutive potential ordinary shares[2]						
Share options and awards			13			18
Diluted number of ordinary shares outstanding[1]			1,215			1,327

[1] Basic and diluted number of ordinary shares outstanding represent the weighted average for the year. The average number of ordinary shares in issue excludes the shares held by the employee benefit trusts and other Anglo American plc shares held by the Group.

[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. All outstanding share options and awards are potentially dilutive and have been included in the calculation of diluted earnings per share. No instruments are anti-dilutive for the year ended 31 December 2008 (2007: nil).

Notes to the financial statements continued

12. Earnings per share continued

The weighted average number of ordinary shares, and accordingly earnings per share, of the Group have been impacted by the effect of the share buyback programme as well as the Anglo American share consolidation which on 2 July 2007 resulted in 100 existing Anglo American ordinary shares being exchanged for 91 new Anglo American 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. Underlying earnings is presented after minority interests and excludes special items and remeasurements (see note 7). Underlying earnings is distinct from 'Headline earnings', which is a JSE Limited defined performance measure.

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

	Earnings (US$ million)		Basic earnings per share (US$)	
Continuing operations	2008	2007	2008	2007
Profit for the financial year attributable to equity shareholders of the Company – continuing operations	5,215	5,294	4.34	4.04
Operating special items	209	196	0.17	0.15
Operating special items – tax	(27)	(54)	(0.02)	(0.04)
Operating special items – minority interests	(1)	–	–	–
Net profit on disposals[1]	(1,009)	(528)	(0.84)	(0.40)
Net profit on disposals – tax	47	71	0.04	0.05
Net profit on disposals – minority interests	43	(34)	0.04	(0.02)
Associates' special items	67	418	0.05	0.32
Associates' special items – tax	(1)	–	–	–
Associates' special items – minority interests	(2)	–	–	–
Headline earnings for the financial year[2] – continuing operations	4,541	5,363	3.78	4.10
Operating special items[3]	143	55	0.12	0.04
Operating special items – tax	(15)	(6)	(0.01)	–
Operating remeasurements	779	(5)	0.65	–
Operating remeasurements – tax	(252)	1	(0.21)	–
Operating remeasurements – minority interests	(135)	–	(0.11)	–
Financing remeasurements	(51)	(29)	(0.04)	(0.02)
Financing remeasurements – tax	–	5	–	–
Tax remeasurements	153	–	0.12	–
Tax remeasurements – minority interests	(52)	–	(0.04)	–
Associates' remeasurements	116	7	0.10	–
Associates' remeasurements – tax	(9)	–	(0.01)	–
Associates' remeasurements – minority interests	(9)	–	(0.01)	–
Associates' special items[4]	40	20	0.03	0.01
Associates' special items – tax	(7)	(2)	(0.01)	–
Associates' special items – minority interests	(5)	–	–	–
IFRS 2 charges on BBBEE and BEE transactions	–	68	–	0.05
Underlying earnings for the financial year – continuing operations	5,237	5,477	4.36	4.18
Underlying earnings for the financial year – discontinued operations	–	284	–	0.22
Underlying earnings for the financial year – total Group	5,237	5,761	4.36	4.40

[1] Excluding associated IFRS 2 charges on BBBEE and BEE transactions.

[2] Headline earnings for the financial year – total Group was $4,541 million (2007: $5,467 million).

[3] Year ended 31 December 2008 includes costs associated with 'One Anglo' initiatives, Tarmac restructuring and proposed sale of Tarmac as well as provisions for onerous leases. Year ended 31 December 2007 includes costs associated with proposed sale of Tarmac.

[4] Includes restructuring costs and legal settlements.

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

	Earnings (US$ million)		Basic earnings per share (US$)	
Discontinued operations	2008	2007	2008	2007
Profit for the financial year attributable to equity shareholders of the Company – discontinued operations	–	2,010	–	1.54
Operating special items	–	13	–	0.01
Operating special items – tax	–	(2)	–	–
Financing special items	–	2	–	–
Financing special items – tax	–	(8)	–	(0.01)
Net profit on disposals	–	(2,079)	–	(1.59)
Net profit on disposals – tax	–	165	–	0.13
Associates' special items	–	1	–	–
Associates' special items – tax	–	2	–	–
Headline earnings for the financial year – discontinued operations	–	104	–	0.08
Operating remeasurements	–	(3)	–	–
Operating remeasurements – tax	–	1	–	–
Financing remeasurements	–	(2)	–	–
Associates' remeasurements	–	204	–	0.16
Associates' remeasurements – tax	–	(20)	–	(0.02)
Underlying earnings for the financial year – discontinued operations	–	284	–	0.22

13. Intangible assets

	2008			2007		
US$ million	Licences and other intangibles	Goodwill[1]	Total	Licences and other intangibles	Goodwill[1]	Total
Cost						
At 1 January	15	1,546	1,561	88	2,101	2,189
Acquired through business combinations	50	1,657	1,707	–	51	51
Additions	24	–	24	3	6	9
Transfer to assets held for sale	–	(23)	(23)	–	–	–
Disposal of assets	–	–	–	–	(2)	(2)
Disposal and demerger of businesses[2]	–	–	–	(78)	(633)	(711)
Reclassifications	15	(15)	–	–	–	–
Currency movements	(2)	(250)	(252)	2	23	25
At 31 December	102	2,915	3,017	15	1,546	1,561
Accumulated amortisation						
At 1 January	5	–	5	55	–	55
Charge for the year[3]	4	–	4	5	–	5
Impairments	2	–	2	–	–	–
Disposal and demerger of businesses[2]	–	–	–	(57)	–	(57)
Currency movements	–	–	–	2	–	2
At 31 December	11	–	11	5	–	5
Net book value	91	2,915	3,006	10	1,546	1,556

[1] The goodwill balances provided are net of cumulative impairment charges of $45 million as at 31 December 2008 (2007: $45 million).

[2] 2007 includes cost of $711 million and accumulated amortisation of $57 million relating to the demerger of Mondi.

[3] Includes amounts in respect of discontinued operations of nil (2007: $3 million).

The increase in goodwill relating to acquisition of subsidiaries represents the excess of purchase price over the fair value of the net assets, including mining reserves, of businesses acquired. Further detail is given in note 32.

13. Intangible assets continued

Impairment tests for goodwill

Goodwill is allocated for impairment testing purposes to cash generating units (CGUs) 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 Ferrous Metals and Industries where the material components of goodwill are split out below:

US$ million	2008	2007
Platinum	230	230
Base Metals	208	162
Ferrous Metals and Industries		
Anglo Ferrous Brazil	1,556	–
Other Ferrous Metals and Industries	73	75
Coal	88	88
Industrial Minerals	760	991
	2,915	1,546

The recoverable amount of a CGU is determined based on a fair value or value in use calculation as appropriate. Value in use calculations use cash flow projections based on financial budgets and life of mine or non-mine production 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 where applicable 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 6% (2007: 6%), that have been adjusted for any risks that are not reflected in the underlying cash flows. Where the recoverability of goodwill allocated to a CGU is supported by fair value less costs to sell, market observable data (in the case of listed subsidiaries, market share price at 31 December of the respective listed entity) or detailed cash flow models are 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.

The Group acquired a controlling interest in Anglo Ferrous Brazil SA on 5 August 2008 resulting in the recognition of provisionally determined goodwill totalling $1.6 billion. The recoverable amount of this goodwill has been reviewed with reference to fair value (less costs to sell) as informed by the market price paid by the Group (underpinned by a discounted cash flow model which has been updated to reflect latest available information).

14. Tangible assets

US$ million	Mining properties and leases	Land and buildings	Plant and equipment	Other[1]	Total
Cost					
At 1 January 2008	12,652	2,256	12,902	5,363	33,173
Additions	436	47	357	4,886	5,726
Acquired through business combinations	6,341	73	436	508	7,358
Transfer to assets held for sale	(66)	(16)	(118)	–	(200)
Fair value adjustment	–	3	–	50	53
Disposal of assets	(5)	(14)	(182)	(44)	(245)
Disposal of businesses	(52)	(1)	(78)	–	(131)
Reclassifications[2]	418	216	2,048	(2,682)	–
Currency movements	(2,600)	(389)	(2,702)	(1,466)	(7,157)
At 31 December 2008	17,124	2,175	12,663	6,615	38,577
Accumulated depreciation					
At 1 January 2008	2,652	653	6,126	208	9,639
Charge for the year	353	84	964	104	1,505
Impairments	123	19	114	–	256
Transfer to assets held for sale	(42)	–	(65)	–	(107)
Disposal of assets	(2)	(8)	(166)	(19)	(195)
Disposal of businesses	(12)	–	(29)	–	(41)
Currency movements	(511)	(114)	(1,281)	(119)	(2,025)
At 31 December 2008	2,561	634	5,663	174	9,032
Net book value					
At 31 December 2008	14,563	1,541	7,000	6,441	29,545
At 31 December 2007	10,000	1,603	6,776	5,155	23,534

[1] Other tangible assets include $6,050 million of assets in the course of construction, which are not depreciated.

[2] Relates mainly to amounts transferred from assets in the course of construction.

US$ million	Mining properties and leases	Land and buildings	Plant and equipment	Other[1]	Total
Cost					
At 1 January 2007	9,250	3,833	19,400	3,481	35,964
Additions	98	56	379	3,596	4,129
Acquired through business combinations	2,855	21	53	34	2,963
Transfer to assets held for sale	(89)	(19)	(67)	(152)	(327)
Disposal of assets	(12)	(29)	(273)	(20)	(334)
Disposal and demerger of businesses[2]	–	(1,836)	(8,003)	(692)	(10,531)
Reclassifications[3]	228	116	817	(1,094)	67
Currency movements	322	114	596	210	1,242
At 31 December 2007	12,652	2,256	12,902	5,363	33,173
Accumulated depreciation					
At 1 January 2007	2,136	1,151	8,901	278	12,466
Charge for the year[4]	323	114	1,139	51	1,627
Impairments[5]	162	2	31	8	203
Transfer to assets held for sale	(30)	(10)	(33)	(2)	(75)
Disposal of assets	(7)	(13)	(245)	(18)	(283)
Disposal and demerger of businesses[2]	–	(627)	(3,948)	(153)	(4,728)
Reclassifications	–	–	(23)	23	–
Currency movements	68	36	304	21	429
At 31 December 2007	2,652	653	6,126	208	9,639
Net book value					
At 31 December 2007	10,000	1,603	6,776	5,155	23,534
At 31 December 2006	7,114	2,682	10,499	3,203	23,498

[1] Other tangible assets includes $4,850 million of assets in the course of construction, which are not depreciated.

[2] Includes cost of $9,242 million and accumulated depreciation of $4,381 million relating to the demerger of Mondi.

[3] Relates mainly to amounts transferred from assets in the course of construction and reclassification of asset values upon finalisation of Peace River Coal acquisition accounting.

[4] Includes amounts in respect of discontinued operations of $231 million.

[5] Includes amounts in respect of discontinued operations of $5 million.

Notes to the financial statements continued

14. Tangible assets continued

Included in the additions above is $215 million (2007: $42 million) of interest expense incurred on borrowings funding the construction of qualifying assets which has been capitalised during the year.

The net book value and depreciation charges relating to assets held under finance leases comprise:

US$ million	2008 Net book value	2008 Depreciation	2007 Net book value	2007 Depreciation
Mining properties and leases	12	2	18	2
Land and buildings	34	24	44	13
Plant and equipment	19	5	17	3
Other	1	–	1	–
	66	31	80	18

The net book value of land and buildings comprises:

US$ million	2008	2007
Freehold	1,492	1,536
Leasehold – long	39	51
Leasehold – short (less than 50 years)	10	16
	1,541	1,603

15. Environmental rehabilitation trusts

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

US$ million	2008	2007
At 1 January	252	197
Contributions made	36	37
Interest earned	16	12
Transfer to assets held for sale	–	(2)
Currency movements	(60)	8
At 31 December	244	252

The funds comprise the following investments:

US$ million	2008	2007
Equity	23	19
Bonds	82	85
Cash	139	148
	244	252

These assets are primarily rand denominated. Cash is held in short term fixed deposits or earns interest at floating inter-bank rates and bonds earn interest at a weighted average fixed rate of 9% (2007: 11%) and are fixed for an average period of 10.2 years (2007: 9.5 years). These assets are recorded 'at fair value through profit and loss'.

These funds are not available for the general purposes of the Group. All income from these assets is reinvested to meet specific environmental obligations. These obligations are included in environmental rehabilitation costs under non-current provisions (see note 25).

16. Investments in associates

US$ million	2008	2007
At 1 January	3,341	4,780
Net income from associates[1]	1,113	107
Dividends received[2]	(599)	(327)
Transfer from subsidiary	–	393
Transfer to assets held for sale	–	(74)
Transfer to financial asset investments	–	(606)
Actuarial loss on post retirement benefits	(7)	(6)
Movement on cash flow hedge reserve	4	12
Movement on available for sale reserve	–	10
Other equity movements	4	31
Acquired	9	2
Disposed	–	(957)
Other capital distributions	–	(32)
Repayments of capitalised loans[3]	–	(44)
Reversal of impairment	–	1
Currency movements	(253)	51
At 31 December[4]	3,612	3,341

[1] Includes amounts in respect of discontinued operations of nil (2007: $90 million loss).

[2] Dividends received include nil (2007: $52 million) relating to discontinued operations. In addition $10 million (2007: nil) was received from associates classified as held for sale.

[3] Excludes $43 million (2007: $43 million) redemption by De Beers of preference shares included within financial asset investments.

[4] The fair value of investments in Tongaat-Hulett and Hulamin at 31 December 2008 are $350 million (2007: $667 million) and $137 million (2007: $292 million) respectively based on the closing share prices. With effect from 30 June 2007 the Group began accounting for these investments as associates under the equity method.

The Group's total investments in associates comprise:

US$ million	2008	2007
Equity	3,279	2,968
Loans[1]	333	373
Total investments in associates	3,612	3,341

[1] The Group's total investments in associates include long term debt which in substance forms part of the Group's investment. These loans are not repayable in the foreseeable future.

The Group's share of the summarised financial information of associates is as follows:

US$ million	2008	2007
Total non-current assets	5,224	5,734
Total current assets	3,003	1,864
Total current liabilities	(1,267)	(1,254)
Total non-current liabilities	(3,348)	(3,003)
Group's share of associates' net assets	3,612	3,341
Revenue	6,653	5,089
Operating costs	(4,775)	(4,482)
Net profit on disposals	18	24
Net finance costs	(147)	(85)
Financing remeasurements	(15)	(4)
Income tax expense	(606)	(303)
Minority interests	(15)	(42)
Group's share of associates' net income – continuing operations	1,113	197
Revenue	–	1,053
Operating costs	–	(1,072)
Net profit on disposals	–	7
Net finance costs	–	(30)
Financing remeasurements	–	13
Income tax expense	–	(51)
Minority interests	–	(10)
Group's share of associates' net income – discontinued operations	–	(90)
Group's share of associates' net income – total Group	1,113	107

16. Investments in associates continued

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

US$ million	Net income 2008	Net income 2007	Aggregate investment 2008	Aggregate investment 2007
By business segment				
Platinum	13	38	57	57
Diamonds	47	(229)	1,623	1,802
Ferrous Metals and Industries	724	198	1,121	778
Coal	329	190	809	702
Industrial Minerals	–	–	2	2
Total continuing operations	1,113	197	3,612	3,341
Gold	–	(92)	–	–
Paper and Packaging	–	2	–	–
Total discontinued operations	–	(90)	–	–
Total Group	1,113	107	3,612	3,341

US$ million	Aggregate investment 2008	Aggregate investment 2007
By geographical segment		
South Africa	2,264	1,704
Rest of Africa	187	677
Europe	(56)	98
North America	22	36
South America	686	641
Australia and Asia	509	185
	3,612	3,341

The Group's share of associates' contingent liabilities incurred jointly by investors is $166 million (2007: $190 million).

