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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO AMERICAN PLC

Opinion on financial statements of Anglo American plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of changes in equity, the accounting policies, the related notes 1 to 39 and the balance sheet of the parent company and related information.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' report on page 212 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Impairments (notes 1 and 6) As a consequence of the current volatility in commodity prices and foreign exchange rates, the assessment of the recoverable amount of operating assets and development projects is a key judgement. This includes specifically the Minas-Rio project within the Iron Ore and Manganese segment (where a post-tax impairment of \$3.5 billion has been recorded) and the mines within the Coal segment (where a post-tax impairment of \$0.3 billion has been recorded).	We challenged management's assessment as to whether indicators of impairment exist for specific assets. Where such indicators were identified, specifically in relation to the Minas-Rio project and the mines within the Coal segment, we obtained copies of the valuation models used to determine the value in use or fair value less costs of disposal of the relevant asset. We challenged the assumptions made by management in relation to these models, including the discount rate used, the short-term and long-term commodity prices, capital expenditure and operating cost forecasts and the expected production profiles, by comparison to recent third party forecast commodity price data, reference to third party documentation where available, review of reserves and resources reports, consultation with operational management and consideration of sensitivity analyses. We assessed whether the assumptions had been determined and applied on a consistent basis across the Group.
Taxation (notes 1, 8 and 21) The assessment of the Group's taxation exposures in all jurisdictions is a key area of judgement particularly with respect to transfer pricing arrangements and the appropriateness of the recognition of deferred taxation assets.	We reviewed all potential taxation exposures within the Group and, through discussions with the Group's tax department, the tax specialists within the audit team and review of relevant documentation, we assessed the appropriateness of the provisions raised. We considered, in the context of our tax specialists' prior experience of similar issues, the Group's transfer pricing arrangements and deferred taxation assets and liabilities to confirm that they are reasonable.
Special items and remeasurements (note 6) The assessment of the appropriateness of items disclosed within 'special items and remeasurements' is a key judgement because of their impact upon the underlying financial performance achieved by the Group.	We considered and challenged each item disclosed within 'special items and remeasurements' as defined in note 6 to the financial statements. We determined, through examination of the audit evidence obtained relating to the underlying transactions and discussion with management, whether such categorisation is appropriate and consistent with the Group's stated policy and past practice for recognition of such items, and whether, taken as a whole, the income statement is fair and balanced in its presentation.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 42.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined planning materiality for the Group to be \$225 million (2013: \$250 million), which is below 5% (2013: 5%) of pre-tax profit before special items and remeasurements, and below 1% (2013: 1%) of equity. Pre-tax profit is normalised for the materiality calculation to exclude special items (including impairments), remeasurements and other one off items that are audited separately and would, if included, significantly distort the materiality calculation year on year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$10 million (2013: \$10 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure judgements in the financial statement that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

All business units were subject to a full scope audit with the exception of Manganese where specific audit procedures were performed.

The Senior Statutory Auditor visits the principal location of each significant business unit at least once every year and key operational assets on a rotating basis.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Carl D. Hughes MA, FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
12 February 2015

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2014

US\$ million	Note	2014			2013		
		Before special items and remeasurements	Special items and remeasurements (note 6)	Total	Before special items and remeasurements	Special items and remeasurements (note 6)	Total
Group revenue	3	27,073	–	27,073	29,342	–	29,342
Operating costs		(22,560)	(4,375)	(26,935)	(23,174)	(3,761)	(26,935)
Operating profit	3, 4	4,513	(4,375)	138	6,168	(3,761)	2,407
Non-operating special items	6	–	(385)	(385)	–	(469)	(469)
Share of net income from associates and joint ventures	3, 13	254	(46)	208	243	(75)	168
(Loss)/profit before net finance costs and tax		4,767	(4,806)	(39)	6,411	(4,305)	2,106
Investment income		242	–	242	271	–	271
Interest expense		(497)	(65)	(562)	(584)	–	(584)
Other financing gains/(losses)		(1)	101	100	37	(130)	(93)
Net finance costs	7	(256)	36	(220)	(276)	(130)	(406)
(Loss)/profit before tax		4,511	(4,770)	(259)	6,135	(4,435)	1,700
Income tax expense	8	(1,267)	2	(1,265)	(1,861)	587	(1,274)
(Loss)/profit for the financial year		3,244	(4,768)	(1,524)	4,274	(3,848)	426
Attributable to:							
Non-controlling interests	31	1,027	(38)	989	1,601	(214)	1,387
Equity shareholders of the Company		2,217	(4,730)	(2,513)	2,673	(3,634)	(961)
(Loss)/earnings per share (US\$)							
Basic	9	1.73	(3.69)	(1.96)	2.09	(2.84)	(0.75)
Diluted	9	1.72	(3.68)	(1.96)	2.08	(2.83)	(0.75)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

US\$ million	2014	2013
(Loss)/profit for the financial year	(1,524)	426
Items that will not be reclassified to the income statement (net of tax)⁽¹⁾		
Remeasurement of net retirement benefit obligation	(6)	60
Share of associates' and joint ventures' other comprehensive income	1	–
Net items that will not be reclassified to the income statement	(5)	60
Items that have been or may subsequently be reclassified to the income statement (net of tax)⁽¹⁾		
Net exchange differences:		
Net loss (including associates and joint ventures)	(1,943)	(4,716)
Cumulative loss transferred to the income statement on disposal of foreign operations	5	73
Revaluation of available for sale investments:		
Net revaluation loss	(124)	(56)
Cumulative revaluation gain transferred to the income statement on disposal	–	(77)
Impairment losses transferred to the income statement	3	14
Revaluation of cash flow hedges:		
Net loss	(7)	(12)
Transferred to the initial carrying amount of hedged items	–	4
Net items that have been or may subsequently be reclassified to the income statement	(2,066)	(4,770)
Total comprehensive expense for the financial year	(3,595)	(4,284)
Attributable to:		
Non-controlling interests	736	769
Equity shareholders of the Company	(4,331)	(5,053)

⁽¹⁾ Tax amounts are shown in note 8c. Comparatives have been reclassified to align with current year presentation.

CONSOLIDATED BALANCE SHEET

as at 31 December 2014

US\$ million	Note	2014	2013
ASSETS			
Non-current assets			
Intangible assets	11	3,912	4,083
Property, plant and equipment	12	38,475	41,505
Environmental rehabilitation trusts	20	358	348
Investments in associates and joint ventures	13	4,376	4,612
Financial asset investments	14	1,266	1,446
Trade and other receivables	16	745	797
Deferred tax assets	21	1,351	1,364
Derivative financial assets	19	986	604
Other non-current assets		233	247
Total non-current assets		51,702	55,006
Current assets			
Inventories	15	4,720	4,789
Financial asset investments	14	–	19
Trade and other receivables	16	2,568	3,351
Current tax assets		125	226
Derivative financial assets	19	147	70
Cash and cash equivalents	23a	6,748	7,704
Total current assets		14,308	16,159
Total assets		66,010	71,165
LIABILITIES			
Current liabilities			
Trade and other payables	17	(3,515)	(4,369)
Short term borrowings	23a, 24	(1,618)	(2,108)
Provisions for liabilities and charges	20	(680)	(768)
Current tax liabilities		(375)	(734)
Derivative financial liabilities	19	(539)	(372)
Total current liabilities		(6,727)	(8,351)
Non-current liabilities			
Trade and other payables	17	(25)	(22)
Medium and long term borrowings	23a, 24	(16,917)	(15,740)
Retirement benefit obligations	27	(1,073)	(1,204)
Deferred tax liabilities	21	(4,498)	(4,657)
Derivative financial liabilities	19	(1,785)	(1,139)
Provisions for liabilities and charges	20	(2,808)	(2,688)
Total non-current liabilities		(27,106)	(25,450)
Total liabilities		(33,833)	(33,801)
Net assets		32,177	37,364
EQUITY			
Called-up share capital	32	772	772
Share premium account		4,358	4,358
Own shares		(6,359)	(6,463)
Other reserves		(7,205)	(5,372)
Retained earnings		34,851	38,376
Equity attributable to equity shareholders of the Company		26,417	31,671
Non-controlling interests	31	5,760	5,693
Total equity		32,177	37,364