Details of principal associates are set out in note 40.

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	2008	2007
Total non-current assets	1,771	3,148
Total current assets	415	999
Total current liabilities	(389)	(358)
Total non-current liabilities	(509)	(2,862)
Group's share of joint venture entities' net assets	1,288	927
Revenue	1,414	1,631
Operating costs	(779)	(601)
Net finance costs	12	7
Income tax expense	(115)	(189)
Total continuing operations	532	848
Revenue	–	113
Operating costs	–	(96)
Net finance costs	–	(4)
Income tax expense	–	(4)
Total discontinued operations	–	9
Group's share of joint venture entities' profit for the financial year	532	857

The Group's share of joint venture entities' contingent liabilities incurred jointly with other venturers is $22 million (2007: $19 million) and its share of capital commitments is $414 million (2007: $457 million).

The Group also holds investments in a number of proportionately consolidated jointly controlled operations. The Group's share of joint venture operations' net assets is $981 million (2007: $480 million). The Group's share of joint venture operations' profit for the financial year is $554 million (2007: $100 million). The Group's share of joint venture operations' contingent liabilities incurred jointly with other venturers is $98 million (2007: $113 million) and its share of capital commitments is $83 million (2007: nil).

Details of principal joint ventures are set out in note 40.

18. Financial asset investments

US$ million	Loans and receivables	Available for sale investments[1]	Total
At 1 January 2008	938	3,842	4,780
Additions	–	827	827
Interest receivable	44	–	44
Net advances	153	–	153
Disposals	–	(626)	(626)
Disposal of businesses	(1)	–	(1)
Reversal of impairments	25	20	45
Movements in fair value	(11)	(888)	(899)
Currency movements	(213)	(822)	(1,035)
At 31 December 2008	935	2,353	3,288
Less: non-current portion	935	2,180	3,115
Current portion	–	173	173

[1] Balance at 31 December 2008 principally includes investment in AngloGold Ashanti Limited.

US$ million	Loans and receivables	Available for sale investments	Total
At 1 January 2007	404	1,569	1,973
Additions	–	42	42
Interest receivable	59	–	59
Net advances	53	–	53
Disposals	–	(540)	(540)
Disposal and demerger of businesses	(12)	(79)	(91)
Transfer from investments in associates	–	606	606
Retained investment in Mondi	–	318	318
Movements in fair value	–	2,326	2,326
Other movements	1	–	1
Reclassifications	410	(395)	15
Currency movements	23	(5)	18
At 31 December 2007	938	3,842	4,780
Less: non-current portion	938	3,842	4,780
Current portion	–	–	–

No items were classified as 'At fair value through profit or loss' or 'Held to maturity' during either year presented.

No provision for impairment is recorded against financial assets classified as 'Loans and receivables' (2007: $25 million).

19. Inventories

US$ million	2008	2007
Raw materials and consumables	774	703
Work in progress	843	812
Finished products	1,085	829
	2,702	2,344

The cost of inventories recognised as an expense and included in cost of sales amounted to $12,253 million (2007: $14,585 million), of which nil (2007: $2,212 million) relates to discontinued operations.

Inventories held at net realisable value amounted to $561 million (2007: $167 million).

The write-down of inventories recognised as an expense and included in cost of sales amounted to $210 million (net of revaluation of provisionally priced purchases) (2007: $34 million), of which nil (2007: $7 million) relates to discontinued operations.

Notes to the financial statements continued

20. Trade and other receivables

US$ million	2008 Due within one year	2008 Due after one year	2008 Total	2007 Due within one year	2007 Due after one year	2007 Total
Trade receivables	1,969	57	2,026	3,000	30	3,030
Amounts owed by related parties	13	–	13	16	–	16
Other receivables	725	33	758	420	125	545
Prepayments and accrued income	222	4	226	136	4	140
	2,929	94	3,023	3,572	159	3,731

The historical level of customer default is minimal and as a result the 'credit quality' of year end trade receivables which are not past due is considered to be high. Of the year end trade receivables balance the following were past due at 31 December (stated after associated impairment provision):

US$ million	2008	2007
Less than 1 month	85	232
Between 1-2 months	30	54
Between 2-3 months	10	16
Greater than 3 months	25	35
	150	337

The overdue debtor ageing profile above is typical of the industry in which certain of the Group's businesses operate. Given this, existing insurance cover (including letters of credit from financial institutions) and the nature of the related counterparties these amounts are considered recoverable.

Total trade receivables are stated net of the following impairment provision:

	US$ million
At 1 January 2007	75
Charge for the year	10
Release of provision	(7)
Disposal and demerger of businesses	(56)
Uncollectible amounts written off, net of recoveries	(3)
Currency movements	3
At 1 January 2008	22
Charge for the year	16
Reclassification	14
Transfer to assets held for sale	(2)
Currency movements	(9)
At 31 December 2008	41

21. Trade and other payables

US$ million	2008	2007
Trade payables	3,183	2,546
Tax and social security	74	115
Other payables[1]	1,162	868
Accruals and deferred income	351	421
	4,770	3,950

[1] On 20 August 2008 Anglo Platinum received $307 million from a subsidiary of Mvelaphanda Resources Limited (Mvela) in respect of the anticipated disposal of a 50% interest in the Booysendal joint venture. These funds have been invested in accordance with the terms of sale and will only be released to Anglo Platinum upon ministerial approval. At 31 December 2008 an amount of $253 million is included within other payables representing the obligation to repay the funds failing the receipt of such approval.

22. Financial assets

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

US$ million	2008 Estimated fair value	2008 Carrying value	2007 Estimated fair value	2007 Carrying value
At fair value through profit and loss				
Trade and other receivables[1]	192	192	591	591
Other financial assets (derivatives)[2]	376	376	535	535
Designated into fair value hedge				
Trade and other receivables[1]	–	–	14	14
Loans and receivables				
Cash and cash equivalents	2,771	2,771	3,129	3,129
Trade and other receivables[1]	2,605	2,605	2,986	2,986
Financial asset investments	906	935	918	938
Available for sale investments				
Financial asset investments	2,353	2,353	3,842	3,842
Total financial assets	9,203	9,232	12,015	12,035

[1] Trade and other receivables exclude prepayments.

[2] Derivative instruments are analysed between those which are 'Held for trading' and those designated into hedge relationships in note 24.

The fair values of financial assets represent the market value of quoted investments and other traded instruments. For non-listed investments and other non-traded financial assets fair value is calculated using discounted cash flows with market assumptions, unless carrying value is considered to approximate fair value.

Financial asset risk exposures are set out in note 24.

23. Financial liabilities

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

US$ million	2008 Estimated fair value	2008 Carrying value	2007 Estimated fair value	2007 Carrying value
At fair value through profit and loss				
Trade and other payables[1]	687	687	331	331
Other financial liabilities (derivatives)[2]	1,497	1,497	586	586
Designated into fair value hedge				
Trade and other payables[1]	–	–	12	12
Borrowings	2,850	2,850	2,433	2,433
Financial liabilities at amortised cost				
Trade and other payables[1]	4,391	4,391	3,480	3,480
Borrowings	10,658	11,145	5,874	5,866
Total financial liabilities	20,083	20,570	12,716	12,708

[1] Trade and other payables exclude tax and social security and deferred income and include other non-current payables.

[2] Derivative instruments are analysed between those which are 'Held for trading' and those designated into hedge relationships in note 24.

The fair value of financial liabilities is determined by reference to quoted market prices for similar issues, where applicable, otherwise the carrying value approximates fair value.

Financial liability risk exposures are set out in note 24.

23. Financial liabilities continued

An analysis of borrowings is set out below:

US$ million	2008 Due within one year	2008 Due after one year	2008 Total	2007 Due within one year	2007 Due after one year	2007 Total
Secured[1]						
Bank loans and overdrafts	346	678	1,024	146	544	690
Obligations under finance leases[2]	12	56	68	2	76	78
Other loans	–	–	–	–	29	29
	358	734	1,092	148	649	797
Unsecured						
Bonds issued under EMTN programme[3]	154	2,679	2,833	1,461	800	2,261
Bank loans and overdrafts	5,114	3,335	8,449	2,383	482	2,865
Commercial paper	1,116	–	1,116	1,895	–	1,895
Obligations under finance leases[2]	4	13	17	3	6	9
Other loans	38	450	488	5	467	472
	6,426	6,477	12,903	5,747	1,755	7,502
Total	6,784	7,211	13,995	5,895	2,404	8,299

[1] Assets with a book value of $954 million (2007: $719 million) have been pledged as security, of which $663 million (2007: $431 million) are tangible assets, $160 million (2007: $149 million) are financial assets and $131 million (2007: $139 million) are inventories. Of these assets $284 million (2007: $22 million) were pledged in respect of project financing arrangements.

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

US$ million	2008	2007
Within one year	24	13
Greater than one year, less than five years	43	42
Greater than five years	86	116
	153	171
Future finance charges on finance leases	(68)	(84)
Present value of finance lease liabilities	85	87

[3] The Group issued $2,404 million of bonds under the EMTN programme in 2008 (2007: $9 million). All notes are guaranteed by Anglo American plc.

24. Financial risk management and derivative financial assets/liabilities

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board has approved and monitors 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 types of risk exposure, the way in which such exposure is managed and quantification of the level of exposure in the balance sheet at year end is provided as follows (subcategorised into credit risk, liquidity risk and market risk).

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments. The Group's maximum exposure to credit risk is as follows:

US$ million	2008	2007
Cash and cash equivalents	2,771	3,129
Trade and other receivables	2,797	3,591
Financial asset investments	1,108	938
Other financial assets (derivatives)	376	535
Other guarantees and loan facilities	239	12
	7,291	8,205

The Group limits exposure to credit risk on liquid funds and derivative financial instruments through adherence to a policy of:

- Where possible acceptable minimum counterparty credit ratings assigned by international credit-rating agencies (including long term ratings of A- (Standard & Poor's), A3 (Moody's) or A- (Fitch) or better).
- Daily counterparty settlement limits (which are not to exceed three times the credit limit for an individual bank).
- Exposure diversification (the aggregate group exposure to key relationship counterparties cannot exceed 5% of the counterparty's shareholders' equity).

Given the diverse nature of the Group's operations (both in relation to commodity markets and geographically), together with insurance cover (including letters of credit from financial institutions), it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers.

An allowance for impairment for trade receivables 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. Detail of the credit quality of trade receivables and the associated provision for impairment is disclosed in note 20.

Liquidity risk

The Group ensures that there are sufficient committed loan facilities (including refinancing, where necessary) in order to meet short term business requirements, after taking into account cash flows from operations and its holding of cash and cash equivalents, as well as any group distribution restrictions that exist.

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

The expected undiscounted cash flows of the Group's financial liabilities (including associated derivatives), by remaining contractual maturity, based on conditions existing at the balance sheet date are as follows:

US$ million	Within 1 year Fixed interest	Within 1 year Floating interest	Within 1 year Capital repayment	1-2 years Fixed interest	1-2 years Floating interest	1-2 years Capital repayment
31 December 2008						
Non-derivative financial liabilities	(191)	(405)	(11,385)	(179)	(245)	(732)
Net settled derivatives	156	(94)	8	164	(101)	(53)
	(35)	(499)	(11,377)	(15)	(346)	(785)
31 December 2007						
Non-derivative financial liabilities	(144)	(188)	(9,643)	(87)	(95)	(440)
Gross settled derivatives						
Receive leg	–	–	7	–	–	–
Pay leg	–	–	(1)	–	–	–
Net settled derivatives	102	(118)	291	52	(53)	(9)
	(42)	(306)	(9,346)	(35)	(148)	(449)

US$ million	2-5 years Fixed interest	2-5 years Floating interest	2-5 years Capital repayment	+5 years Fixed interest	+5 years Floating interest	+5 years Capital repayment
31 December 2008						
Non-derivative financial liabilities	(472)	(422)	(4,348)	(345)	(114)	(2,412)
Net settled derivatives	443	(304)	9	345	(195)	(400)
	(29)	(726)	(4,339)	–	(309)	(2,812)
31 December 2007						
Non-derivative financial liabilities	(177)	(220)	(1,158)	(47)	(171)	(776)
Gross settled derivatives						
Receive leg	–	–	–	–	–	–
Pay leg	–	–	–	–	–	–
Net settled derivatives	130	(133)	112	35	(35)	–
	(47)	(353)	(1,046)	(12)	(206)	(776)

Notes to the financial statements continued

24. Financial risk management and derivative financial assets/liabilities continued

The Group had the following undrawn committed borrowing facilities at 31 December:

US$ million	2008	2007
Expiry date		
Within one year[1]	2,994	2,877
Greater than one year, less than two years	5	322
Greater than two years, less than five years	3,081	3,865
Greater than five years	25	–
	6,105	7,064

[1] Includes undrawn rand facilities equivalent to $1 billion in respect of a series of facilities with 364 day maturities which roll automatically on a daily basis, unless notice is served.

In addition, the Group has dedicated, committed financing facilities for Minas-Rio and Barro Alto totalling $1.6 billion, subject to certain disbursement conditions.

The Group also had a $2 billion European Commercial Paper Programme established in October 2004. Drawings of $304 million were made at 31 December 2008 (2007: $1,090 million). The Group also had a Rand 20 billion South African Medium Term Note Programme, established in November 2007, on which total drawings of Rand 7,273 million ($782 million) (2007: nil) were made at 31 December 2008. Of this drawing Rand 7,074 million ($761 million) was issued as commercial paper.

Market risk

This is the risk that financial instrument fair values will fluctuate owing to changes in market prices. The significant market risks to which the Group is exposed are foreign exchange risk, interest rate risk and commodity price risk.

Foreign exchange risk

As a global business, the Group is exposed to many currencies principally as a result of non-US dollar operating costs incurred by US dollar functional currency companies and to a lesser extent, from non-US dollar revenues. The Group's policy is generally not to hedge such exposures as hedging is not deemed appropriate given the diversified nature of the Group though exceptions can be approved by the Board.

In addition, currency exposures exist in respect of non-US dollar approved capital expenditure projects. The Group's policy is that such exposure can be hedged at management's discretion, within certain pre-defined limits (or with Board approval).

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

US$ million	Financial assets (excluding derivatives)	Impact of currency derivatives[1]	Derivative assets	Total financial assets – exposure to currency risk
At 31 December 2008				
US$[2]	3,118	(108)	252	3,262
Rand	3,895	82	71	4,048
Sterling	547	(2)	–	545
Euro	136	–	–	136
Australian dollar	290	(4)	–	286
Other currencies	870	32	53	955
Total financial assets	8,856	–	376	9,232
At 31 December 2007				
US$[2]	4,260	(99)	465	4,626
Rand	4,414	88	17	4,519
Sterling	839	–	–	839
Euro	301	–	–	301
Australian dollar	221	(3)	–	218
Other currencies	1,465	14	53	1,532
Total financial assets	11,500	–	535	12,035

US$ million	Financial liabilities (excluding derivatives)	Impact of currency derivatives[1]	Derivative liabilities	Total financial liabilities – exposure to currency risk
At 31 December 2008				
US$	(7,854)	(3,130)	(1,056)	(12,040)
Rand	(5,289)	(15)	(2)	(5,306)
Sterling	(1,628)	1,141	–	(487)
Euro	(1,821)	1,697	–	(124)
Australian dollar	(528)	–	–	(528)
Other currencies	(1,953)	307	(439)	(2,085)
Total financial liabilities	(19,073)	–	(1,497)	(20,570)
At 31 December 2007				
US$	(3,261)	(2,962)	(560)	(6,783)
Rand	(3,879)	–	(26)	(3,905)
Sterling	(1,325)	606	–	(719)
Euro	(2,103)	1,886	–	(217)
Australian dollar	(406)	–	–	(406)
Other currencies	(1,148)	470	–	(678)
Total financial liabilities	(12,122)	–	(586)	(12,708)

[1] Where currency derivatives are held to manage financial instrument exposures the notional principal amount is 'reallocated' to reflect the remaining exposure to the Group.