The financial statements of Anglo American plc, registered number 03564138, were approved by the Board of directors on 12 February 2015 and signed on its behalf by:

Mark Cutifani
Chief Executive

René Médori
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2014

US\$ million	Note	2014	2013
Cash flows from operating activities			
(Loss)/profit before tax		(259)	1,700
Net finance costs including financing special items and remeasurements		220	406
Share of net income from associates and joint ventures		(208)	(168)
Non-operating special items	6	385	469
Operating profit	4	138	2,407
Operating special items and remeasurements	6	4,375	3,761
Cash element of operating special items		(100)	(146)
Depreciation and amortisation	3	2,591	2,638
Share-based payment charges		170	201
Decrease in provisions		(200)	(56)
Increase in inventories		(129)	(562)
Decrease/(increase) in operating receivables		576	(541)
Decrease in operating payables		(438)	(18)
Other adjustments		(34)	45
Cash flows from operations		6,949	7,729
Dividends from associates and joint ventures	13	435	246
Dividends from financial asset investments		25	18
Income tax paid		(1,298)	(1,201)
Net cash inflows from operating activities		6,111	6,792
Cash flows from investing activities			
Expenditure on property, plant and equipment	22	(5,974)	(6,125)
Cash flows from derivatives related to capital expenditure	22	(157)	(136)
Proceeds from disposal of property, plant and equipment	22	71	140
Investments in associates and joint ventures	13	(81)	(221)
Purchase of financial asset investments	14	(12)	–
Net (advance)/repayment of loans granted	14	(80)	301
Interest received and other investment income		157	193
Disposal of subsidiaries, net of cash and cash equivalents disposed	30	44	13
Repayment of capitalised loans by associates	13	–	108
Net proceeds from disposal of interests in available for sale investments	14	–	99
Other investing activities		(93)	3
Net cash used in investing activities		(6,125)	(5,625)
Cash flows from financing activities			
Interest paid		(833)	(907)
Cash flows from derivatives related to financing activities	23b	203	181
Dividends paid to Company shareholders		(1,099)	(1,078)
Dividends paid to non-controlling interests		(823)	(1,159)
Proceeds from issuance of bonds	24	3,165	3,562
Proceeds from other borrowings		1,419	1,127
Repayment of borrowings		(2,801)	(3,717)
Movements in non-controlling interests		42	71
Tax on sale of non-controlling interest in Anglo American Sur		–	(395)
Sale of shares under employee share schemes		14	14
Purchase of shares by subsidiaries for employee share schemes ⁽¹⁾		(111)	(92)
Other financing activities		(3)	(9)
Net cash used in financing activities		(827)	(2,402)
Net decrease in cash and cash equivalents		(841)	(1,235)
Cash and cash equivalents at start of year	23b	7,702	9,298
Cash movements in the year		(841)	(1,235)
Effects of changes in foreign exchange rates		(114)	(361)
Cash and cash equivalents at end of year	23b	6,747	7,702

⁽¹⁾ Includes purchase of Kumba Iron Ore Limited and Anglo American Platinum Limited shares for their respective employee share schemes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

US\$ million	Total share capital ⁽¹⁾	Own shares ⁽²⁾	Retained earnings	Cumulative translation adjustment reserve	Fair value and other reserves (note 32)	Total equity attributable to equity shareholders of the Company	Non-controlling interests	Total equity
At 1 January 2013	5,129	(6,659)	40,343	(2,617)	1,415	37,611	6,127	43,738
Total comprehensive (expense)/income	–	–	(901)	(4,023)	(129)	(5,053)	769	(4,284)
Dividends payable	–	–	(1,078)	–	–	(1,078)	(1,273)	(2,351)
Changes in ownership interest in subsidiaries	–	–	38	–	–	38	(14)	24
Issue of shares to non-controlling interests	–	–	–	–	–	–	47	47
Equity settled share-based payment schemes	–	196	(43)	–	(1)	152	37	189
Other	1	–	17	–	(17)	1	–	1
At 31 December 2013	5,130	(6,463)	38,376	(6,640)	1,268	31,671	5,693	37,364
Total comprehensive (expense)/income	–	–	(2,506)	(1,703)	(122)	(4,331)	736	(3,595)
Dividends payable	–	–	(1,099)	–	–	(1,099)	(749)	(1,848)
Issue of shares to non-controlling interests	–	–	–	–	–	–	42	42
Equity settled share-based payment schemes	–	104	31	–	(8)	127	29	156
Other	–	–	49	–	–	49	9	58
At 31 December 2014	5,130	(6,359)	34,851	(8,343)	1,138	26,417	5,760	32,177

⁽¹⁾ Includes share capital and share premium.⁽²⁾ Own shares comprise shares of Anglo American plc held by the Company (treasury shares), its subsidiaries and employee benefit trusts.**Dividends**

	Note	2014	2013
Proposed ordinary dividend per share (US cents)	10	53	53
Proposed ordinary dividend (US\$ million)	10	678	678
Ordinary dividends payable during the year per share (US cents)	10	85	85
Ordinary dividends payable during the year (US\$ million)	10	1,099	1,078

NOTES TO THE FINANCIAL STATEMENTS

1. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the course of preparing financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. The most critical of these relate to estimation of Ore Reserves, assessment of fair value, impairment of assets, restoration, rehabilitation and environmental costs, deferred stripping, taxation, retirement benefits, contingent liabilities and joint arrangements. The use of inaccurate assumptions in assessments made for any of these estimates could result in a significant impact on financial results.

Ore Reserve estimates

When determining Ore Reserves, which may be used to calculate depreciation on the Group's mining properties, assumptions that were valid at the time of estimation may change when new information becomes available. Any changes could affect prospective depreciation rates and asset carrying values.

The calculation of the unit of production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on Proved and Probable Ore Reserves.

Factors which could impact useful economic lives of assets and Ore Reserve estimates include:

- changes to Proved and Probable Ore Reserves
- the grade of Ore Reserves varying significantly from time to time
- differences between actual commodity prices and commodity price assumptions used in the estimation of Ore Reserves
- renewal of mining licences
- unforeseen operational issues at mine sites
- adverse changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates used to determine Ore Reserves.

For further information refer to the unaudited Ore Reserves and Mineral Resources section of the Annual Report.

Assessment of fair value

The assessment of fair value is principally used in accounting for business combinations, impairment testing and the valuation of certain financial assets and liabilities.

Fair value is determined based on observable market data (in the case of listed subsidiaries, market share price at 31 December of the respective entity) or discounted cash flow models (and other valuation techniques) using assumptions considered to be reasonable and consistent with those that would be applied by a market participant. Where discounted cash flows are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy as defined in IFRS 13 *Fair Value Measurement* as they depend to a significant extent on unobservable valuation inputs. The determination of assumptions used in assessing the fair value of identifiable assets and liabilities is subjective and the use of different valuation assumptions could have a significant impact on financial results.