[2] Of these US$ financial assets, $97 million (2007: $571 million) are subject to South African exchange controls and will be converted to rand within the next six months.

Interest rate risk

Fluctuations in interest rates impact on the value of short term investments and financing activities, giving rise to interest rate risk. Exposure to interest rate risk is particularly with reference to changes in US and South African interest rates. Exposure to Brazilian interest rates is expected to increase in the near term.

The Group policy is to borrow funds at floating rates of interest as this is considered to give somewhat of a natural hedge against commodity price movements, given the correlation to economic growth (and industrial activity) which in turn shows a high correlation with commodity price fluctuation. In certain circumstances, the Group uses interest rate swap and option contracts to manage its exposure to interest rate movements on a portion of its existing debt. Also strategic hedging using fixed rate debt may be undertaken from time to time if considered appropriate.

In respect of financial assets, the Group's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in short term investments (less than one year) in order to maintain liquidity, while achieving a satisfactory return for shareholders.

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

	Interest bearing financial assets		Non-interest bearing financial assets		
US$ million	Floating rate	Fixed rate[1]	Equity investments	Other non-interest bearing	Total
At 31 December 2008					
Financial assets (excluding derivatives)[2]	3,098	464	2,180	3,114	8,856
Derivative assets	196	–	–	180	376
Financial asset exposure to interest rate risk	3,294	464	2,180	3,294	9,232
At 31 December 2007					
Financial assets (excluding derivatives)[2]	3,013	864	3,842	3,781	11,500
Derivative assets	1	11	–	523	535
Financial asset exposure to interest rate risk	3,014	875	3,842	4,304	12,035

[1] Includes $360 million (2007: $476 million) of preference shares in a BEE entity.

[2] At 31 December 2008 and 2007 no interest rate swaps were held in respect of financial asset exposures.

24. Financial risk management and derivative financial assets/ liabilities continued

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 financial asset investments and cash, and have a weighted average interest rate of 13.5% (2007: 11%) and are fixed for an average period of four years (2007: four years). Equity investments are fully liquid and have no maturity period.

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

US$ million	Interest bearing financial liabilities Floating rate	Interest bearing financial liabilities Fixed rate	Non-interest bearing financial liabilities	Total
At 31 December 2008				
Financial liabilities (excluding derivatives)	(10,461)	(3,459)	(5,153)	(19,073)
Impact of interest rate swaps[1]	(2,829)	2,829	–	–
Derivative liabilities	–	–	(1,497)	(1,497)
Financial liability exposure to interest rate risk	(13,290)	(630)	(6,650)	(20,570)
At 31 December 2007				
Financial liabilities (excluding derivatives)	(5,425)	(2,822)	(3,875)	(12,122)
Impact of interest rate swaps[1]	(2,336)	2,336	–	–
Derivative liabilities	(45)	–	(541)	(586)
Financial liability exposure to interest rate risk	(7,806)	(486)	(4,416)	(12,708)

[1] Where interest rate swaps are held to manage financial liability exposures the notional principal amount is 'reallocated' to reflect the remaining exposure to the Group.

Interest on floating rate instruments is based on the relevant national inter-bank rates. Remaining fixed rate borrowings accrue interest at 8% (2007: 8%) and are at fixed rates for an average period of two years (2007: two years). Average maturity on non-interest bearing instruments is 17 months (2007: seven months).

Commodity price risk

The Group's earnings are exposed to movements in the prices of the commodities it produces.

The Group policy is generally not to hedge price risk, although some hedging may be undertaken for strategic reasons. In such cases, the Group uses forward, deferred and option contracts to hedge the price risk.

Certain of the Group's sales and purchases are provisionally priced and as a result are susceptible to future price movements. The exposure of the Group's financial assets and liabilities to commodity price risk is as follows:

US$ million	Commodity price linked Subject to price movements	Commodity price linked Fixed price[1]	Not linked to commodity price	Total
At 31 December 2008				
Total net financial instruments (excluding derivatives)	(291)	183	(10,109)	(10,217)
Commodity derivatives (net)[2]	(318)	–	–	(318)
Other derivatives not related to commodity (net)	–	–	(803)	(803)
Total financial instrument exposure to commodity risk	(609)	183	(10,912)	(11,338)
At 31 December 2007				
Total net financial instruments (excluding derivatives)	325	461	(1,408)	(622)
Commodity derivatives (net)[2]	(480)	–	–	(480)
Other derivatives not related to commodity (net)	–	–	429	429
Total financial instrument exposure to commodity risk	(155)	461	(979)	(673)

[1] Includes financial instruments whose commodity prices are set annually or via contract negotiation.

[2] Includes $249 million (2007: $124 million) derivative embedded in a long term power contract.

Derivatives

In accordance with IAS 32 and IAS 39, 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 Group utilises derivative instruments to manage its market risk exposures as explained above. 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 value movements are recorded in the income statement.

The use of derivative instruments is subject to limits and the positions are regularly monitored and reported to senior management.

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 contract and the host contract is not carried at fair value. Embedded derivatives may be designated into hedge relationships and are accounted for in accordance with the Group's accounting policy set out in note 1.

Cash flow hedges

In certain cases the Group classifies its forward exchange and commodity price contracts hedging highly probable forecast transactions as cash flow hedges. Where this designation is documented, 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 (or hedged balance sheet item) in accordance with the Group's accounting policy set out in note 1.

Fair value hedges

The majority of interest rate swaps (taken out to swap the Group's fixed rate borrowings to floating rate, in accordance with the treasury policy) have been designated as fair value hedges. The respective carrying values of the hedged debt are 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.

Notes to the financial statements continued

24. Financial risk management and derivative financial assets/ liabilities continued

Non-hedges

The Group may choose not to designate certain derivatives as hedges, for example certain forward foreign currency contracts that provide a natural hedge of non-US dollar debt in the income statement or where the Group is economically hedged but IAS 39 hedge accounting cannot be achieved. Where derivatives have not been designated as hedges, fair value changes are recognised in the income statement in accordance with the Group's accounting policy set out in note 1 and are classified as financing or operating depending on the nature of the associated hedged risk.

The fair value of the Group's open derivative position at 31 December (excluding normal purchase and sale contracts held off balance sheet), recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

	2008		2007	
US$ million	Asset	Liability	Asset	Liability
Current				
Cash flow hedge[1]				
Forward foreign currency contracts	10	(75)	2	–
Forward commodity contracts	–	(49)	–	(304)
Other	–	–	11	–
Fair value hedge				
Forward foreign currency contracts	–	–	1	(12)
Interest rate swaps	140	–	–	–
Other	2	–	–	–
Non-hedge ('Held for trading')[2]				
Forward foreign currency contracts	114	(529)	31	(25)
Cross currency swaps	40	(504)	404	(10)
Other	66	(279)	86	(150)
Total current derivatives	372	(1,436)	535	(501)
Non-current				
Cash flow hedge[1]				
Forward foreign currency contracts	–	(57)	–	–
Forward commodity contracts	–	(4)	–	(53)
Fair value hedge				
Interest rate swaps	4	–	–	(32)
Total non-current derivatives	4	(61)	–	(85)

[1] The timing of the expected cash flows associated with these hedges is as follows:

US$ million	2008	2007
Within one year	(160)	(289)
Greater than one year, less than two years	(80)	(61)
Greater than two years, less than five years	(11)	–
Greater than five years	–	–
	(251)	(350)

The periods when these hedges are expected to impact the income statement generally follow the cash flow profile with the exception of hedging associated with capital projects which is included in the capitalised asset value and depreciated over the life of the asset. There are no material capital expenditure related hedges included in the above.

[2] \$78 million (2007: \$160 million) of derivative assets and \$824 million (2007: \$126 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 profit of the Group. The valuations represent the cost of buying all hedge contracts at year end, at market prices and rates available at the time.

Normal purchase and normal sale contracts

Commodity based contracts that meet the scope exemption in 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 or sale contracts. In accordance with IAS 39 these contracts are not marked to market.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and, with cognisance of forecast future market conditions and structuring, to maintain an optimal capital structure to reduce the cost of capital.

In order to manage the short and long term capital structure, the Group adjusts the amount of ordinary dividends paid to shareholders, returns capital to shareholders (via, for example, share buybacks and special dividends), arranges debt to fund new acquisitions and also may sell non-core assets to reduce debt.

The Group monitors capital on the basis of the ratio of net debt to total capital less investments in associates (gearing). Net debt is calculated as total borrowings less cash and cash equivalents and current financial asset investments (excluding derivatives which provide an economic hedge of debt and including the net debt of disposal groups). Total capital is calculated as 'Net assets' (as shown in the Consolidated balance sheet) excluding net debt. Gearing as at 31 December 2008 was 37.8% (2007: 20.0%). The increase during 2008 resulted primarily from acquisitions and capital expenditure, partially offset by strong operating cash flows and asset disposals.

Financial instrument sensitivities

Financial instruments affected by market risk include borrowings, deposits, derivative financial instruments, trade receivables and trade payables. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's financial instruments (as at year end) to changes in commodity prices, exchange rates and interest rates.

The sensitivity analysis has been prepared on the basis that the components of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December. In addition, the commodity price impact for provisionally priced contracts is based on the related trade receivables and trade payables at 31 December. As a consequence, this sensitivity analysis relates to the position as at 31 December.

The following assumptions were made in calculating the sensitivity analysis:

- All income statement sensitivities also impact equity.
- The majority of debt and other deposits are carried at amortised cost and therefore carrying value does not change as interest rates move.
- No sensitivity is provided for interest accruals as these are based on pre-agreed interest rates and therefore are not susceptible to further rate changes.
- Changes in the carrying value of derivatives (from movements in commodity prices and interest rates) designated as cash flow hedges are assumed to be recorded fully within equity on the grounds of materiality.
- No sensitivity has been calculated on derivatives and related underlying instruments designated into fair value hedge relationships as these are assumed to materially offset one another.
- All hedge relationships are assumed to be fully effective on the grounds of materiality.
- Debt with a maturity below one year is floating rate, unless it is a long term fixed rate debt in its final year.
- Translation of foreign subsidiaries and operations into the Group's presentation currency has been excluded from the sensitivity.

Using the above assumptions, the following tables show the illustrative effect on the income statement and equity that would result from reasonably possible changes in the relevant commodity price, foreign currency or interest rates:

24. Financial risk management and derivative financial assets/liabilities continued

US$ million	Income statement	Equity
Commodity price sensitivities		
2008		
10% increase in the copper price	47	47
10% decrease in the copper price	(47)	(47)
10% increase in the platinum price	(9)	(9)
10% decrease in the platinum price	9	9
10% increase in the coal price	–	(11)
10% decrease in the coal price	–	11
2007		
10% increase in the copper price	89	66
5% decrease in the copper price	(45)	(33)
10% increase in the platinum price	(8)	(8)
15% decrease in the platinum price	13	13
5% increase in the coal price	–	(15)
5% decrease in the coal price	–	15
Interest rate sensitivities		
2008		
25 bp increase in US interest rates	(6)	(6)
25 bp decrease in US interest rates	6	6
50 bp increase in South African interest rates	(11)	(10)
50 bp decrease in South African interest rates	11	10
2007		
75 bp decrease in US interest rates	(2)	(2)
50 bp decrease in South African interest rates	10	10
75 bp decrease in UK interest rates	5	5
Foreign currency sensitivities[1]		
2008		
+10% US$ to rand	45	42
-10% US$ to rand	(46)	(43)
+10% US$ to Australian dollar	20	19
-10% US$ to Australian dollar	(20)	(18)
+10% US$ to Brazilian real	(125)	(128)
-10% US$ to Brazilian real	176	180
+10% US$ to Chilean peso	(25)	(42)
-10% US$ to Chilean peso	30	51
2007		
+5% US$ to rand	18	18
-5% US$ to rand	(18)	(17)
+5% US$ to Australian dollar	(19)	(19)
-5% US$ to Australian dollar	23	23
+5% US$ to Brazilian real	(46)	(46)
-5% US$ to Brazilian real	46	46
+5% US$ to Chilean peso	8	8
-5% US$ to Chilean peso	(9)	(9)

[1] + represents strengthening of US dollar against the respective currency.

The above sensitivities are calculated with reference to a single moment in time and will change due to a number of factors including:

- fluctuating trade receivable and trade payable balances;
- derivative instruments and borrowings settled throughout the year;
- fluctuating cash balances;
- changes in currency mix; and
- commercial paper with short term maturities, which is regularly replaced or settled.

As the sensitivities are limited to year end financial instrument balances they do not take account of the Group's sales and operating costs which are highly sensitive to changes in commodity prices and exchange rates. In addition, each of the sensitivities is calculated in isolation, while in reality commodity prices, foreign exchange rates and interest rates do not move independently.

25. Provisions for liabilities and charges

US$ million	Environmental restoration[1]	Decommissioning[1]	Other	Total
At 1 January 2008	675	256	293	1,224
Acquired through business combinations	13	3	94	110
Disposal of businesses	(1)	–	–	(1)
Charged to the income statement	134	10	92	236
Capitalised	–	11	119	130
Reclassifications	4	3	17	24
Unwinding of discount	19	14	–	33
Amounts applied	(12)	–	(33)	(45)
Currency movements	(132)	(56)	(38)	(226)
At 31 December 2008	700	241	544	1,485

Maturity analysis of total provisions:

US$ million	2008	2007
Current	168	142
Non-current	1,317	1,082
	1,485	1,224

[1] The Group makes voluntary contributions to controlled funds to meet the cost of some of its decommissioning, restoration and environmental rehabilitation liabilities (see note 15).

Environmental restoration

The Group has an obligation to undertake restoration, rehabilitation and environmental work 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 restoration work. It is anticipated that these costs will be incurred over a period in excess of 20 years.

Other

Other provisions primarily relate to cash settled share-based payments, indemnities, warranties and legal claims. It is anticipated that these costs will be incurred over a five year period.

26. Deferred tax

Deferred tax assets

US$ million	2008	2007
At 1 January	474	372
(Charged)/credited to the income statement[1]	(31)	109
(Charged)/credited to the statement of recognised income and expense	(57)	30
Charged directly to equity	(40)	(2)
Acquired through business combinations	–	10
Transfer to assets held for sale	(14)	–
Disposal and demerger of businesses	–	(55)
Reclassifications	(21)	(2)
Currency movements	(53)	12
At 31 December	258	474

[1] Includes amounts in respect of discontinued operations of nil (2007: $9 million).

Notes to the financial statements continued

26. Deferred tax continued

Deferred tax liabilities

US$ million	2008	2007
At 1 January	4,650	3,687
Charged to the income statement[(1)]	398	456
(Credited)/charged to the statement of recognised income and expense	(130)	150
Charged directly to equity	25	–
Acquired through business combinations	798	904
Transfer to liabilities directly associated with assets held for sale	(28)	(77)
Disposal and demerger of businesses	(18)	(649)
Reclassifications	79	2
Currency movements	(1,219)	177
At 31 December	4,555	4,650

(1) Includes amounts in respect of discontinued operations of nil (2007: $12 million).