In particular, expected future cash flows, which are used in discounted cash flow models, are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including Ore Reserves and Resources, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure.

Cash flow projections

Cash flow projections are based on financial budgets and Life of Mine Plans or non-mine production plans, incorporating key assumptions as detailed below:

- Reserves and resources
Ore Reserves and, where considered appropriate, Mineral Resources are incorporated in projected cash flows, based on Ore Reserves and Mineral Resource statements and exploration and evaluation work undertaken by appropriately qualified persons. Mineral Resources are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the requirements of reserve classification.

- Commodity and product prices
Commodity and product prices are based on latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts. Where existing sales contracts are in place, the effects of such contracts are taken into account in determining future cash flows.
- Foreign exchange rates
Foreign exchange rates are based on latest internal forecasts, benchmarked with external sources of information for relevant countries of operation. Foreign exchange rates are kept constant (on a real basis) from 2019 onwards.
- Discount rates
Cash flow projections used in fair value less costs of disposal impairment models are discounted based on a real post-tax discount rate of 6.5% (2013: 6.5%). Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows.
- Operating costs, capital expenditure and other operating factors
Operating costs and capital expenditure are based on financial budgets covering a three year period. Cash flow projections beyond three years are based on Life of Mine Plans or non-mine production plans, as applicable, and internal management forecasts. Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith. Underlying input cost assumptions are consistent with related output price assumptions. Other operating factors, such as the timelines of granting licences and permits are based on management's best estimate of the outcome of uncertain future events at the balance sheet date.

Impairment of assets

In making assessments for impairment, management necessarily applies its judgement in allocating assets, including goodwill, that do not generate independent cash flows to appropriate cash generating units (CGUs), and also in estimating the timing and value of underlying cash flows within the calculation of recoverable amount.

The calculation of recoverable amount is based on assessments of either fair value less costs of disposal or value in use. The cash flow projections used in these assessments are subject to the areas of judgement outlined above.

Subsequent changes to the CGU allocation, to the timing of cash flows or to the assumptions used to determine the cash flows could impact the carrying value of the respective assets.

Restoration, rehabilitation and environmental costs

Costs for restoration of site damage, rehabilitation and environmental costs are estimated using either the work of external consultants or internal experts. Management uses its judgement and experience to provide for and amortise these estimated costs over the life of the mine.

Deferred stripping

The Group defers stripping costs onto the balance sheet where they are considered to improve access to ore in future periods. Where the amount to be capitalised cannot be specifically identified it is determined based on the volume of waste extracted compared with expected volume for the identified component of the orebody. This determination is dependent on an individual mine's pit design and Life of Mine Plan and therefore changes to the pit design or Life of Mine Plan will result in changes to these estimates.

Identification of the components of a mine's orebody is made by reference to the Life of Mine Plan. The assessment depends on a range of factors including each mine's specific operational features and materiality.

1. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

Taxation

The Group's tax affairs are governed by complex domestic tax legislations interlaced with the override of international tax treaties between countries and the interpretation of both by tax authorities and courts. In addition, in arriving at the tax charge in the financial statements a degree of judgement is required by management about the future taxable profits and repatriation of retained earnings. These judgements in turn are influenced, *inter alia*, by factors such as estimates of future production, commodity lines, operating costs, future capital expenditure, and dividend policies. Given the many uncertainties that could arise from any or all of these factors and judgements, future adjustments to the tax charge already recorded could occur. Where management is aware of potential uncertainties around these factors and judgements, provision is made and reviewed on a regular basis. These are subject to risk and changes may be required to the amount provided in respect of historic or future tax costs.

Retirement benefits

The expected costs of providing pensions and post employment benefits under defined benefit arrangements relating to employee service during the period are determined based on financial and actuarial assumptions.

Assumptions in respect of the expected costs are set after consultation with qualified actuaries. While management believes the assumptions used are appropriate, a change in the assumptions used would affect the amounts recognised in the financial statements.

Contingent liabilities

On an ongoing basis the Group is a party to various legal disputes, the outcomes of which cannot be assessed with a high degree of certainty.

A provision is recognised where, based on the Group's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. Disclosure of contingent liabilities is made in note 34 unless the possibility of a loss arising is considered remote.

Joint arrangements

Joint arrangements are classified as joint operations or joint ventures according to the rights and obligations of the parties, as described in note 39k. When a joint arrangement has been structured through a separate vehicle, consideration has been given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances. When the activities of an arrangement are primarily designed for the provision of output to the parties and, the parties are substantially the only source of cash flows contributing to the continuity of the operations of the arrangement, this indicates that the parties to the arrangement have rights to the assets and obligations for the liabilities. Certain joint arrangements that are structured through separate vehicles including Collahuasi, Debswana and Namdeb are accounted for as joint operations. These arrangements are primarily designed for the provision of output to the parties sharing joint control, indicating that the parties have rights to substantially all the economic benefits of the assets. The liabilities of the arrangements are in substance satisfied by cash flows received from the parties; this dependence indicates that the parties effectively have obligations for the liabilities. It is primarily these facts and circumstances that give rise to the classification as joint operations.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2013, except for the adoption of amendments to IAS 36 *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*.

The amendment introduces the requirement to disclose the recoverable amount of CGUs that have been impaired in the period. In addition, the amendment requires the disclosure of certain additional information on valuation assumptions, where the recoverable amount of a CGU is assessed on a fair value less costs of disposal basis using a discounted cash flow method. The required disclosures are reflected in these financial statements.

A number of other accounting pronouncements, principally amendments to existing standards, issued by the IASB became effective on 1 January 2014 and were adopted by the Group. The Group has early adopted IFRIC 21 *Leases* which has been endorsed by the European Union (EU) but is effective for annual periods beginning on or after 17 June 2014. These pronouncements have not had a material impact on the accounting policies applied by the Group.

The Group has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

New IFRS accounting standards, amendments and interpretations not yet adopted

The following new IFRS accounting standards in issue but not yet effective (and not yet endorsed by the EU) are expected to have a significant impact on the Group:

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and addresses the following three key areas:

- *Classification and measurement* establishes a single, principles-based approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held.
- *Impairment* introduces a new 'expected loss' impairment model, requiring expected credit losses to be recognised from when financial instruments are first recognised.
- *Hedge Accounting* aligns the accounting treatment with risk management practices of an entity.

IFRS 9 is expected to have a number of impacts on the Group financial statements including changes in the presentation of gains and losses on financial assets classified as available for sale.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces IAS 11 and IAS 18 and establishes a unified framework for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognise revenue as performance obligations are met rather than based on the transfer of risks and rewards.

IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about its contracts with customers to help investors understand the nature, amount, timing and uncertainty of revenue.

The Group's revenue is predominantly derived from the sale of goods under arrangements in which the transfer of risks and rewards of ownership and the fulfilment of the Group's performance obligations are likely to coincide. Therefore, for the majority of sales the timing and amount of revenue is unlikely to be materially affected by the adoption of the new standard. The standard is effective for annual reporting periods beginning on or after 1 January 2017.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

continued

The following new or amended IFRS accounting standards, amendments and interpretations in issue but not yet effective (and in some cases not yet adopted by the EU) are not expected to have a significant impact on the Group:

- Amendments to IAS 19 *Employee Benefits: Defined Benefit Plans – Employee Contributions* provides additional guidance on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The amendment is effective for annual periods beginning on or after 1 July 2014.
- Amendments to IAS 1 *Presentation of Financial Statements: Disclosure Initiative* provides guidance on the use of judgement in presenting financial statement information, including: the application of materiality, order of notes, use of subtotals, accounting policy referencing and disaggregation of financial and non-financial information.
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations* provides guidance on accounting for the acquisition of an interest in a joint operation that constitutes a business.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation* clarifies that there is a rebuttable presumption that revenue-based methods of depreciation are not appropriate.
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* removes an inconsistency between the two standards on the accounting treatment for gains and losses arising on the sale or contribution of assets by an investor to its associate or joint venture. Following the amendment, such gains and losses may only be recognised to the extent of the unrelated investor's interest, except where the transaction involves assets that constitute a business.