The amount of deferred tax provided in the accounts is as follows:

US$ million	2008	2007
Deferred tax assets		
Tax losses	13	14
Other temporary differences	245	460
	258	474
Deferred tax liabilities		
Capital allowances in excess of depreciation	2,333	2,640
Fair value adjustments	2,201	2,121
Tax losses	(117)	(46)
Other temporary differences	138	(65)
	4,555	4,650

The amount of deferred tax charged/(credited) to the income statement (including amounts related to discontinued operations) is as follows:

US$ million	2008	2007
Capital allowances in excess of depreciation	460	373
Fair value adjustments	(96)	(63)
Tax losses	(18)	(27)
Other temporary differences	83	64
	429	347

The current expectation regarding the maturity of deferred tax balances is:

US$ million	2008	2007
Deferred tax assets		
Recoverable within 12 months	62	163
Recoverable after 12 months	196	311
	258	474
Deferred tax liabilities		
Payable within 12 months	218	790
Payable after 12 months	4,337	3,860
	4,555	4,650

The Group had the following balances at 31 December 2008 in respect of which no deferred tax asset has been recognised:

US$ million	Tax losses – revenue	Tax losses – capital	Other temporary differences	Total
Within one year	–	–	–	–
One to five years	43	–	–	43
After five years	21	–	–	21
No expiry date	2,600	1,166	5	3,771
	2,664	1,166	5	3,835

The Group had the following balances at 31 December 2007 in respect of which no deferred tax asset was recognised:

US$ million	Tax losses – revenue	Tax losses – capital	Other temporary differences	Total
Within one year	8	–	–	8
One to five years	1	–	–	1
After five years	22	–	6	28
No expiry date	2,248	1,430	–	3,678
	2,279	1,430	6	3,715

The Group also has unused tax credits of $356 million (2007: $211 million) for which no deferred tax asset is recognised in the balance sheet. These tax credits have no expiry date.

No liability has been recognised in respect of temporary differences associated with investments in subsidiaries, branches and 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 aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which a deferred tax liability has not been recognised is $23,866 million (2007: $20,724 million), on which tax may be payable up to $6,682 million (2007: $5,906 million).

27. 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.

Defined contribution plans

The defined contribution pension and medical cost represents the actual contributions payable by the Group to the various plans. At 31 December 2008 there were no material outstanding or prepaid contributions and so no accrual or prepayment has been disclosed in the balance sheet in relation to these plans.

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 charge for the year for defined contribution pension schemes for continuing operations was $134 million (2007: $157 million) and for defined contribution medical schemes for continuing operations was $9 million (2007: $5 million).

Defined benefit pension plans and post retirement medical plans

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 South America.

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 Group's provision of anti-retroviral therapy to HIV positive staff has not significantly impacted the post retirement medical plan liability.

Independent qualified actuaries carry out full valuations every three years using the projected unit method. The actuaries have updated the valuations to 31 December 2008.

The Group's plans in respect of pension and post retirement healthcare are summarised as follows:

	2008				2007			
US$ million	Southern Africa	The Americas	Europe	Total	Southern Africa	The Americas	Europe	Total
Assets[(1)]								
Defined benefit pension plans in surplus	32	–	–	32	48	–	4	52

(1) Amounts are included in 'Other non-current assets'.

27. Retirement benefits continued

US$ million	2008 Southern Africa	2008 The Americas	2008 Europe	2008 Total	2007 Southern Africa	2007 The Americas	2007 Europe	2007 Total
Liabilities								
Defined benefit pension plans in deficit	–	(132)	(45)	(177)	–	(129)	(6)	(135)
Post retirement medical plans in deficit	(204)	(20)	–	(224)	(277)	(32)	–	(309)
	(204)	(152)	(45)	(401)	(277)	(161)	(6)	(444)

US$ million	2008	2007	2006	2005	2004
Defined benefit pension plans					
Present value of liabilities	(2,157)	(3,095)	(4,256)	(3,985)	(4,041)
Fair value of plan assets	2,073	3,148	4,160	3,539	3,479
Net (deficit)/surplus	(84)	53	(96)	(446)	(562)
Surplus restriction	(61)	(136)	(163)	(107)	–
Net deficit after surplus restriction	(145)	(83)	(259)	(553)	(562)
Actuarial (loss)/gain on plan assets[1]	(392)	39	308	438	163
Actuarial gain/(loss) on plan liabilities[2]	208	(48)	(156)	(435)	(198)
Post retirement medical plans					
Present value of liabilities	(241)	(329)	(422)	(650)	(654)
Fair value of plan assets	17	20	16	22	15
Net deficit	(224)	(309)	(406)	(628)	(639)
Actuarial gain on plan assets[3]	1	1	–	–	–
Actuarial gain/(loss) on plan liabilities[4][5]	16	(29)	15	(67)	(22)

[1] Net experience losses on pension plan assets were $392 million (2007: gains of $32 million; 2006: gains of $314 million).

[2] Net experience losses on pension plan liabilities were $29 million (2007: $112 million; 2006: $113 million).

[3] Net experience gains on medical plan assets were $1 million (2007: losses of $1 million; 2006: losses of $1 million).

[4] Net experience losses on medical plan liabilities were $7 million (2007: $4 million; 2006: gains of $36 million).

[5] Includes actuarial gains of $11 million due to a change in modelling methodology.

Cumulative net actuarial losses recognised in the Consolidated statement of recognised income and expense are $292 million (2007: $163 million; 2006: $126 million; 2005: $228 million; 2004: $57 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 101% (2007: 105%) 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 (in local currency) will increase as the members age.

The actual return on plan assets in respect of defined benefit pension schemes for continuing and discontinued operations was a loss of $178 million (2007: gain of $307 million).

Income statement

The amounts recognised in the income statement are as follows:

US$ million	2008 Pension plans	2008 Post retirement medical plans	2008 Total plans	2007 Pension plans	2007 Post retirement medical plans	2007 Total plans
Analysis of the amount charged to operating profit						
Current service costs	43	5	48	54	8	62
Past service costs	1	–	1	3	–	3
Total within operating costs – continuing operations	44	5	49	57	8	65
Analysis of the amount charged to net finance costs						
Expected return on plan assets[1]	(214)	(1)	(215)	(255)	(2)	(257)
Interest costs on plan liabilities[2]	180	21	201	207	22	229
Net (credit)/charge to net finance costs – continuing operations	(34)	20	(14)	(48)	20	(28)
Total charge to the income statement – continuing operations	10	25	35	9	28	37

[1] Included in 'Investment income'.

[2] Included in 'Interest expense'.

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations and pension charges and credits under IAS 19 are detailed below (shown as weighted averages):

%	2008 Southern Africa	2008 The Americas	2008 Europe	2007 Southern Africa	2007 The Americas	2007 Europe
Defined benefit pension plans						
Average discount rate for plan liabilities	7.3	8.6	6.0	8.2	7.5	5.7
Average rate of inflation	4.0	3.7	2.7	5.5	3.6	3.4
Average rate of increase in salaries	5.3	5.4	2.7	6.8	4.5	3.5
Average rate of increase of pensions in payment	4.0	3.2	2.8	5.5	1.8	3.4
Average long term rate of return on plan assets[1]	7.6	11.3	5.9	8.5	10.6	6.8
Post retirement medical plans						
Average discount rate for plan liabilities	7.3	7.1	n/a	8.0	5.5	n/a
Average rate of inflation	4.0	0.5	n/a	5.3	2.6	n/a
Expected average increase in healthcare costs	5.4	3.8	n/a	6.8	4.4	n/a

[1] The long term expected return on plan assets has been set with reference to current market yields on government and corporate bonds and expected equity bond-outperformance in the relevant jurisdictions. The expected return on cash assets has been set with reference to expected bank base rates. The overall long term expected rate of return for each class is weighted by the asset allocation to the class at the balance sheet date.

Mortality assumptions are determined based on standard mortality tables with adjustments, as appropriate, to reflect experience of conditions locally. In southern Africa, the PA90 tables (2007: the SA85-90 and the PA90 tables) are used. The main schemes in Europe use the PXA00 tables (2007: PA92 tables). The main schemes in the Americas use the RV2004, AT83 and UP24 tables (2007: RV2004, AT83 and GAM94 tables). The mortality tables used imply that a male or female aged 60 at the balance sheet date has the following future life expectancy:

Years	Male 2008	Male 2007	Female 2008	Female 2007
Southern Africa	20.5	20.3	25.5	25.2
The Americas	22.4	22.0	26.5	26.1
Europe	25.7	25.3	28.1	26.8

Notes to the financial statements continued

27. Retirement benefits continued

The market value of the pension assets in defined benefit pension plans and long term expected rate of return as at 31 December 2008 and 31 December 2007 are as follows:

	Southern Africa		The Americas		Europe		Total
	Rate of return %	Fair value US$ million	Rate of return %	Fair value US$ million	Rate of return %	Fair value US$ million	Fair value US$ million
At 31 December 2008							
Equity	10.0	231	10.5	49	7.4	568	848
Bonds	6.6	422	11.7	137	5.2	427	986
Other	5.2	42	8.9	7	2.7	190	239
Fair value of pension plan assets		695		193		1,185	2,073
Present value of unfunded obligations		–		(102)		(6)	(108)
Present value of funded obligations		(602)		(223)		(1,224)	(2,049)
Present value of pension plan liabilities		(602)		(325)		(1,230)	(2,157)
Net surplus/(deficit) in pension plans		93		(132)		(45)	(84)
Surplus restriction related to pension plans		(61)		–		–	(61)
Recognised pension plan assets/(liabilities)		32		(132)		(45)	(145)
Amounts in the balance sheet							
Pension assets		32		–		–	32
Pension liabilities		–		(132)		(45)	(177)
		32		(132)		(45)	(145)
At 31 December 2007							
Equity	11.0	273	10.7	68	8.1	1,021	1,362
Bonds	7.6	654	10.8	167	5.2	568	1,389
Other	7.1	54	7.8	10	5.5	333	397
Fair value of pension plan assets		981		245		1,922	3,148
Present value of unfunded obligations		–		(105)		(4)	(109)
Present value of funded obligations		(853)		(269)		(1,864)	(2,986)
Present value of pension plan liabilities		(853)		(374)		(1,868)	(3,095)
Net surplus/(deficit) in pension plans		128		(129)		54	53
Surplus restriction related to pension plans		(80)		–		(56)	(136)
Recognised pension plan assets/(liabilities)	48		(129)		(2)	(83)	
Amounts in the balance sheet							
Pension assets		48		–		4	52
Pension liabilities		–		(129)		(6)	(135)
		48		(129)		(2)	(83)

27. Retirement benefits continued

Movement analysis

The changes in the present value of defined benefit obligations are as follows:

	2008			2007		
US$ million	Pension plans	Post retirement medical plans	Total plans	Pension plans	Post retirement medical plans	Total plans
At 1 January	(3,095)	(329)	(3,424)	(4,256)	(422)	(4,678)
Current service costs[1]	(43)	(5)	(48)	(57)	(9)	(66)
Acquisition, disposal and demerger of businesses	–	–	–	1,442	150	1,592
Past service costs and effects of settlements and curtailments[2]	(1)	–	(1)	(1)	–	(1)
Interest costs[3]	(180)	(21)	(201)	(220)	(25)	(245)
Actuarial gains/(losses)	208	16	224	(48)	(29)	(77)
Benefits paid	145	16	161	137	18	155
Contributions paid by other members	(9)	(3)	(12)	(7)	(2)	(9)
Reclassifications	–	–	–	(2)	–	(2)
Currency movements	818	85	903	(83)	(10)	(93)
At 31 December	(2,157)	(241)	(2,398)	(3,095)	(329)	(3,424)

[1] Includes nil (2007: $3 million) for pension plans and nil (2007: $1 million) for post retirement medical plans in respect of discontinued operations.

[2] Includes nil (2007: a gain of $2 million) for pension plans in respect of discontinued operations.

[3] Includes nil (2007: $13 million) for pension plans and nil (2007: $3 million) for post retirement medical plans in respect of discontinued operations.

The changes in the fair value of plan assets are as follows:

	2008			2007		
US$ million	Pension plans	Post retirement medical plans	Total plans	Pension plans	Post retirement medical plans	Total plans
At 1 January	3,148	20	3,168	4,160	16	4,176
Expected return[1]	214	1	215	268	2	270
Actuarial (losses)/gains	(392)	1	(391)	39	1	40
Acquisition, disposal and demerger of businesses	–	–	–	(1,329)	–	(1,329)
Contributions paid by employer	50	11	61	69	16	85
Contributions paid by other members	9	5	14	7	2	9
Benefits paid	(145)	(16)	(161)	(137)	(18)	(155)
Reclassifications	–	–	–	2	–	2
Currency movements	(811)	(5)	(816)	69	1	70
At 31 December	2,073	17	2,090	3,148	20	3,168

[1] Includes nil (2007: $13 million) for pension plans in respect of discontinued operations.

Assumed healthcare trend rates have a significant effect on the amounts recognised in the income statement. A 1% change in assumed healthcare cost trend rates would have the following effects:

	1% increase		1% decrease	
US$ million	2008	2007	2008	2007
Effect on the sum of service costs and interest costs	3	4	(3)	(2)
Effect on defined benefit obligations	28	39	(26)	(22)

The Group expects to contribute approximately $39 million to its defined benefit pension plans and $20 million to its post retirement medical plans in 2009.

28. Called-up share capital and share-based payments

Called-up share capital

	2008		2007	
	Number of shares	US$ million	Number of shares	US$ million
Authorised:				
5% cumulative preference shares of £1 each	50,000	–	50,000	–
Ordinary shares of $54^{86}/_{91}$ US cents each	1,820,000,000	1,000	1,820,000,000	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 $54^{86}/_{91}$ US cents each:				
At 1 January	1,342,911,897	738	1,541,653,607	771
Share consolidation	–	–	(138,749,193)	–
Treasury share cancellation	–	–	(60,000,050)	(33)
Other	7,123	–	7,533	–
At 31 December	1,342,919,020	738	1,342,911,897	738

During 2008 7,123 ordinary shares of $54^{86}/_{91}$ US cents each were allotted to certain non-executive directors by subscription of their after tax directors' fees (2007: 4,143 ordinary shares of 50 US cents each and 3,390 ordinary shares of $54^{86}/_{91}$ US cents each).

In 2008 5,649,992 ordinary shares of $54^{86}/_{91}$ US cents each were purchased by the Company and held in treasury (2007: 27,073,161 ordinary shares of 50 US cents each and 14,631,542 ordinary shares of $54^{86}/_{91}$ US cents each). Excluding shares held in treasury (but including the shares held by the Group in other structures, as outlined in the Tenon and Employee benefit trust sections below) the number of called-up, allotted and fully paid ordinary shares as at 31 December 2008 was 1,316,485,510; $723 million (2007: 1,322,128,379; $726 million).

On 20 June 2007 the Company cancelled 50 ordinary shares of 50 US cents each previously held in treasury. On 3 August 2007 the Company cancelled 60,000,000 ordinary shares of $54^{86}/_{91}$ US cents previously held in treasury. As at 31 December 2008 the Company held 26,433,510 ordinary shares of $54^{86}/_{91}$ US cents in treasury (2007: 20,783,518 ordinary shares of $54^{86}/_{91}$ US cents).

Following the demerger of Mondi on 2 July 2007, a share consolidation became effective with the result that for every 100 existing ordinary shares of 50 US cents each, shareholders received 91 new ordinary shares of $54^{86}/_{91}$ US cents each. This resulted in a reduction in the number of ordinary shares held of 138,749,193.

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.

No ordinary shares were allotted on exercise of employee share option plans (2007: nil).

Notes to the financial statements continued

28. Called-up share capital and share-based payments continued

Tenon

Tenon Investment Holdings (Pty) Limited (Tenon), a wholly owned subsidiary of Anglo American South Africa Limited (AASA), has entered into agreements with Epoch Investment Holdings Limited (Epoch), Epoch Two Investment Holdings Limited (Epoch Two) and Tarl Investments Holdings Limited (Tarl) (collectively the Investment Companies), each owned by independent charitable trusts whose trustees are independent of the Group. Under the terms of these agreements, the Investment Companies have purchased Anglo American plc shares on the market and have granted to Tenon the right to nominate a third party (which may include Anglo American plc but not any of its subsidiaries) to take transfer of the Anglo American plc shares each has purchased on the market. Tenon paid the Investment Companies 80% of the cost of the Anglo American plc shares including associated costs for this right to nominate which together with subscriptions by Tenon for non-voting participating redeemable preference shares in the Investment Companies provide all the funding required to acquire the Anglo American plc shares through the market. These payments by Tenon are sourced from the cash resources of AASA. Tenon is able to exercise its right of nomination at any time up to 31 December 2025 against payment of an average amount of $5.83 per share to Epoch, $9.07 per share to Epoch Two and $7.53 per share to Tarl which will be equal to 20% of the total costs respectively incurred by Epoch, Epoch Two and Tarl in purchasing shares nominated for transfer to the third party. These funds will then become available for redemption of the preference shares issued by the Investment Companies. The amount payable by the third party on receipt of the Anglo American plc shares will accrue to Tenon and, in accordance with paragraph 33 of IAS 32, any resulting gain or loss recorded by Tenon will not be recognised in the income statement of Anglo American plc.

Under the agreements, the Investment Companies will receive dividends on the shares they hold and have agreed to waive the right to vote those shares. The preference shares issued to the charitable trusts are entitled to a participating right of up to 10% of the profit after tax of Epoch and 5% of the profit after tax of Epoch Two and Tarl. The preference shares issued to Tenon will carry a fixed coupon of 3% plus a participating right of up to 80% of the profit after tax of Epoch and 85% of the profit after tax of Epoch Two and Tarl. Any remaining distributable earnings in the Investment Companies, after the above dividends, are then available for distribution as ordinary dividends to the charitable trusts.

The structure effectively provides Tenon with a beneficial interest in the price risk on these shares together with a participation in future dividend receipts. The Investment Companies will retain legal title to the shares until Tenon exercises its right to nominate a transferee.

At 31 December 2008 the Investment Companies together held 112,300,129 (2007: 106,356,408) Anglo American plc shares with a market value of $2,511 million (2007: $6,521 million) which represented 9% (2007: 8%) of the ordinary shares in issue (excluding treasury shares). The Investment Companies are not permitted to hold more than an aggregate of 10% of the issued share capital of Anglo American plc at any one time.

Although the Group has no voting rights in the Investment Companies and cannot appoint or remove trustees of the charitable trusts, the Investment Companies meet the accounting definition of a subsidiary in accordance with IAS 27 *Consolidated and Separate Financial Statements*. As a result, the Investment Companies are consolidated in accordance with the definitions of IAS 27 and the principles set out in SIC 12 *Consolidation – Special Purpose Entities*.

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 2008 5,248,591 (2007: 9,007,694) shares were sold to employees on exercise of their options, and provisional allocations were made to options already awarded. The cost of shares purchased by the trust is presented against retained earnings. The employee benefit trust has waived the right to receive dividends on these shares although the waiver was temporarily suspended in respect of the Mondi demerger dividend in specie. Immediately after the dividend was paid, the waiver was reinstated.

The market value of the 4,445,244 shares (2007: 9,693,835 shares) held by the trust at 31 December 2008 was $99 million (2007: $594 million).

The costs of operating the trust are borne by the Group but are not material.

28. Called-up share capital and share-based payments continued

Share-based payments

During the year ended 31 December 2008, 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 and SIP). The ESOS and former AAC Executive Share Incentive Scheme are now closed to new participants, having been replaced with the BSP.

The total share-based payment charge for continuing operations relating to Anglo American plc shares for the year was made up as follows:

US$ million	2008	2007
ESOS	–	3
BSP	50	41
LTIP	53	43
Other schemes	9	7
	112	94

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. No ESOS awards were granted in 2008 or 2007. The assumptions used in these calculations for the current and prior years are set out in the tables below:

Arrangement	2008 SAYE[1]	2007 SAYE[1]
Date of grant	24/04/08	26/04/07
Number of instruments	307,297	315,716
Exercise price (£)	24.16	21.42
Share price at the date of grant (£)	30.20	26.78
Contractual life (years)	3.5-7.5	3.5-7.5
Vesting conditions[2]	3-7	3-7
Expected volatility	35%	30%
Expected option life (years)	3.5-7.5	3.5-7.5
Risk free interest rate	4.6%	5.2%
Expected departures	5%pa	5%pa
Expected outcome of meeting performance criteria (at date of grant)	n/a	n/a
Fair value per option granted (weighted average) (£)	13.32	8.68

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:

			2008			2007
Arrangement	BSP[1]	LTIP – ROCE[1]	LTIP – TSR[1]	BSP[1]	LTIP – ROCE[1]	LTIP – TSR[1]
Date of grant	29/02/08	17/03/08	17/03/08	09/03/07	23/03/07	23/03/07
Number of instruments	1,690,350	795,465	795,465	1,642,336	841,211	841,211
Exercise price (£)	–	–	–	–	–	–
Share price at the date of grant (£)	28.21	31.35	31.35	24.73	24.63	24.63
Contractual life (years)	3	3	3	3	3	3
Vesting conditions	[3]	[4]	[5]	[3]	[4]	[5]
Expected volatility	35%	35%	35%	30%	30%	30%
Expected option life (years)	3	3	3	3	3	3
Risk free interest rate	4.0%	3.7%	3.7%	5.1%	5.2%	5.2%
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%	100%	n/a	44-100%	100%	n/a
Fair value per option granted (weighted average) (£)	31.22	26.93	19.69	24.67	23.96	18.34

[1] 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.

[2] Number of years continuous employment.

[3] Three years continuous employment with enhancement shares having variable vesting based on non-market based performance conditions.

[4] Variable vesting dependent on three years continuous employment and Group ROCE target being achieved.

[5] Variable vesting dependent on three years continuous employment and market based performance conditions being achieved.

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 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 progressive dividend growth policy has been assumed in all fair value calculations.

Notes to the financial statements continued

28. Called-up share capital and share-based payments continued

A reconciliation of option movements for the more significant share-based payment arrangements over the year to 31 December 2008 and the prior year is shown below. All options outstanding at 31 December 2008 with an exercise date on or prior to 31 December 2008 are deemed exercisable. Options were exercised regularly during the year and the weighted average share price for the year ended 31 December 2008 was £25.99 (2007: £29.09).

Executive Share Option Scheme[1]

Options to acquire ordinary shares of 54 86/91 US cents were outstanding under the terms of this scheme as follows:

At 31 December 2008

Year of grant	Date exercisable	Option price per share £	Options outstanding 1 Jan 2008	Options exercised in year	Options forfeited in year	Options outstanding 31 Dec 2008
1999	24 June 2002 to 23 June 2009	6.98	772,256	(247,973)	(9,950)	514,333
1999	19 October 2002 to 18 October 2009	8.00	29,000	–	(22,000)	7,000
2000	23 March 2003 to 22 March 2010	7.66	1,056,732	(267,610)	(73,000)	716,122
2000	12 September 2003 to 11 September 2010	10.19	15,000	(8,944)	(3,000)	3,056
2001	2 April 2004 to 1 April 2011	10.03	1,251,064	(211,600)	(159,844)	879,620
2001	13 September 2004 to 12 September 2011	8.00	26,750	–	(3,000)	23,750
2002	18 March 2005 to 17 March 2012	11.50	1,298,242	(220,781)	(133,600)	943,861
2002	13 September 2005 to 12 September 2012	8.05	11,000	–	(4,000)	7,000
2003	5 March 2006 to 4 March 2013	9.28	2,350,685	(417,174)	(170,500)	1,763,011
2003	13 August 2006 to 12 August 2013	11.41	32,937	(9,437)	(1,000)	22,500
2004	1 March 2007 to 28 February 2014	13.43	2,641,345	(540,912)	(173,266)	1,927,167
2004	10 August 2007 to 9 August 2014	11.52	84,373	(23,064)	(4,000)	57,309
2004	29 November 2007 to 28 November 2014	12.73	11,147	(2,356)	–	8,791
2005	6 January 2008 to 4 January 2015	12.12	37,579	–	–	37,579
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	(2,750)	–	2,750
			9,641,610	(1,952,601)	(757,160)	6,931,849

At 31 December 2007

Year of grant	Date exercisable	Option price per share £	Options outstanding 1 Jan 2007	Options exercised in year	Options forfeited in year	Options outstanding 31 Dec 2007
1999	24 June 2002 to 23 June 2009	6.98	1,076,806	(288,550)	(16,000)	772,256
1999	19 October 2002 to 18 October 2009	8.00	38,000	(9,000)	–	29,000
2000	23 March 2003 to 22 March 2010	7.66	1,446,216	(368,400)	(21,084)	1,056,732
2000	26 June 2003 to 25 June 2010	7.66	5,000	(5,000)	–	–
2000	12 September 2003 to 11 September 2010	10.19	29,000	(14,000)	–	15,000
2001	2 April 2004 to 1 April 2011	10.03	1,745,658	(430,250)	(64,344)	1,251,064
2001	13 September 2004 to 12 September 2011	8.00	26,750	–	–	26,750
2002	18 March 2005 to 17 March 2012	11.50	1,848,700	(451,295)	(99,163)	1,298,242
2002	13 September 2005 to 12 September 2012	8.05	11,000	–	–	11,000
2003	5 March 2006 to 4 March 2013	9.28	4,022,398	(1,420,359)	(251,354)	2,350,685
2003	13 August 2006 to 12 August 2013	11.41	59,760	(21,823)	(5,000)	32,937
2003	1 October 2006 to 30 September 2013	10.81	10,000	(10,000)	–	–
2004	1 March 2007 to 28 February 2014	13.43	6,796,976	(3,955,583)	(200,048)	2,641,345
2004	10 August 2007 to 9 August 2014	11.52	194,322	(87,949)	(22,000)	84,373
2004	29 November 2007 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	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
			17,382,812	(7,062,209)	(678,993)	9,641,610

See page 121 for footnote.

28. Called-up share capital and share-based payments continued

SAYE Share Option Scheme[1]

Options to acquire ordinary shares of 54 86/91 US cents were outstanding under the terms of this scheme as follows:

At 31 December 2008

Year of grant	Date exercisable	Option price per share £	Options outstanding 1 Jan 2008	Options granted in year	Options exercised in year	Options forfeited in year	Options outstanding 31 Dec 2008
2000	1 July 2007 to 31 December 2007	4.85	5,528	–	–	(5,528)	–
2001	1 July 2008 to 31 December 2008	8.45	36,294	–	(35,392)	(32)	870
2002	1 September 2007 to 29 February 2008	9.23	2,648	–	(429)	(2,219)	–
2002	1 September 2009 to 28 February 2010	9.23	24,738	–	(333)	(56)	24,349
2003	1 September 2008 to 28 February 2009	7.52	152,728	–	(147,206)	(1,333)	4,189
2003	1 September 2010 to 28 February 2011	7.52	40,908	–	–	–	40,908
2004	1 September 2007 to 29 February 2008	10.81	2,506	–	(2,089)	(417)	–
2004	1 September 2009 to 28 February 2010	10.81	72,162	–	(1,441)	(1,426)	69,295
2004	1 September 2011 to 29 February 2012	10.81	18,324	–	–	(195)	18,129
2005	1 September 2008 to 28 February 2009	10.15	275,727	–	(262,405)	(5,589)	7,733
2005	1 September 2010 to 28 February 2011	10.15	254,714	–	(7,419)	(9,924)	237,371
2005	1 September 2012 to 28 February 2013	10.15	48,059	–	(162)	(4,837)	43,060
2006	1 September 2009 to 28 February 2010	17.97	208,452	–	(2,459)	(36,051)	169,942
2006	1 September 2011 to 29 February 2012	17.97	122,114	–	(288)	(16,688)	105,138
2006	1 September 2013 to 28 February 2014	17.97	34,021	–	(133)	(5,189)	28,699
2007	1 September 2010 to 28 February 2011	21.42	178,172	–	(501)	(40,556)	137,115
2007	1 September 2012 to 28 February 2013	21.42	86,324	–	(64)	(14,174)	72,086
2007	1 September 2014 to 28 February 2015	21.42	36,918	–	–	(5,927)	30,991
2008	1 September 2011 to 29 February 2012	24.16	–	194,711	–	(26,486)	168,225
2008	1 September 2013 to 28 February 2014	24.16	–	76,937	–	(7,706)	69,231
2008	1 September 2015 to 29 February 2016	24.16	–	35,649	–	(3,271)	32,378
			1,600,337	307,297	(460,321)	(187,604)	1,259,709

At 31 December 2007

Year of grant	Date exercisable	Option price per share £	Options outstanding 1 Jan 2007	Options granted in year	Options exercised in year	Options forfeited in year	Options outstanding 31 Dec 2007
1999	1 September 2006 to 28 February 2007	6.38	1,728	–	(1,728)	–	–
2000	1 July 2007 to 31 December 2007	4.85	330,023	–	(324,172)	(323)	5,528
2001	1 July 2006 to 31 December 2006	8.45	1,531	–	(319)	(1,212)	–
2001	1 July 2008 to 31 December 2008	8.45	45,037	–	(7,792)	(951)	36,294
2002	1 September 2007 to 29 February 2008	9.23	105,884	–	(102,187)	(1,049)	2,648
2002	1 September 2009 to 28 February 2010	9.23	33,704	–	(7,544)	(1,422)	24,738
2003	1 September 2006 to 28 February 2007	7.52	6,940	–	(5,776)	(1,164)	–
2003	1 September 2008 to 28 February 2009	7.52	176,698	–	(16,963)	(7,007)	152,728
2003	1 September 2010 to 28 February 2011	7.52	49,827	–	(6,488)	(2,431)	40,908
2004	1 September 2007 to 29 February 2008	10.81	167,708	–	(160,787)	(4,415)	2,506
2004	1 September 2009 to 28 February 2010	10.81	92,595	–	(9,239)	(11,194)	72,162
2004	1 September 2011 to 29 February 2012	10.81	24,050	–	(1,588)	(4,138)	18,324
2005	1 September 2008 to 28 February 2009	10.15	323,567	–	(22,208)	(25,632)	275,727
2005	1 September 2010 to 28 February 2011	10.15	288,080	–	(8,936)	(24,430)	254,714
2005	1 September 2012 to 28 February 2013	10.15	60,555	–	(4,079)	(8,417)	48,059
2006	1 September 2009 to 28 February 2010	17.97	265,498	–	(9,868)	(47,178)	208,452
2006	1 September 2011 to 29 February 2012	17.97	146,950	–	(2,911)	(21,925)	122,114
2006	1 September 2013 to 28 February 2014	17.97	47,708	–	(1,798)	(11,889)	34,021
2007	1 September 2010 to 28 February 2011	21.42	–	185,798	(65)	(7,561)	178,172
2007	1 September 2012 to 28 February 2013	21.42	–	90,656	–	(4,332)	86,324
2007	1 September 2014 to 28 February 2015	21.42	–	39,262	–	(2,344)	36,918
			2,168,083	315,716	(694,448)	(189,014)	1,600,337

See page 121 for footnote.