Other issued standards and amendments that are not yet effective are not expected to have an impact on the financial statements.

NOTES TO THE CONSOLIDATED INCOME STATEMENT**3. SEGMENTAL INFORMATION**

The Group's segments are aligned to the structure of business units based around core commodities. Each business unit has a management team that is accountable to the Chief Executive, and in the instance of Copper, Nickel, Niobium and Phosphates, the same management team is responsible for the management of all four business units, collectively referred to as Base Metals and Minerals. To align with changes in the management structure of the Group's coal businesses and the way their results are internally reported, Coal South Africa and Coal Colombia (formerly the Thermal Coal segment) and Coal Australia and Canada (formerly the Metallurgical Coal segment) are now reported together as the Coal segment. Niobium and Phosphates are now reported as separate segments, having previously been aggregated and the Diamonds segment is now referred to as De Beers.

The Kumba Iron Ore, Iron Ore Brazil and Samancor business units have been aggregated as the 'Iron Ore and Manganese' segment on the basis of the ultimate product produced (ferrous metals).

The Other Mining and Industrial segment is no longer considered to be individually significant to the Group and is therefore now shown within 'Corporate and other' together with unallocated corporate costs and exploration costs. Exploration costs represent the cost of the Group's exploration activities across all segments, and were previously reported separately. Comparatives have been reclassified to align with current year presentation.

The Group Management Committee evaluates the financial performance of the Group and its segments principally with reference to earnings before interest and tax (underlying EBIT). Underlying EBIT is operating profit presented before special items and remeasurements and includes the Group's attributable share of associates' and joint ventures' underlying EBIT. Underlying EBIT of associates and joint ventures is the Group's attributable share of revenue less operating costs before special items and remeasurements of associates and joint ventures.

Underlying EBITDA is underlying EBIT before depreciation and amortisation in subsidiaries and joint operations and includes the Group's attributable share of associates' and joint ventures' underlying EBIT before depreciation and amortisation.

Segment revenue includes the Group's attributable share of associates' and joint ventures' revenue. Segments predominantly derive revenue as follows – Iron Ore and Manganese: iron ore, manganese ore and alloys; Coal: metallurgical coal and thermal coal; Copper: copper; Nickel: nickel; Niobium: niobium; Phosphates: phosphates; Platinum: platinum group metals; and De Beers: rough and polished diamonds.

The segment results are stated after elimination of inter-segment transactions and include an allocation of corporate costs.

Segment results

See note 39a for the Group's accounting policy on revenue recognition.

US\$ million	Revenue		Underlying EBIT	
	2014	2013	2014	2013
Iron Ore and Manganese	5,176	6,517	1,957	3,119
Coal	5,808	6,400	458	587
Copper	4,827	5,392	1,193	1,739
Nickel	142	136	21	(44)
Niobium	180	182	67	82
Phosphates	486	544	57	68
Platinum	5,396	5,688	32	464
De Beers	7,114	6,404	1,363	1,003
Corporate and other	1,859	1,800	(215)	(398)
Segment measure	30,988	33,063	4,933	6,620
Reconciliation:				
Less: associates and joint ventures	(3,915)	(3,721)	(420)	(452)
Include: operating special items and remeasurements	–	–	(4,375)	(3,761)
Statutory measure	27,073	29,342	138	2,407

US\$ million	Depreciation and amortisation		Underlying EBITDA	
	2014	2013	2014	2013
Iron Ore and Manganese	329	271	2,286	3,390
Coal	749	760	1,207	1,347
Copper	709	663	1,902	2,402
Nickel	7	7	28	(37)
Niobium	6	5	73	87
Phosphates	22	21	79	89
Platinum	495	584	527	1,048
De Beers	455	448	1,818	1,451
Corporate and other	127	141	(88)	(257)
	2,899 ⁽¹⁾	2,900 ⁽¹⁾	7,832	9,520
Less: associates and joint ventures	(308)	(262)	(728)	(714)
	2,591	2,638	7,104	8,806

⁽¹⁾ In addition \$129 million (2013: \$131 million) of depreciation and amortisation charges arising due to the fair value uplift of the Group's pre-existing 45% shareholding in De Beers has been included within operating remeasurements (see note 6), and \$105 million (2013: \$100 million) of pre-commercial production depreciation has been capitalised.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

3. SEGMENTAL INFORMATION continued

Underlying EBITDA is reconciled to underlying EBIT and to '(Loss)/profit before net finance costs and tax':

US\$ million	2014	2013
Underlying EBITDA	7,832	9,520
Depreciation and amortisation: subsidiaries and joint operations	(2,591)	(2,638)
Depreciation and amortisation: associates and joint ventures	(308)	(262)
Underlying EBIT	4,933	6,620
Operating special items and remeasurements	(4,375)	(3,761)
Non-operating special items	(385)	(469)
Associates' and joint ventures' net special items and remeasurements	(46)	(75)
Share of associates' and joint ventures' net finance costs, tax and non-controlling interests	(166)	(209)
(Loss)/profit before net finance costs and tax	(39)	2,106

Associates' and joint ventures' results by segment

US\$ million	Revenue		Underlying EBIT		Share of net income	
	2014	2013	2014	2013	2014	2013
Iron Ore and Manganese	788	874	178	205	104	91
Coal	1,050	1,136	189	275	73	162
Platinum	263	228	(19)	(19)	(26)	(30)
De Beers	79	89	(9)	(21)	(6)	(35)
Corporate and other	1,735	1,394	81	12	63	(20)
	3,915	3,721	420	452	208	168

US\$ million	Depreciation and amortisation		Underlying EBITDA	
	2014	2013	2014	2013
Iron Ore and Manganese	73	48	251	253
Coal	106	86	295	361
Platinum	28	35	9	16
De Beers	3	5	(6)	(16)
Corporate and other	98	88	179	100
	308	262	728	714

The reconciliation of associates' and joint ventures' underlying EBIT to 'Share of net income from associates and joint ventures' is as follows:

US\$ million	2014	2013
Associates' and joint ventures' underlying EBIT	420	452
Net finance costs	(46)	(36)
Income tax expense	(113)	(158)
Non-controlling interests	(7)	(15)
Share of net income from associates and joint ventures (before special items and remeasurements)	254	243
Special items and remeasurements	–	(80)
Special items and remeasurements tax	(46)	3
Non-controlling interests on special items and remeasurements	–	2
Share of net income from associates and joint ventures	208	168

Other non-cash expenses

In addition to depreciation and amortisation, other non-cash expenses include equity settled share-based payment charges and amounts in respect of provisions, excluding amounts recorded within special items. Significant other non-cash expenses included within underlying EBIT are as follows:

US\$ million	2014	2013
Iron Ore and Manganese	36	73
Coal	160	214
Copper	87	142
Nickel	7	16
Niobium	1	3
Phosphates	4	3
Platinum	37	56
De Beers	94	42
Corporate and other	54	76
	480	625

NOTES TO THE CONSOLIDATED INCOME STATEMENT**3. SEGMENTAL INFORMATION** continued**Segment assets and liabilities**