Notes to the financial statements continued

28. Called-up share capital and share-based payments continued

Former AAC Executive Share Incentive Scheme[1]

At 31 December 2008

Year of grant	Date exercisable	Weighted average option price per share £	Options outstanding 1 Jan 2008	Options exercised in year	Options expired in year	Options outstanding 31 Dec 2008
1998	1 January 2000 to 4 December 2008	–	679,800	(587,560)	(92,240)	–
1999	4 January 2001 to 4 January 2009	–	38,700	(33,900)	(4,800)	–
			718,500	(621,460)	(97,040)	–

At 31 December 2007

Year of grant	Date exercisable	Weighted average option price per share £	Options outstanding 1 Jan 2007	Options exercised in year	Options outstanding 31 Dec 2007
1990-1997	1 January 1999 to 15 December 2007	–	49,800	(49,800)	–
1998	1 January 2000 to 4 December 2008	3.37	2,636,080	(1,956,280)	679,800
1999	4 January 2001 to 4 January 2009	2.94	95,500	(56,800)	38,700
			2,781,380	(2,062,880)	718,500

See following page for footnote.

Long Term Incentive Plan[1][2]

Ordinary shares of 54 86/91 US cents may be awarded for no consideration under the terms of this scheme. The number of shares outstanding is shown below:

At 31 December 2008

Year of grant	Vesting date	Shares outstanding 1 Jan 2008	Shares conditionally awarded in year	Shares vested in year	Shares forfeited in year	Shares outstanding 31 Dec 2008
2005	2 April 2008	1,806,992	–	(1,563,495)	(243,497)	–
2005	1 June 2008	61,993	–	(61,993)	–	–
2006	29 March 2009	1,423,723	–	(14,375)	(207,316)	1,202,032
2007	23 March 2010	1,760,571	–	(5,526)	(150,100)	1,604,945
2008	17 March 2011	–	1,623,929	–	(47,911)	1,576,018
2008	18 August 2011	–	83,200	–	–	83,200
		5,053,279	1,707,129	(1,645,389)	(648,824)	4,466,195

At 31 December 2007

Year of grant	Date exercisable/Vesting date	Shares outstanding 1 Jan 2007	Shares conditionally awarded in year	Shares vested in year	Shares forfeited in year	Shares expired in year	Shares outstanding 31 Dec 2007
2003	11 April 2006 to 10 April 2007	118,901	–	(116,351)	–	(2,550)	–
2004	25 March 2007	1,572,479	–	(738,356)	(834,123)	–	–
2004	26 April 2007	170,323	–	(79,975)	(90,348)	–	–
2004	1 September 2007	10,000	–	(10,000)	–	–	–
2005	2 April 2008	2,058,193	–	(233,001)	(18,200)	–	1,806,992
2005	1 June 2008	61,993	–	–	–	–	61,993
2006	29 March 2009	1,492,252	–	(31,618)	(36,911)	–	1,423,723
2007	23 March 2010	–	1,766,921	–	(6,350)	–	1,760,571
		5,484,141	1,766,921	(1,209,301)	(985,932)	(2,550)	5,053,279

See following page for footnotes.

28. Called-up share capital and share-based payments continued

Bonus Share Plan[3]

Ordinary shares of 54 86/91 US cents may be awarded under the terms of this scheme for no consideration. The number of shares outstanding is shown below:

At 31 December 2008

Year of grant	Performance period end date	Shares outstanding 1 Jan 2008	Shares conditionally awarded in year	Shares vested in year	Shares forfeited in year	Shares outstanding 31 Dec 2008
2004	31 December 2006	5,684	–	(5,684)	–	–
2005	31 December 2007	1,847,813	–	(1,709,848)	(137,139)	826
2006	31 December 2008	1,424,558	–	(75,498)	(78,916)	1,270,144
2007	31 December 2009	1,544,288	–	(54,786)	(92,889)	1,396,613
2008	31 December 2010	–	1,701,688	(28,623)	(50,614)	1,622,451
		4,822,343	1,701,688	(1,874,439)	(359,558)	4,290,034

At 31 December 2007

Year of grant	Performance period end date	Shares outstanding 1 Jan 2007	Shares conditionally awarded in year	Shares vested in year	Shares forfeited in year	Shares outstanding 31 Dec 2007
2004	31 December 2006	459,737	–	(454,053)	–	5,684
2005	31 December 2007	2,293,706	–	(381,423)	(64,470)	1,847,813
2006	31 December 2008	1,815,462	–	(283,839)	(107,065)	1,424,558
2007	31 December 2009	–	1,643,559	(81,808)	(17,463)	1,544,288
		4,568,905	1,643,559	(1,201,123)	(188,998)	4,822,343

Share Incentive Plan

Ordinary shares of 54 86/91 US cents may be awarded under the terms of this scheme for no consideration. The number of shares outstanding is shown below:

	Awards outstanding at 31 Dec 2008	Awards outstanding at 31 Dec 2007	Latest release date
Share Incentive Plan	968,341	921,574	7 December 2011

[1] The early exercise of share options is permitted at the discretion of the Company upon the termination of employment, ill health or death.

[2] The LTIP awards are contingent on pre-established performance criteria being met. Further information in respect of this scheme is shown in the Remuneration report.

[3] The 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.

Notes to the financial statements continued

29. Reconciliation of changes in equity

US$ million	Attributable to equity shareholders of the Company						
	Total share capital[1]	Retained earnings	Share-based payment reserve	Cumulative translation adjustment reserve	Fair value and other reserves	Minority interests	Total equity
Balance at 1 January 2007	3,484	19,738	247	(38)	840	2,856	27,127
Total recognised income and expense	–	7,276	–	58	1,891	844	10,069
Dividends paid	–	(1,527)	–	–	–	–	(1,527)
Dividends paid to minority interests	–	–	–	–	–	(757)	(757)
Dividend in specie relating to Mondi demerger	–	(3,718)	–	–	–	–	(3,718)
Acquisition, disposal and demerger of businesses	–	41	(45)	–	112	(1,196)	(1,088)
Issue of shares to minority interests	–	–	–	–	–	28	28
Group reinvestment of dividends in Anglo Platinum	–	–	–	–	–	86	86
Minority conversion of Anglo Platinum's preference shares	–	45	–	–	–	(45)	–
Exercise of share options in Anglo Platinum	–	–	–	–	–	51	51
Share buybacks	–	(6,167)	–	–	–	–	(6,167)
Purchase of shares for share schemes	–	(23)	–	–	–	–	(23)
Share-based payment charges on equity settled schemes	–	–	156	–	–	–	156
Issue of shares under employee share schemes	–	131	(94)	–	–	–	37
Current tax on exercised employee share schemes	–	23	–	–	–	–	23
Cancellation of treasury shares	(33)	–	–	–	33	–	–
IFRS 2 charges arising on BBBEE and BEE transactions	–	33	–	–	–	35	68
Other	–	3	(2)	–	(3)	(33)	(35)
Balance at 1 January 2008	3,451	15,855	262	20	2,873	1,869	24,330
Total recognised income and expense	–	5,113	–	(4,097)	(1,175)	487	328
Dividends paid	–	(1,538)	–	–	–	–	(1,538)
Dividends paid to minority interests	–	–	–	–	–	(796)	(796)
Acquisition and disposal of businesses (including issue of shares to minority interests)	–	6	–	–	–	(45)	(39)
Minority conversion of Anglo Platinum's preference shares	–	6	–	–	–	(6)	–
Share buybacks	–	(595)	–	–	–	–	(595)
Purchase of shares for share schemes	–	(88)	–	–	–	–	(88)
Share-based payment charges on equity settled schemes	–	–	146	–	–	11	157
Issue of shares under employee share schemes	–	97	(70)	–	–	–	27
Current tax on exercised employee share schemes	–	10	–	–	–	–	10
Treasury shares issued in subsidiary entities	–	6	–	–	–	–	6
Other	–	(45)	(50)	–	34	15	(46)
Balance at 31 December 2008	3,451	18,827	288	(4,077)	1,732	1,535	21,756

[1] Total share capital comprises called-up share capital of $738 million (2007: $738 million) and the share premium account of $2,713 million (2007: $2,713 million).

Fair value and other reserves comprise:

US$ million	Available for sale reserve	Cash flow hedge reserve	Other reserves[1]	Total fair value and other reserves
Balance at 1 January 2007	491	(422)	771	840
Total recognised income and expense	1,889	2	–	1,891
Acquisition, disposal and demerger of businesses	(7)	116	3	112
Cancellation of treasury shares	–	–	33	33
Other	–	–	(3)	(3)
Balance at 1 January 2008	2,373	(304)	804	2,873
Total recognised income and expense	(1,285)	110	–	(1,175)
Other	–	–	34	34
Balance at 31 December 2008	1,088	(194)	838	1,732

[1] Other reserves comprise $689 million (2007: $689 million) legal reserve, $34 million (2007: nil) revaluation reserve and $115 million (2007: $115 million) capital redemption reserve.

30. Consolidated cash flow analysis

a) Reconciliation of profit before tax to cash inflows from continuing operations

US$ million	2008	2007
Profit before tax – continuing operations	8,571	8,821
Depreciation and amortisation	1,509	1,398
Share-based payment charges	155	138
Special items and remeasurements of subsidiaries and joint ventures	71	(243)
Net finance costs before remeasurements	452	137
Operating fair value gains before special items and remeasurements	(1)	(12)
Share of net income from associates	(1,113)	(197)
Provisions	46	77
Increase in inventories	(999)	(352)
Decrease/(increase) in operating receivables	80	(389)
Increase in operating payables	896	53
Other adjustments	(88)	(56)
Cash inflows from continuing operations	9,579	9,375

b) Reconciliation to the balance sheet

	Cash and cash equivalents[1]		Short term borrowings		Medium and long term borrowings	
US$ million	2008	2007	2008	2007	2008	2007
Balance sheet	2,771	3,129	(6,784)	(5,895)	(7,211)	(2,404)
Balance sheet – disposal groups[2]	8	–	–	(31)	–	–
Bank overdrafts	(35)	(17)	35	17	–	–
Bank overdrafts – disposal groups[2]	–	(38)	–	–	–	–
Net debt classifications	2,744	3,074	(6,749)	(5,909)	(7,211)	(2,404)

[1] 'Short term borrowings' on the balance sheet include overdrafts which are included within cash and cash equivalents in determining net debt.

[2] Disposal group balances are shown as 'Assets classified as held for sale' and 'Liabilities directly associated with assets classified as held for sale' on the balance sheet.

c) Movement in net debt

US$ million	Cash and cash equivalents[1]	Debt due within one year	Debt due after one year	Current financial asset investments[2]	Net debt excluding hedges	Hedges[3]	Total net debt including hedges
Balance at 1 January 2007	2,980	(2,076)	(4,228)	–	(3,324)	193	(3,131)
Cash flow[4]	34	(2,618)	(1,334)	–	(3,918)	–	(3,918)
Acquisition, disposal and demerger of businesses	–	468	1,858	–	2,326	–	2,326
Reclassifications	–	(1,394)	1,420	–	26	–	26
Movement in fair value	–	(7)	10	–	3	195	198
Other non-cash movements	–	–	18	–	18	–	18
Currency movements	60	(282)	(148)	–	(370)	–	(370)
Balance at 1 January 2008	3,074	(5,909)	(2,404)	–	(5,239)	388	(4,851)
Cash flow[4]	(143)	(1,432)	(5,181)	210	(6,546)	(380)	(6,926)
Acquisition of businesses	–	(209)	(461)	–	(670)	–	(670)
Reclassifications	–	190	(190)	–	–	–	–
Movement in fair value	–	(11)	(176)	–	(187)	(305)	(492)
Other non-cash movements	–	–	(15)	–	(15)	–	(15)
Currency movements	(187)	622	1,216	(37)	1,614	–	1,614
Balance at 31 December 2008	2,744	(6,749)	(7,211)	173	(11,043)	(297)	(11,340)

[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 ongoing obligations.

[2] Relates to amounts invested in unlisted preference shares (guaranteed by Nedbank Limited and Nedbank Group Limited) pending completion of the anticipated disposal of the Group's 50% interest in the Booysendal joint venture.

[3] Derivative instruments that provide an economic hedge of assets and liabilities in net debt are included above to reflect the true net debt position of the Group at the year end. These consist of net current derivative liabilities of $437 million (2007: $396 million net assets) and net non-current derivative assets of $140 million (2007: $8 million net liabilities) and are classified within other financial liabilities and other financial assets respectively on the balance sheet.

[4] Cash flow on debt due within one year includes nil relating to discontinued operations (2007: repayments of $162 million). Similarly, cash flow on debt due after one year includes nil relating to discontinued operations (2007: receipts of $993 million). Cash flow on debt due after one year includes repayment of finance leases of $3 million (2007: nil) which is included within 'Other financing activities' in the Consolidated cash flow statement.

Notes to the financial statements continued

31. EBITDA by business segment

US$ million	2008	2007
By business segment		
Platinum	2,732	3,155
Diamonds	665	587
Base Metals	2,845	4,683
Ferrous Metals and Industries	3,064	1,561
Coal	2,585	882
Industrial Minerals	487	732
Exploration	(212)	(157)
Corporate Activities and Unallocated Costs	(319)	(272)
EBITDA – continuing operations	11,847	11,171
EBITDA – discontinued operations	–	961
EBITDA – total Group	11,847	12,132

EBITDA is stated before special items and remeasurements and is reconciled to 'Total profit from operations and associates' as follows:

US$ million	2008	2007
Total profit from operations and associates	8,972	8,929
Operating special items and remeasurements (including associates)	1,357	711
Net profit on disposals (including associates)	(1,027)	(484)
Associates' financing remeasurements	15	4
Depreciation and amortisation: subsidiaries and joint ventures	1,509	1,398
Share of associates' interest, tax, depreciation, amortisation and minority interests	1,021	613
EBITDA – continuing operations	11,847	11,171
EBITDA – discontinued operations	–	961
EBITDA – total Group	11,847	12,132

32. Acquisitions

Acquisition of subsidiaries

On 5 August 2008 the Group acquired a 63.3% shareholding in Anglo Ferrous Brazil SA, which holds a 51% interest in the Minas-Rio iron ore project (Minas-Rio) and a 70% interest in the Amapá iron ore system (Amapá) at a price of R$28.147 ($18.056) per share. At that time the Group committed to extend the offer to the minority shareholders of Anglo Ferrous Brazil SA. This offer was formally made on 31 October 2008 and as a result, the Group's shareholding in Anglo Ferrous Brazil SA at 31 December 2008 was 98.9%. Total cash paid to acquire a controlling interest was $3.5 billion. A further $2.0 billion was paid (including cash settlement of a related derivative instrument ($0.7 billion)) to subsequently acquire minority interests.

This transaction followed on from the prior year acquisition of a 49% interest in each of Minas-Rio and LLX Minas-Rio, which owns the port of Açu (presented as a comparative in the Acquisition of material joint ventures section).

As a result of these transactions the Group's effective shareholding in each of the operating entities at 31 December 2008 was 99.4% in Minas-Rio, 49% in LLX Minas-Rio and 69.2% in Amapá.

In the year ended 31 December 2008, the Group purchased 7,941,964 shares (2007: 4,435,086 shares) in Anglo Platinum Limited for total consideration of $1,108 million (2007: $671 million). The cash paid in the year ended 31 December 2008 was $1,113 million (2007: $658 million). In the year ended 31 December 2007, the Group also acquired 3,353,108 shares in Anglo Platinum Limited through a dividend reinvestment plan. The Group's shareholding in Anglo Platinum Limited increased from 76.5% at 31 December 2007 to 79.6% at 31 December 2008.

The carrying value and fair value of the net assets at the date of acquisition of a controlling interest and related net cash outflows are shown below. The fair values presented are provisional, and will be finalised in 2009 when the final fair values arising from the fair value assessments are confirmed.

					2008[1]	2007
	Anglo Ferrous Brazil SA[2]		Other[3]			
US$ million	Carrying value	Provisional fair value	Carrying value	Fair value	Total provisional fair value	Total fair value
Net assets acquired						
Tangible assets	930	930	56	67	997	314
Other non-current assets	57	96	1	13	109	12
Current assets	319	388	69	69	457	65
Current liabilities	(278)	(278)	(35)	(36)	(314)	(54)
Non-current liabilities	(418)	(534)	(7)	(13)	(547)	(66)
Minority interests	(235)	(230)	–	–	(230)	(80)
	375	372	84	100	472	191
Add: Value attributable to reserves and resources acquired, net of deferred tax[4]		1,590		59	1,649	4
Less: Investments in associates previously recorded		–		–	–	(9)
Less: Fair value of assets contributed		–		–	–	(59)
Fair value of net assets acquired		1,962		159	2,121	127
Partial funding of partner cash calls		–		–	–	(12)
Goodwill arising on acquisitions		1,556		54	1,610	51
Negative goodwill arising on acquisitions		–		–	–	(2)
Total cost of acquisitions		3,518		213	3,731	164
Satisfied by						
Net cash acquired		243		12	255	11
Cash paid in prior year		–		–	–	30
Net cash paid[5][6]		3,275		201	3,476	123

[1] Had all these acquisitions of subsidiaries taken place at 1 January 2008, the Group's revenue would have been $26,367 million and the Group's operating profit before special items and remeasurements would have been $7,929 million for the year ended 31 December 2008.

[2] Since the date of acquisition, Anglo Ferrous Brazil SA has contributed revenue of nil and operating loss before special items and remeasurements of $70 million to the Group.

[3] In total since the date of acquisition, these Other acquisitions have contributed revenue of $179 million and operating profit before special items and remeasurements of $16 million to the Group.

[4] Represents the Group's share of value (implicit in the transaction) of reserves and resources, capitalised within tangible assets.

[5] Includes net cash paid by discontinued operations of nil (2007: $9 million).

[6] $2,411 million (2007: $658 million) has been paid to acquire minority interests in existing subsidiaries. In 2008 this related primarily to Anglo Ferrous Brazil SA and Anglo Platinum Limited (2007: Anglo Platinum Limited). These payments are not reflected in the above net cash paid amount. This resulted in total net cash paid for the acquisition of subsidiaries in the year of $5,887 million.

Acquisition of material joint ventures

The Group made one material acquisition of a joint venture in the year ended 31 December 2008 (2007: one).

On 29 February 2008 Anglo Coal Australia completed the acquisition of a 70% interest in the Foxleigh joint venture (Foxleigh) in Queensland, Australia. The total cost of acquisition was $606 million. The Group has proportionately consolidated 70% of Foxleigh from 29 February 2008.

Notes to the financial statements continued

32. Acquisitions continued

The carrying value and provisional fair value of the net assets at the date of acquisition and related net cash outflow for material joint venture acquisitions are shown below:

			2008	2007
		Foxleigh	Minas-Rio 49% interest[1]	Minas-Rio 49% interest
US$ million	Carrying value	Provisional fair value	Fair value	Fair value
Net assets acquired				
Tangible assets				
Value attributable to reserves and resources acquired	–	684	151	1,770
Other tangible assets	108	108	–	86
Other non-current assets	–	–	–	16
Current assets	41	41	–	52
Current liabilities	(37)	(37)	–	(84)
Non-current liabilities	(47)	(190)	93	(632)
Fair value of net assets acquired and total cost of acquisitions	65	606	244	1,208
Satisfied by				
Net cash acquired		1	–	48
Deferred consideration		–	242	47
Costs accrued		–	–	1
Net cash paid[2]		605	2	1,112

[1] During the year further consideration of $284 million (which is contingent on certain criteria being met) was recognised (reduced from the $600 million recognised in the first half of 2008, as a result of a change in the assumptions with regards to payment and purchase of an additional interest in Minas-Rio) together with an adjustment to the net deferred tax liability recognised to reflect the future tax benefit from cash payments made on acquisition. These adjustments resulted in amendments to the 'Value attributable to reserves and resources acquired' and deferred tax in the acquisition balance sheet.

[2] In addition, during the year there was further net cash paid of $2 million (2007: $2 million) for other joint venture acquisitions. This resulted in total net cash paid for investments in joint ventures of $609 million (2007: $1,114 million).

33. Disposals and demerger of subsidiaries and businesses

US$ million	2008	2007
Net assets disposed		
Tangible assets	479	6,197
Other non-current assets	43	1,208
Current assets	210	4,194
Current liabilities	(83)	(2,416)
Non-current liabilities	(113)	(3,064)
Net assets[1]	536	6,119
Minority interests	(116)	(1,200)
Group's share of net assets immediately prior to disposal	420	4,919
Less: Retained investments in associates	–	(393)
Less: Retained financial asset investments	–	(318)
Net assets disposed	420	4,208
Cumulative translation differences recycled from reserves	(2)	(334)
Fair value losses arising on transactions	–	68
Dividend in specie relating to Mondi demerger	–	(3,718)
Other	–	3
Net gain on disposals	119	157
Net sale proceeds	537	384
Net cash and cash equivalents disposed	(4)	(437)
Costs accrued	4	4
Deferred consideration	(56)	–
Realised foreign exchange	(13)	–
Net cash inflow/(outflow) from disposals and demerger[2]	468	(49)

[1] 2008 includes net assets of $79 million no longer consolidated following loss of control of a subsidiary.

[2] 2008 includes nil in relation to discontinued operations (2007: net cash outflow of $159 million).

Disposals of businesses in the year ended 31 December 2008

The disposal of Namakwa Sands was the only material disposal of a business in the year.

Namakwa Sands

On 1 October 2008 Namakwa Sands was sold to Exxaro Resources Limited (Exxaro) for consideration of $330 million including deferred consideration.

The net asset position at the date of disposal, together with the resulting profit on disposal and related cash inflow, is shown below:

US$ million	2008
Tangible assets	296
Other non-current assets	4
Current assets	91
Current liabilities	(15)
Non-current liabilities	(84)
Net assets disposed	292
Cumulative translation differences recycled from reserves	1
Net gain on disposal	49
Net sale proceeds	342
Deferred consideration	(19)
Realised foreign exchange	(12)
Net cash inflow from disposal of Namakwa Sands	311

On 3 November 2008 as part of the same transaction, the Group completed the sale of a 26% interest in both the Black Mountain zinc, lead and copper operation and the Gamsberg zinc project for consideration of $23 million.

33. Disposals and demerger of subsidiaries and businesses continued

Disposals and demerger of subsidiaries and associates in the year ended 31 December 2007

Significant disposals and demerger of subsidiaries and associates recorded during the year ended 31 December 2007 are summarised below. For further details refer to the Group's financial statements for the year ended 31 December 2007.

Mondi

On 2 July 2007 the Paper and Packaging business, Mondi, was demerged from the Group by way of a dividend in specie paid to shareholders of $3,718 million. The Paper and Packaging business is presented as a discontinued operation. Refer to note 35 for financial information on discontinued operations. The Group held a 5.3% interest in Mondi at 31 December 2008 and 31 December 2007 through Epoch, Epoch Two and Tarl. Refer to note 28 for more information on these companies.

Highveld Steel and Vanadium Corporation (Highveld)

On 4 May 2007 the Group announced the disposal of the remaining 29.2% shareholding in Highveld to the Evraz Group SA (Evraz) for $238 million. Evraz was granted an option, subject to regulatory approvals, over this stake as part of the original transaction in which the Group sold 49.8% of Highveld to Evraz and Credit Suisse (in July 2006). Evraz exercised their option on 26 April 2007 following requisite regulatory approvals.

Tongaat-Hulett Group

In December 2006 the Tongaat-Hulett Group announced the proposed unbundling and listing of Hulamin and simultaneous introduction of BBBEE into both companies.

This transaction was effected on 25 June 2007, and empowerment parties acquired 25% of Tongaat-Hulett and 15% of Hulamin's operations. The Group commenced equity accounting both Tongaat-Hulett and Hulamin as of 25 June 2007. However, in accordance with SIC 12 Tongaat-Hulett and Hulamin are required to consolidate the entities housing the empowerment interests (as they supplied significant funding to these parties to effect the transaction). This has the effect, in accounting terms, of cancelling the shares issued to these parties. As a result, the Group has equity accounted 49.8% and 44.9% of Tongaat-Hulett and Hulamin, respectively. The Group's legal interest in Tongaat-Hulett at 31 December 2008 was 37.1% (2007: 37.2%). The Group's legal interest in Hulamin at 31 December 2008 was 38.4% (2007: 38.4%).

AngloGold Ashanti

On 2 October 2007 the Group sold 67.1 million shares in AngloGold Ashanti Limited for $2.9 billion. This reduced the Group's shareholding from 41.6% to 17.3%. The Group's representation on the company's board was also withdrawn at this time. The remaining investment is accounted for as a financial asset investment. The Gold business is presented as a discontinued operation. Refer to note 35 for financial information on discontinued operations. The Group's shareholding at 31 December 2008 was 16.2% (2007: 16.6%).

34. Disposal groups and non-current assets held for sale

Net assets relating to Namakwa Sands, which were previously classified as held for sale at 31 December 2007, were disposed of on 1 October 2008 as disclosed in note 33.

The following assets and liabilities relating to disposal groups were classified as held for sale. The Group expects to complete the sale of these businesses within 12 months of the year end.

US$ million	2008 Platinum disposal groups[1]	2007 Total[2]
Intangible assets	–	3
Tangible assets	257	589
Investments in associates	–	74
Other non-current assets	2	4
Total non-current assets	**259**	**670**
Inventories	–	38
Trade and other receivables	8	50
Cash and cash equivalents	8	–
Total current assets	**16**	**88**
Total assets	**275**	**758**
Trade and other payables	(21)	(53)
Short term borrowings	–	(69)
Other current liabilities	–	(4)
Total current liabilities	**(21)**	**(126)**
Retirement benefit obligations	–	(4)
Deferred tax liabilities	(56)	(148)
Provisions for liabilities and charges	(3)	(9)
Total non-current liabilities	**(59)**	**(161)**
Total liabilities	**(80)**	**(287)**
Net assets	**195**	**471**

[1] This reflects the reclassification of operations to be sold under previously announced BEE deals. Due to the significant deterioration in global market conditions, coupled with a material decline in platinum group metal prices and constrained debt and equity markets, in the fourth quarter of 2008, the Lebowa mine plan and project pipeline, including the Middelpunt Hill UG2 expansion project, were placed under critical review in conjunction with Anooraq. Anglo Platinum and Anooraq remain committed to concluding the transaction as soon as practically possible and have extended the date for fulfilment of the conditions until 30 April 2009, thus it remains appropriate to classify these entities as held for sale. Northam Platinum Limited was sold on 20 August 2008 to Mvela. The cash inflow from the disposal was $205 million. In the event ministerial approval is not received, the sale of Northam Platinum Limited would be unwound. The split of the total assets, total liabilities and net assets for the Platinum disposal groups is as follows:

US$ million	2008 Total assets	2008 Total liabilities	2008 Net assets	2007 Total assets	2007 Total liabilities	2007 Net assets
Lebowa Platinum Mines Limited	265	(78)	187	243	(166)	77
Northam Platinum Limited	–	–	–	74	–	74
Other	10	(2)	8	11	(2)	9
	275	(80)	195	328	(168)	160

[2] Disposal groups at 31 December 2007 related to Namakwa Sands and Platinum disposal groups.

The net carrying amount of assets and associated liabilities classified as held for sale during the year was not written down in 2008 or 2007.

Notes to the financial statements continued

35. Discontinued operations

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

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

Both of these operations are presented as discontinued.

The results of the discontinued businesses are shown below:

US$ million	Before special items and remeasurements 2008	Before special items and remeasurements 2007	Special items and remeasurements 2008	Special items and remeasurements 2007	2008	2007
Revenue	–	4,062	–	–	–	4,062
Total operating costs	–	(3,741)	–	(10)	–	(3,751)
Operating profit from subsidiaries and joint ventures – discontinued operations	–	321	–	(10)	–	311
Net profit on disposals	–	–	–	119	–	119
Share of net income from associates	–	97	–	(187)	–	(90)
Total profit from discontinued operations and associates	–	418	–	(78)	–	340
Net finance costs	–	(19)	–	–	–	(19)
Profit before tax – discontinued operations	–	399	–	(78)	–	321
Income tax expense	–	(81)	–	1	–	(80)
Profit for the financial year – discontinued operations	–	318	–	(77)	–	241
Profit on partial disposal of AngloGold Ashanti[1]	–	–	–	1,970	–	1,970
Transaction costs relating to the demerger of Mondi[1]	–	–	–	(10)	–	(10)
Tax on net profit on disposal and demerger of discontinued operations	–	–	–	(157)	–	(157)
Net profit after tax on disposal and demerger of discontinued operations	–	–	–	1,803	–	1,803
Total profit for the financial year – discontinued operations	–	318	–	1,726	–	2,044

[1] For further details of the demerger of the Paper and Packaging business and disposal of AngloGold Ashanti refer to note 33.

Summary discontinued segment information

Segment revenue and segment result by discontinued business segment were:

US$ million	Segment revenue 2008	Segment revenue 2007	Segment result before special items and remeasurements[1] 2008	Segment result before special items and remeasurements[1] 2007	Segment result after special items and remeasurements[1] 2008	Segment result after special items and remeasurements[1] 2007
Subsidiaries and joint ventures						
Paper and Packaging	–	4,062[2]	–	321	–	311
Revenue and net income from associates						
Gold	–	1,004	–	95	–	(92)
Paper and Packaging	–	49	–	2	–	2
Total associates	–	1,053	–	97	–	(90)
Total discontinued operations including net income from associates	–	5,115	–	418	–	221
Net profit on disposals			–	–	–	119
Total profit from discontinued operations and associates			–	418	–	340

[1] Segment result is defined as being segment revenue less segment expense; that is operating profit.

[2] This represents segment revenue; the Group's share of associates of discontinued operations and discontinued associates' revenue figures are provided for additional information.

35. Discontinued operations continued

Summary discontinued special items and remeasurements

The following tables provide an analysis of special items and remeasurements for discontinued operations:

Subsidiaries and joint ventures' special items and remeasurements – discontinued operations

US$ million	2008	2007
Operating special items	–	(13)
Operating remeasurements	–	3
Net profit on disposals	–	119
Financing special items	–	(2)
Financing remeasurements	–	2
Total special items and remeasurements before tax – discontinued operations	–	109
Tax	–	1
Net total special items and remeasurements attributable to equity shareholders of the Company – discontinued operations	–	110

Associates' special items and remeasurements – discontinued operations

US$ million	2008	2007
Associates' operating special items and remeasurements	–	(225)
Associates' net profit on disposals	–	7
Associates' financing remeasurements	–	13
Total associates' special items and remeasurements before tax – discontinued operations	–	(205)
Tax	–	18
Net total associates' special items and remeasurements – discontinued operations	–	(187)

Employee numbers and costs – discontinued operations

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

Thousands	2008	2007
By business segment		
Paper and Packaging[1]	–	16
Discontinued operations	–	16

[1] 2007 includes employee numbers for Mondi for the period it was held as a subsidiary pro rated over the full year.