US\$ million	Segment assets ⁽¹⁾		Segment liabilities ⁽²⁾		Net segment assets/(liabilities)	
	2014	2013	2014	2013	2014	2013
Iron Ore and Manganese	9,788	11,502	(660)	(470)	9,128	11,032
Coal	6,897	7,483	(2,257)	(2,305)	4,640	5,178
Copper	9,082	9,549	(1,132)	(1,248)	7,950	8,301
Nickel	1,745	1,695	(92)	(131)	1,653	1,564
Niobium	782	546	(27)	(25)	755	521
Phosphates	412	409	(61)	(77)	351	332
Platinum	8,729	9,584	(919)	(999)	7,810	8,585
De Beers	12,070	12,688	(1,428)	(1,489)	10,642	11,199
Corporate and other	365	610	(350)	(680)	15	(70)
	49,870	54,066	(6,926)	(7,424)	42,944	46,642
Non-operating assets and liabilities	16,140	17,099	(26,907)	(26,377)	(10,767)	(9,278)
	66,010	71,165	(33,833)	(33,801)	32,177	37,364

⁽¹⁾ Segment assets are operating assets and consist of intangible assets of \$3,912 million (2013: \$4,083 million), property, plant and equipment of \$38,475 million (2013: \$41,505 million), environmental rehabilitation trusts of \$358 million (2013: \$348 million), biological assets of \$11 million (2013: \$16 million), retirement benefit assets of \$184 million (2013: \$191 million), inventories of \$4,720 million (2013: \$4,789 million) and operating receivables of \$2,210 million (2013: \$3,134 million).

⁽²⁾ Segment liabilities are operating liabilities and consist of non-interest bearing current liabilities of \$2,984 million (2013: \$3,392 million), operating provisions for liabilities and charges of \$2,869 million (2013: \$2,828 million) and retirement benefit obligations of \$1,073 million (2013: \$1,204 million).

Product analysis**Revenue by product**

US\$ million	2014	2013
Iron ore	4,029	5,365
Manganese ore and alloys	788	874
Metallurgical coal	2,290	2,610
Thermal coal	3,529	3,802
Copper	4,688	5,253
Nickel	638	461
Niobium	180	182
Phosphates	486	544
Platinum	3,097	3,586
Palladium	1,058	1,052
Rhodium	280	316
Diamonds	7,104	6,391
Heavy building materials	1,854	1,695
Other	967	932
	30,988	33,063

Geographical analysis**Revenue by destination**

The Group's geographical analysis of segment revenue allocated based on the country in which the customer is located is as follows:

US\$ million	2014	2013
South Africa	2,464	2,474
Other Africa	1,663	1,201
Brazil	939	1,019
Chile	1,033	1,692
Other South America	23	32
North America	1,218	1,084
Australia	275	277
China	5,109	6,469
India	3,079	2,505
Japan	3,496	3,769
Other Asia	3,580	3,252
United Kingdom (Anglo American plc's country of domicile)	3,090	3,697
Other Europe	5,019	5,592
	30,988	33,063

NOTES TO THE CONSOLIDATED INCOME STATEMENT

3. SEGMENTAL INFORMATION continued

Non-current assets by location

US\$ million	Intangible assets and property, plant and equipment		Total non-current assets ⁽¹⁾	
	2014	2013	2014	2013
South Africa	12,998	13,542	14,450	14,950
Botswana	5,138	5,748	5,138	5,748
Other Africa	1,138	1,197	1,145	1,205
Brazil	8,001	9,650	8,097	9,713
Chile	7,347	7,472	7,347	7,472
Other South America	740	556	1,750	1,727
North America	1,483	1,764	1,488	1,768
Australia and Asia	4,136	4,260	4,764	5,017
United Kingdom (Anglo American plc's country of domicile)	1,277	1,257	2,838	2,833
Other Europe	129	142	131	144
Non-current assets by location	42,387	45,588	47,148	50,577
Unallocated assets			4,554	4,429
Total non-current assets			51,702	55,006

⁽¹⁾ Total non-current assets by location primarily comprise intangible assets, property, plant and equipment, environmental rehabilitation trusts and investments in associates and joint ventures.

4. OPERATING PROFIT FROM SUBSIDIARIES AND JOINT OPERATIONS

US\$ million	2014	2013
Group revenue	27,073	29,342
Cost of sales	(23,305)	(22,336)
Gross profit	3,768	7,006
Selling and distribution costs	(1,661)	(1,780)
Administrative expenses	(1,937)	(2,214)
Other gains and losses (see below)	149	(398)
Exploration expenditure (see below)	(181)	(207)
Operating profit	138	2,407

US\$ million	2014	2013
Operating profit is stated after charging:		
Depreciation of property, plant and equipment (note 12) ⁽¹⁾	(2,545)	(2,579)
Amortisation of intangible assets (note 11) ⁽²⁾	(46)	(59)
Rentals under operating leases	(134)	(142)
Exploration expenditure (see below)	(181)	(207)
Evaluation expenditure (see below)	(218)	(326)
Research and development expenditure	(101)	(103)
Operating special items (note 6)	(4,374)	(3,211)
Employee costs (note 26)	(4,514)	(4,834)
Provisional pricing adjustment ⁽³⁾	(219)	(88)
Royalties ⁽⁴⁾	(405)	(629)
Other gains and losses comprise:		
Operating remeasurements (note 6)	(1)	(550)
Other fair value losses on derivatives – realised	(20)	(21)
Foreign exchange gains on other monetary items	172	182
Other	(2)	(9)
Total other gains and losses	149	(398)

⁽¹⁾ In addition \$110 million (2013: \$111 million) of depreciation arising due to the fair value uplift of the Group's pre-existing 45% shareholding in De Beers has been included within operating remeasurements (see note 6) and \$105 million (2013: \$100 million) of pre-commercial production depreciation has been capitalised.

⁽²⁾ In addition \$19 million (2013: \$20 million) of amortisation arising due to the fair value uplift of the Group's pre-existing 45% shareholding in De Beers has been included within operating remeasurements (see note 6).

⁽³⁾ Provisionally priced contracts resulted in a total (realised and unrealised) loss in revenue of \$226 million (2013: \$76 million) and total (realised and unrealised) gain in operating costs of \$7 million (2013: loss of \$12 million).

⁽⁴⁾ Excludes those royalties which meet the definition of income tax on profit and accordingly have been accounted for as taxes.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

4. OPERATING PROFIT FROM SUBSIDIARIES AND JOINT OPERATIONS continued

Exploration and evaluation expenditure

See note 39j for the Group's accounting policy on exploration and evaluation expenditure.

The Group's analysis of exploration and evaluation expenditure recognised in the Consolidated income statement is as follows:

US\$ million	Exploration expenditure ⁽¹⁾		Evaluation expenditure ⁽²⁾	
	2014	2013	2014	2013
By commodity/product				
Iron ore	25	24	56	69
Metallurgical coal	8	19	19	39
Thermal coal	9	14	11	21
Copper	37	31	84	112
Nickel	16	22	4	8
Niobium	–	–	1	7
Phosphates	4	6	8	9
Platinum group metals	8	2	9	15
Diamonds	37	53	26	46
Central exploration activities	37	36	–	–
	181	207	218	326

⁽¹⁾ Exploration for mineral resources other than that occurring at existing operations and projects.

⁽²⁾ Evaluation of mineral resources relating to projects in the conceptual or pre-feasibility stage or further evaluation of mineral resources at existing operations.

5. UNDERLYING EBIT AND UNDERLYING EARNINGS BY SEGMENT

The following table analyses underlying EBIT (including the Group's attributable share of associates' and joint ventures' underlying EBIT) by segment and reconciles it to underlying earnings by segment. Refer to note 3 for the definition of underlying EBIT and changes in reporting segments. Comparatives have been reclassified to align with current year presentation.

Underlying earnings is an alternative earnings measure, which the directors consider to be a useful additional measure of the Group's performance.

Underlying earnings is profit for the financial year attributable to equity shareholders of the Company before special items and remeasurements and is therefore presented after net finance costs, income tax expense and non-controlling interests. For a reconciliation from 'Loss for the financial year attributable to equity shareholders of the Company' to 'Underlying earnings for the financial year', see note 9.

US\$ million	2014					
	Underlying EBIT	Operating special items and remeasurements	EBIT after special items and remeasurements	Net finance costs and income tax expense	Non-controlling interests	Underlying earnings
Iron Ore and Manganese	1,957	3,670	(1,713)	(583)	(657)	717
Coal	458	372	86	(154)	(8)	296
Copper	1,193	–	1,193	(482)	(218)	493
Nickel	21	21	–	(15)	–	6
Niobium	67	5	62	(37)	–	30
Phosphates	57	8	49	(22)	–	35
Platinum	32	52	(20)	(14)	7	25
De Beers	1,363	155	1,208	(264)	(176)	923
Corporate and other	(215)	92	(307)	(111)	18	(308)
	4,933	4,375	558	(1,682)	(1,034)	2,217

US\$ million	2013					
	Underlying EBIT	Operating special items and remeasurements	EBIT after special items and remeasurements	Net finance costs and income tax expense	Non-controlling interests	Underlying earnings
Iron Ore and Manganese	3,119	435	2,684	(963)	(1,031)	1,125
Coal	587	1,015	(428)	(116)	(14)	457
Copper	1,739	337	1,402	(497)	(439)	803
Nickel	(44)	1,028	(1,072)	(10)	–	(54)
Niobium	82	6	76	(40)	–	42
Phosphates	68	–	68	(18)	–	50
Platinum	464	522	(58)	(112)	(65)	287
De Beers	1,003	330	673	(387)	(84)	532
Corporate and other	(398)	168	(566)	(188)	17	(569)
	6,620	3,841	2,779	(2,331)	(1,616)	2,673

NOTES TO THE CONSOLIDATED INCOME STATEMENT**6. 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 97. Special items that relate to the operating performance of the Group are classified as operating special items and principally include impairment charges, onerous contract provisions and restructuring costs. Non-operating special items include costs in relation to closure of operations, profits and losses on disposals of investments and businesses as well as certain adjustments relating to business combinations.

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

- Unrealised gains and losses on financial assets and liabilities that represent economic hedges, including accounting hedges related to financing arrangements. Where the underlying transaction is recorded in the income statement, the realised gains or losses are reversed from remeasurements and are recorded in underlying earnings in the same year as the underlying transaction for which the instruments provide the economic hedge. If the underlying transaction is recorded in the balance sheet, for example capital expenditure, the realised amount remains in remeasurements on settlement of the derivative. Such amounts are classified in the income statement as operating when the underlying exposure is in respect of the operating performance of the Group and otherwise as financing.
- Foreign exchange impacts 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.
- The remeasurement and subsequent depreciation of a previously held equity interest as a result of a business combination.

US\$ million	2014	2013
Subsidiaries and joint operations		
Minas-Rio impairment	(3,800)	–
Coal impairments	(363)	(574)
Platinum operations	(44)	(379)
Impairment of Barro Alto	–	(1,012)
Impairment of Michiquillay	–	(337)
Other impairments and related charges	(39)	(172)
Restructuring costs	(128)	(177)
Onerous contract provisions	–	(434)
Reversal of De Beers inventory uplift	–	(126)
Operating special items	(4,374)	(3,211)
Operating remeasurements	(1)	(550)
Operating special items and remeasurements	(4,375)	(3,761)
Closure of Drayton	(222)	–
Disposal of Amapá	(46)	(175)
Exit from Pebble	–	(311)
Loss on formation of Lafarge Tarmac joint venture	–	(55)
Ponahalo refinancing	(58)	–
Atlatsa refinancing (note 35)	22	(37)
Kumba Envision Trust	(44)	(54)
Other	(37)	163
Non-operating special items	(385)	(469)
Financing special items and remeasurements	36	(130)
Special items and remeasurements before tax and non-controlling interests	(4,724)	(4,360)
Special items and remeasurements tax	2	587
Non-controlling interests on special items and remeasurements	38	214
Share of associates' and joint ventures' special items and remeasurements⁽¹⁾	(46)	(75)
Total special items and remeasurements	(4,730)	(3,634)

⁽¹⁾ Relates to the Coal segment (2013: Coal, De Beers and Corporate and other segments).

Operating special items**Minas-Rio**

The Minas-Rio iron ore project (Minas-Rio) (Iron Ore and Manganese) in Brazil was acquired in two separate transactions in 2007 and 2008. Production commenced in the last quarter and successful delivery of First Ore On Ship (FOOS) was announced on 27 October 2014. The project is currently ramping up to capacity of 26.5 Mtpa over the next 18-20 months, and work continues to progress on the regular cycle of required licence and permit renewals.

An impairment charge of \$4,960 million (before tax) was recorded in 2012 against the carrying value of Minas-Rio. This was based on the value in use of the cash generating unit (CGU) and reflected an increase in estimate of attributable project capital expenditure to \$8.8 billion, including a \$0.6 billion contingency as well as the impact of high inflation on operational costs. The long term iron ore price used in the 2012 valuation was within the range of published analyst forecasts.

The successful progress of the project up to delivery of FOOS indicates that the \$0.6 billion of contingency will not be fully utilised and consequently total capital expenditure for the project now is estimated at \$8.4 billion, on an attributable basis. In 2014, a material worsening of the pricing environment for iron ore has been in evidence, driven by revisions to the outlook for global GDP growth, especially in the context of weaker Chinese construction activity, whilst at the same time supply from Western Australia has ramped up to outstrip weakening demand. The value in use of Minas-Rio has been updated to reflect management's best estimate of the future iron ore prices based on a detailed analysis of market fundamentals in the medium and long term. The long term price which is used in the valuation from 2024 onwards is within the range of published analyst forecasts and broadly in line with the mean.

The valuation of Minas-Rio at 31 December 2014 determined on a pre-tax discounted cash flow basis (real pre-tax discount rate of 8.5%) is \$5.6 billion. Based on this valuation, the Group has recorded an impairment charge of \$3,800 million (before tax) against the carrying value of the CGU. Of this charge, \$971 million has been recorded against mining properties and \$2,829 million against capital works in progress, with an associated deferred tax credit of \$320 million. The post-tax impairment charge is \$3,480 million. The valuation remains sensitive to price and further deterioration in long term prices may result in additional impairment.

NOTES TO THE CONSOLIDATED INCOME STATEMENT**6. SPECIAL ITEMS AND REMEASUREMENTS** *continued***Coal**

In September 2014, the Group announced that it had decided, in view of the subdued hard coking coal price environment, to place Peace River Coal in British Columbia, Canada on care and maintenance to preserve the long term future of the operation. The recoverable amount of the Peace River Coal CGU has been assessed based on the operation's fair value less costs of disposal, measured using discounted cash flow projections (see note 1).