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

US$ million	2008	2007
Wages and salaries	–	473
Social security costs	–	95
Post retirement healthcare costs	–	1
Defined benefit pension plan costs	–	2
Share-based payments	–	4
Discontinued operations	–	575

36. Capital commitments

US$ million	2008	2007
Contracted but not provided	3,465	2,373

37. Contingent liabilities and contingent assets

(i) Contingent liabilities

The Group is subject to various claims which arise in the ordinary course of business. Additionally, and as set out in the demerger agreement, Anglo American and Mondi have agreed to indemnify each other, subject to certain limitations, against certain liabilities. Having taken appropriate legal advice, the Group believes that the likelihood of a material liability arising is remote. At 31 December 2008 contingent liabilities in respect of the Group's subsidiaries comprise aggregate amounts of $548 million (2007: $488 million) in respect of loans and performance guarantees given to banks and other third parties and are primarily in respect of environmental restoration and decommissioning obligations. For information relating to contingent liabilities in respect of associates and joint ventures refer to notes 16 and 17 respectively.

No contingent liabilities were secured on the assets of the Group at 31 December 2008 or 31 December 2007.

(ii) Contingent assets

There were no significant contingent assets in the Group at 31 December 2008 or 31 December 2007.

(iii) Other

Minera Loma de Níquel

In January 2008 Minera Loma de Níquel (MLdN) was notified of the intention of the Venezuelan Ministry of Basic Industries and Mining (MIBAM) to cancel 13 of its exploration and exploitation concessions due to MLdN's alleged failure to fulfil certain conditions of the concessions. These concessions do not include the concessions where the current mining operations and metallurgical facilities are located. MLdN believes that it has complied with the conditions of these concessions and has lodged administrative appeals against the notices of termination and is waiting for a response from MIBAM. MLdN may in the future undertake further appeals, including with Venezuela's Supreme Court, if the MIBAM's ruling does not adequately protect its interests.

Anglo American and MLdN continue to strive to resolve the matter by way of constructive dialogue; however, Anglo American and MLdN believe that there is a valid legal basis to reverse the notices of termination and will pursue all appropriate legal and other remedies and actions to protect their respective interests both under Venezuelan and international law. As such, Anglo American anticipates restoration of these concessions and renewal of those that expire in 2012. As a result, the Group continues to consolidate MLdN and no impairment has been recorded for the year ended 31 December 2008.

At 31 December 2008 the Group's interest in the book value of MLdN, including its mineral rights, was $443 million (2007: $616 million), as included in the Group's balance sheet. In the 12 months to 31 December 2008 MLdN's contribution to Group operating profit was $30 million (2007: $370 million).

Anglo American Sur

Anglo American inherited a 1978 agreement with Codelco, the Chilean state mining company, when it acquired Disputada de Las Condes (since renamed Anglo American Sur) in 2002. The agreement grants Codelco the right, subject to certain conditions and limitations, to acquire up to a 49% minority interest in Anglo American Sur, the wholly owned Group company that owns the Los Bronces and El Soldado copper mines and the Chagres smelter. These conditions include limiting the window for exercising the right to once every three years in the month of January until January 2027. The right was not exercised in 2009. The calculations of the price at which Codelco can exercise its right are complex and confidential but do, inter alia, take account of company profitability over a five year period.

Notes to the financial statements continued

38. Operating leases

At 31 December 2008 the Group had the following outstanding commitments under non-cancellable operating leases:

US$ million	2008	2007
Expiry date		
Within one year	64	52
One to two years	60	42
Two to five years	168	207
After five years	197	205
	489	506

Operating leases relate principally to land and buildings and vehicles.

39. Related party transactions

The Group has a related party relationship with its subsidiaries, associates and joint ventures (see note 40).

At 31 December 2008 the Group held $88 million (2007: $131 million) of 10% non-cumulative redeemable preference shares in DB Investments, the holding company of De Beers Société Anonyme. The Group has also made loans to De Beers during the year totalling $118 million. The loans are interest free for two years, at which point they revert to a market rate of interest, and are convertible into ordinary shares. These loans are included within Financial asset investments.

In addition to the Group's normal funding requirements, the shareholders of De Beers have agreed to provide loans to De Beers, proportionate to their shareholdings, totalling $500 million. Anglo American holds a 45% interest in De Beers and will therefore provide a loan of $225 million.

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 are not considered to be significant.

Dividends received from associates during the year totalled $609 million (2007: $275 million), excluding nil (2007: $52 million) from discontinued operations, as disclosed in the Consolidated cash flow statement.

At 31 December 2008 the directors of the Company and their immediate relatives controlled 3% (2007: 3%) of the voting shares of the Company.

Remuneration and benefits received by directors are disclosed in the directors' remuneration report. Remuneration and benefits of key management personnel including directors are given in note 6.

Information relating to pension fund arrangements is disclosed in note 27.

40. Group companies

The principal subsidiaries, joint ventures, associates and proportionately consolidated joint arrangements of the Group at 31 December 2008, 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 Schedule 5 paragraph 15 of the Companies Act 1985 would result in a statement of excessive length.

Subsidiary undertakings	Country of incorporation	Business	Percentage of equity owned[1] 2008	2007
Platinum				
Anglo Platinum Limited	South Africa	Platinum	79.6%	76.5%
Coal				
Anglo Coal[2]	South Africa	Coal	100%	100%
Anglo Coal Holdings Australia Limited	Australia	Coal	100%	100%
Peace River Coal Partnership	Canada	Coal	73.8%	65.9%
Base Metals				
Black Mountain Mining (Pty) Limited[3]	South Africa	Zinc, lead and copper	74%	100%
Copebrás Limitada	Brazil	Fertilisers and acid	73%	73%
Namakwa Sands[3]	South Africa	Mineral sands	–	100%
Gamsberg Zinc[3]	South Africa	Zinc project	74%	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%
Anglo American Sur SA	Chile	Copper	100%	100%
Anglo American Norte 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	81.9%	81.9%
Lisheen[4]	Ireland	Zinc and lead	100%	100%
Ferrous Metals and Industries				
Scaw Metals/Moly-Cop/AltaSteel	South Africa/Chile/Canada	Steel, engineering works and grinding media	74%-100%	74%-100%
Kumba Iron Ore Limited	South Africa	Iron ore	63%	63.4%
Anglo Ferrous Brazil SA	Brazil	Iron ore	98.9%	–
Anglo Ferrous Minas-Rio Mineração SA[5]	Brazil	Iron ore project	99.4%	49%
Anglo Ferrous Amapá Mineração Limitada	Brazil	Iron ore system	69.2%	–
Industrial Minerals				
Tarmac Group Limited	UK	Construction materials	100%	100%
Tarmac France SA	France	Construction materials	100%	100%
Lausitzer Grauwacke GmbH	Germany	Construction materials	100%	100%
Tarmac Iberia SA	Spain	Construction materials	–	100%
WKSM SA	Poland	Construction materials	100%	100%
Tarmac CZ a.s.	Czech Republic	Construction materials	100%	100%
Tarmac SRL	Romania	Construction materials	60%	60%
Koca Beton Agrega Mining and Construction Industry and Trading Company Limited	Turkey	Construction materials	100%	100%
United Marine Holdings Limited[6]	UK	Construction materials	100%	50%

[1] The proportion of voting rights of subsidiaries held by the Group is the same as the proportion of equity owned, unless stated.

[2] A division of Anglo Operations Limited, a wholly owned subsidiary.

[3] Previously Black Mountain and Gamsberg Zinc were divisions of Anglo Operations Limited, a wholly owned subsidiary. On 1 October 2008 100% of Namakwa Sands and on 3 November 2008, 26% of each of Black Mountain Mining (Pty) Limited and Gamsberg Zinc were sold. Gamsberg Zinc is a division of Black Mountain Mining (Pty) Limited.

[4] The Group's interest in the Lisheen operations is held through Anglo American Lisheen Mining Limited, Killoran Lisheen Mining Limited and Lisheen Milling Limited. The Group owns 100% of the equity of each of these companies.

[5] At 31 December 2007 was named MMX Minas-Rio Mineração SA when a 49% interest was held and accounted for as a joint venture.

[6] 50% held at 31 December 2007 was accounted for as a joint venture.

Notes to the financial statements continued

40. Group companies continued

Joint ventures	Country of incorporation	Business	Percentage of equity owned[7] 2008	2007
Compañía Minera Doña Inés de Collahuasi SCM	Chile	Copper	44%	44%
Al Futtain Tarmac Quarry Products Limited	Dubai	Construction materials	49%	49%
LLX Minas-Rio Logística SA	Brazil	Iron ore	49%	49%
Midland Quarry Products Limited[8]	UK	Construction materials	50%	50%

Associates				
DB Investments SA	Luxembourg	Diamonds	45%	45%
Queensland Coal Mine Management (Pty) Limited	Australia	Coal	33.3%	33.3%
Cerrejón Zona Norte SA	Colombia	Coal	33.3%	33.3%
Carbones del Cerrejón LLC	Anguilla	Coal	33.3%	33.3%
Carbones del Guasare SA	Venezuela	Coal	24.9%	24.9%
Tongaat-Hulett Limited[9]	South Africa	Sugar, starch, glucose and property development	37.1%	37.2%
Hulamin Limited[10]	South Africa	Aluminium	38.4%	38.4%
Samancor Holdings (Pty) Limited[11]	South Africa	Manganese	40%	40%
Groote Eylandt Mining Company (Pty) Limited (GEMCO)[11]	Australia	Manganese	40%	40%
Tasmanian Electro Metallurgical Company (Pty) Limited (TEMCO)[11]	Australia	Manganese	40%	40%

Proportionately consolidated jointly controlled operations[12]	Location	Business	Percentage owned 2008	2007
Drayton	Australia	Coal	88%	88%
Moranbah North	Australia	Coal	88%	88%
German Creek	Australia	Coal	70%	70%
Foxleigh	Australia	Coal	70%	–
Dawson	Australia	Coal	51%	51%

[7] All equity interests shown are ordinary shares.

[8] During the year the Group ceased accounting for Midland Quarry Products Limited as a subsidiary and began accounting for it as a joint venture as it is now considered to be jointly controlled.

[9] Formerly The Tongaat-Hulett Group Limited.

[10] Unbundled from Tongaat-Hulett in June 2007.

[11] These entities have a 30 June year end.

[12] The wholly owned subsidiary Anglo Coal Holdings Australia Limited holds the proportionately consolidated jointly controlled operations.

41. Events occurring after end of year

Subsequent to the year end, the Group disposed of 15.5 million shares in AngloGold Ashanti for proceeds of $434 million. As a result, the Group's shareholding in AngloGold Ashanti has reduced to 11.8%.

With the exception of the above there have been no material reportable events since 31 December 2008.

42. Financial statements of the parent company

a) Balance sheet of the Company, Anglo American plc, as at 31 December 2008

US$ million	Note	2008	2007
Fixed assets			
Fixed asset investments	42c	12,925	12,883
Current assets			
Amounts due from subsidiaries		1,305	208
Prepayments and other debtors		138	114
Cash at bank and in hand		2	–
		1,445	322
Creditors due within one year			
Cash held on behalf of subsidiaries		(59)	(41)
Amounts owed to subsidiaries		(215)	(596)
Other creditors		(8)	(4)
		(282)	(641)
Net current assets/(liabilities)		1,163	(319)
Total assets less current liabilities		14,088	12,564
Net assets		14,088	12,564
Capital and reserves			
Called-up share capital	42b	738	738
Share premium account	42b	2,713	2,713
Capital redemption reserve	42b	115	115
Other reserves	42b	1,955	1,955
Share-based payment reserve	42b	22	22
Profit and loss account	42b	8,545	7,021
Total shareholders' funds (equity)		14,088	12,564

The financial statements were approved by the Board of directors on 19 February 2009.

Cynthia Carroll
Chief executive

René Médori
Finance director

Notes to the financial statements continued

42. Financial statements of the parent company continued

b) Reconciliation of movements in equity shareholders' funds

US$ million	Called-up share capital	Share premium account	Capital redemption reserve	Other reserves[1]	Share-based payment reserve	Profit and loss account[2]	Total
Balance at 1 January 2007	771	2,713	82	1,955	15	4,075	9,611
Profit for the financial year	–	–	–	–	–	11,404	11,404
Issue of treasury shares under employee share schemes	–	–	–	–	–	143	143
Share-based payments	–	–	–	–	11	–	11
Capital contribution to group undertakings	–	–	–	–	–	14	14
Cancellation of treasury shares	(33)	–	33	–	–	–	–
Transfer between share-based payment reserve and profit and loss account	–	–	–	–	(4)	4	–
Share buybacks	–	–	–	–	–	(2,383)	(2,383)
Dividends paid[3]	–	–	–	–	–	(1,192)	(1,192)
Dividend in specie relating to Mondi demerger	–	–	–	–	–	(5,044)	(5,044)
Balance at 1 January 2008	738	2,713	115	1,955	22	7,021	12,564
Profit for the financial year	–	–	–	–	–	2,936	2,936
Issue of treasury shares under employee share schemes	–	–	–	–	–	41	41
Share-based payments	–	–	–	–	12	–	12
Capital contribution to group undertakings	–	–	–	–	–	20	20
Transfer between share-based payment reserve and profit and loss account	–	–	–	–	(12)	12	–
Share buybacks	–	–	–	–	–	(259)	(259)
Dividends paid[3]	–	–	–	–	–	(1,226)	(1,226)
Balance at 31 December 2008	738	2,713	115	1,955	22	8,545	14,088

[1] At 31 December 2008 other reserves of $1,955 million (2007: $1,955 million) were not distributable under the Companies Act 1985.

[2] At 31 December 2008 $483 million (2007: $421 million) of the Company profit and loss account of $8,545 million (2007: $7,021 million) was not distributable under the Companies Act 1985.

[3] 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 $10,000 (2007: $14,000). Fees payable to Deloitte for non-audit services to the Company are not required to be disclosed because they are included within the consolidated disclosure in note 4.

c) Fixed asset investments

US$ million	Investments in subsidiaries 2008	Investments in subsidiaries 2007
Cost		
At 1 January	12,891	12,883
Additions	22	5,093
Capital contributions	20	14
Disposals and demerger	–	(5,099)
At 31 December	12,933	12,891
Provisions for impairment		
At 1 January and 31 December	(8)	(8)
Net book value		
At 31 December	12,925	12,883

42. Financial statements of the parent company continued

d) 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.

The preparation of financial statements in accordance 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 estimated.

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these financial statements. The profit after tax for the year of the Company amounted to $2,936 million (2007: $11,404 million).

Significant accounting policies

Deferred tax

Deferred tax 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 *Share-based Payment*. 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 and expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. For those share schemes with market vesting conditions, the fair value is determined using the Monte Carlo method at the grant date. 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 associated charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

The Company also makes equity settled share-based payments to certain employees of certain subsidiary undertakings. Equity settled share-based payments that are made to employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investments in subsidiaries, based on an estimate of the number of shares that will eventually vest.

Any payments received from subsidiaries are applied to reduce the related increases in investments in subsidiaries.

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 are set out in note 28 to the consolidated financial statements of the Group for the year ended 31 December 2008.

Investments

Investments represent equity holdings in subsidiaries, joint ventures and associates and are held at cost less provision for impairment.