Despite the decision to place the operation on care and maintenance, the decrease in hard coking coal prices has driven a decrease in the valuation of Peace River Coal to \$0.1 billion. Based on this valuation, the Group has recorded an impairment charge of \$265 million (before tax) against the carrying value of the CGU. The post-tax impairment charge is also \$265 million. Of this charge, \$124 million has been recorded against plant and equipment, \$123 million against mining properties and the remainder against capital works in progress. The valuation remains sensitive to price and further deterioration in the pricing outlook may result in additional impairment. The long term hard coking coal price used in the valuation from 2019 onwards is within the range of published analyst forecasts and broadly in line with the mean. The remaining \$98 million of the impairment charge recognised in special items (\$69 million after tax) relates to other Coal assets in Australia.

Platinum

The charge of \$44 million relates to the closure of the declines at the Union operation in the Platinum business. The charge after tax and non-controlling interests is \$21 million.

Restructuring costs

Restructuring costs of \$128 million principally relate to organisational changes as part of the *Driving Value* programme (2013: \$177 million of which \$146 million related to the implementation of the Platinum portfolio review). Restructuring costs after tax and non-controlling interests amount to \$93 million.

2013

Operating special items in 2013 principally comprised impairments and related charges in respect of the Barro Alto nickel project (Nickel), the Platinum portfolio review, the Michiquillay copper project (Copper), and the Foxleigh, Isibonelo and Kleinkopje coal operations (Coal).

Operating special items in 2013 also included charges relating to onerous contract provisions, principally at Callide (Coal), the reversal on sale of fair value uplifts recognised on inventories as part of the De Beers acquisition accounting, and costs associated with the Platinum portfolio review.

Operating remeasurements

Operating remeasurements reflect a net loss of \$1 million (2013: \$550 million) which principally comprises gains of \$136 million in respect of derivatives related to capital expenditure in Iron Ore Brazil offset by a \$129 million depreciation and amortisation charge (2013: \$131 million) arising due to the fair value uplift on the pre-existing 45% shareholding in De Beers, which was required on acquisition of a controlling stake.

Derivatives in relation to Iron Ore Brazil which have been realised during the period had a cumulative net operating remeasurement loss of \$140 million (2013: \$137 million) since their inception.

Non-operating special items

A charge of \$222 million (\$155 million after tax) has been recognised following the decision by the New South Wales Planning Assessment Committee (PAC) not to approve the Group's application to proceed with the Drayton South project (Coal). The reserves of the existing Drayton operation are expected to be depleted during 2015 and the Drayton South project would have extended the life of the operation by approximately 27 years. Management is preparing a revised application for the project, to be submitted in the first half of 2015, and continues to work to allow operations to continue at Drayton. However, in view of the uncertainty caused by the PAC decision, assets associated with the project and the existing operation have been written down to their residual values, and a provision has been made for the cost of meeting contractual and other obligations beyond the life of the existing Drayton mine.

A \$46 million charge has been recognised primarily in relation to the revaluation of deferred contingent consideration for the disposal of Amapá in 2013 (Corporate and other). The contingent consideration receivable is calculated on the basis of the market price for iron ore, which has seen a material worsening. There is no tax impact.

In November 2014, De Beers concluded the refinancing of its Black Economic Empowerment partner, Ponahalo Investments (RF) Proprietary Limited (Ponahalo), which owns a 26% share in De Beers' principal South African subsidiary, De Beers Consolidated Mines (DBCM). The refinancing extended the period over which Ponahalo may repay borrowings that were used to finance the purchase of its share in DBCM in 2006 by seven years. A charge of \$58 million has been recognised and no tax arises in relation to this transaction.

The Kumba Envision Trust charge of \$44 million (2013: \$54 million) relates to Kumba's (Iron Ore and Manganese) broad based employee share scheme provided solely for the benefit of non-managerial Historically Disadvantaged South African employees who do not participate in other Kumba share schemes.

2013

Non-operating special items in 2013 principally relate to the loss on disposal of Amapá, the Group's exit from the Pebble project in Alaska (Copper), the loss recognised on the formation of the Lafarge Tarmac joint venture (Corporate and other), the Kumba Envision Trust charge, the gain on deferred proceeds of undeveloped coal assets in Australia (Coal) and the gain on disposal of the Group's interest in Palabora Mining Company Limited (Corporate and other).

Financing special items and remeasurements

Financing special items and remeasurements reflect a net gain of \$36 million (2013: net loss of \$130 million) principally comprising gains on derivatives relating to debt.

Special items and remeasurements tax

Total special items and remeasurements tax relating to subsidiaries and joint operations amounts to a credit of \$2 million (2013: \$587 million). This includes one-off tax charges of \$105 million (2013: \$188 million), tax credits on special items and remeasurements of \$412 million (2013: \$902 million) and tax remeasurement charges of \$305 million (2013: \$127 million).

One-off tax charges of \$105 million comprise a \$100 million charge for the derecognition of deferred tax assets at Peace River Coal (Coal), a \$61 million charge for the derecognition of a deferred tax asset in Coal Australia relating to the Mineral Resource Rent Tax which was repealed in 2014, and a \$56 million credit for the recognition of a deferred tax asset in Barro Alto.

Of the total tax credit of \$2 million (2013: \$587 million), \$31 million relates to a current tax credit (2013: charge of \$159 million) and \$29 million relates to a deferred tax charge (2013: credit of \$746 million).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

7. NET FINANCE COSTS

See note 39b for the Group's accounting policy on borrowing costs.

Net finance costs are presented net of hedges for respective interest bearing and foreign currency borrowings. The weighted average capitalisation rate applied to qualifying capital expenditure was 3.83% (2013: 4.79%).

US\$ million	2014	2013
Investment income		
Interest income from cash and cash equivalents	128	113
Other interest income	88	134
Net interest income on defined benefit arrangements	14	13
Dividend income from financial asset investments	25	18
	255	278
Less: interest income capitalised	(13)	(7)
Total investment income⁽¹⁾	242	271
Interest expense		
Interest and other finance expense	(709)	(731)
Net interest cost on defined benefit arrangements	(69)	(74)
Unwinding of discount relating to provisions	(101)	(106)
	(879)	(911)
Less: interest expense capitalised	382	327
Total interest expense⁽¹⁾	(497)	(584)
Other net financing (losses)/gains		
Net foreign exchange losses	(37)	(21)
Other net fair value gains	36	58
Total other net financing (losses)/gains	(1)	37
Net finance costs before special items and remeasurements	(256)	(276)
Special items and remeasurements (note 6)	36	(130)
Net finance costs after special items and remeasurements	(220)	(406)

⁽¹⁾ Interest income recognised at amortised cost is \$152 million (2013: \$172 million) and interest expense recognised at amortised cost is \$286 million (2013: \$324 million).

8. INCOME TAX EXPENSE

See note 39c for the Group's accounting policy on tax.

a) Analysis of charge for the year

US\$ million	2014	2013
United Kingdom corporation tax credit	(14)	(1)
South Africa tax	479	863
Other overseas tax	712	692
Prior year adjustments	(68)	32
Current tax⁽¹⁾	1,109	1,586
Deferred tax	158	275
Income tax expense before special items and remeasurements	1,267	1,861
Special items and remeasurements tax	(2)	(587)
Income tax expense	1,265	1,274

⁽¹⁾ Includes royalties which meet the definition of income tax and are in addition to royalties recorded in operating costs.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

8. INCOME TAX EXPENSE *continued*

b) Factors affecting tax charge for the year

The effective tax rate for the year of (488.4)% (2013: 74.9%) is lower (2013: higher) than the applicable weighted average statutory rate of corporation tax in the United Kingdom of 21.5% (2013: 23.25%). The reconciling items, excluding the impact of associates and joint ventures, are:

US\$ million	2014	2013
(Loss)/profit before tax	(259)	1,700
Less: share of net income from associates and joint ventures	(208)	(168)
(Loss)/profit before tax (excluding associates and joint ventures)	(467)	1,532
Tax on (loss)/profit (excluding associates and joint ventures) calculated at United Kingdom corporation tax rate of 21.5% (2013: 23.25%)	(100)	356
Tax effects of:		
Items non-taxable/deductible for tax purposes		
Exploration expenditure	18	22
Non-taxable net foreign exchange gains	(12)	(16)
Non-taxable net interest income	(8)	(9)
Other non-deductible expenses	72	110
Other non-taxable income	(138)	(105)
Temporary difference adjustments		
Current year losses not recognised	79	25
Recognition of losses not previously recognised	(143)	(6)
Utilisation of losses not previously recognised	(13)	(8)
Write-off of losses previously recognised	65	29
Adjustment in deferred tax due to change in tax rate	106	14
Other temporary differences	95	(28)
Special items and remeasurements	1,014	427
Other adjustments		
Secondary tax on companies and dividend withholding taxes	193	242
Effect of differences between local and United Kingdom tax rates	106	173
Prior year adjustments to current tax	(68)	31
Other adjustments	(1)	17
Income tax expense	1,265	1,274

IAS 1 requires income from associates and joint ventures to be presented net of tax on the face of the income statement. Associates' and joint ventures' tax is therefore not included within the Group's income tax expense. Associates' and joint ventures' tax included within 'Share of net income from associates and joint ventures' for the year ended 31 December 2014 is \$159 million (2013: \$155 million). Excluding special items and remeasurements this becomes \$113 million (2013: \$158 million).

The effective tax rate before special items and remeasurements including attributable share of associates' and joint ventures' tax for the year ended 31 December 2014 was 29.8%. This is lower than the equivalent effective tax rate of 32.0% for the year ended 31 December 2013 due to the impact of certain prior year adjustments, the remeasurement of withholding tax provisions across the Group and the recognition of previously unrecognised losses. In future periods it is expected that the effective tax rate will remain above the United Kingdom statutory tax rate.

c) Tax amounts included in other comprehensive income

An analysis of tax by individual item presented in the Consolidated statement of comprehensive income is presented below:

US\$ million	2014	2013
Tax credit/(charge) on items recognised directly in equity that will not be reclassified to the income statement		
Remeasurement of net retirement benefit obligation	9	(37)
Tax credit/(charge) on items recognised directly in equity that may subsequently be reclassified to the income statement		
Net exchange differences on translation of foreign operations	(15)	156
Net loss on revaluation of available for sale investments	26	13
Net loss on cash flow hedges	4	4
	24	136
Tax credit on items transferred from equity		
Transferred to income statement: disposal of available for sale investments	–	12
Transferred to initial carrying amount of hedged items: cash flow hedges	1	–
	1	12

d) Tax amounts recognised directly in equity

No significant amounts of tax have been charged directly to equity in 2014 (2013: a deferred tax credit of \$106 million and current tax charge of \$106 million were recognised directly in equity in relation to the disposal of a 24.5% interest in Anglo American Sur SA in 2011).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

9. EARNINGS PER SHARE

US\$	2014	2013
Loss per share		
Basic	(1.96)	(0.75)
Diluted	(1.96)	(0.75)
Headline earnings per share		
Basic	1.20	1.02
Diluted	1.19	1.02
Underlying earnings per share		
Basic	1.73	2.09
Diluted	1.72	2.08

Basic and diluted earnings per share are shown based on headline earnings, a Johannesburg Stock Exchange (JSE) defined performance measure, and underlying earnings (explained in note 5) which the directors consider to be a useful additional measure of the Group's performance.

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

	Loss attributable to equity shareholders of the Company		Headline earnings		Underlying earnings	
	2014	2013	2014	2013	2014	2013
(Loss)/earnings (US\$ million)						
Basic and diluted (loss)/earnings	(2,513)	(961)	1,535	1,312	2,217	2,673
Number of shares (million)						
Basic number of ordinary shares outstanding	1,284	1,281	1,284	1,281	1,284	1,281
Effect of dilutive potential ordinary shares:						
Share options and awards	–	–	5	4	5	4
Diluted number of ordinary shares outstanding	1,284	1,281	1,289	1,285	1,289	1,285

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. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Basic loss per share is equal to diluted loss per share as all 18,431,061 (2013: 16,688,080) potential ordinary shares are anti-dilutive and 178,808 (2013: 134,679) have been excluded from the calculation of diluted headline earnings per share and diluted underlying earnings per share as they are anti-dilutive.

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

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

US\$ million	2014	2013
Loss for the financial year attributable to equity shareholders of the Company	(2,513)	(961)
Operating special items	4,268	2,491
Operating special items – tax	(362)	(569)
Operating special items – non-controlling interests	(16)	(53)
Non-operating special items	218	456
Non-operating special items – tax	(51)	10
Non-operating special items – non-controlling interests	(9)	(62)
Headline earnings for the financial year	1,535	1,312
Operating special items ⁽¹⁾	106	800
Operating remeasurements	1	550
Non-operating special items ⁽²⁾	167	13
Financing special items and remeasurements	(36)	130
Tax special items	105	188
Special items and remeasurements tax	352	(219)
Non-controlling interests on special items and remeasurements	(13)	(101)
Underlying earnings for the financial year	2,217	2,673

⁽¹⁾ Includes restructuring costs (2013: onerous contract provisions, restructuring costs and the reversal of the inventory uplift in De Beers).

⁽²⁾ Principally relates to the Kumba Envision Trust and Ponahalo refinancing (2013: Kumba Envision Trust and elements of the Atlatza refinancing).

NOTES TO THE CONSOLIDATED BALANCE SHEET

10. DIVIDENDS

Dividends payable during the year are as follows:

US\$ million	2014	2013
Final ordinary dividend for 2013 – 53 US cents per ordinary share (2012: 53 US cents per ordinary share)	696	672
Interim ordinary dividend for 2014 – 32 US cents per ordinary share (2013: 32 US cents per ordinary share)	403	406
	1,099⁽¹⁾	1,078 ⁽¹⁾

⁽¹⁾ Of this, \$620 million (2013: \$618 million) was recognised in the parent company.

Total dividends paid during the year were \$1,099 million (2013: \$1,078 million).

The directors are proposing a final dividend in respect of the financial year ended 31 December 2014 of 53 US cents per share. This will result in an estimated distribution of \$678 million of shareholders' funds, of which \$421 million will be distributed by the parent company. These financial statements do not reflect this dividend payable as it is still subject to shareholder approval.

The employee benefit trust has waived the right to receive dividends on the shares it holds (see note 32).

11. INTANGIBLE ASSETS

See notes 39d, 39e and 39i for the Group's accounting policy on intangible assets.

US\$ million	2014			2013		
	Brands, contracts and other intangibles ⁽¹⁾	Goodwill	Total	Brands, contracts and other intangibles ⁽¹⁾	Goodwill	Total
Net book value						
At 1 January	1,415	2,668	4,083	1,615	2,954	4,569
Additions	22	–	22	15	–	15
Amortisation charge for the year ⁽²⁾	(65)	–	(65)	(79)	–	(79)
Impairments	–	–	–	(2)	–	(2)
Remeasurements	–	46	46	–	(18)	(18)
Currency movements	(13)	(161)	(174)	(134)	(268)	(402)
At 31 December	1,359	2,553	3,912	1,415	2,668	4,083
Cost	1,592	2,553	4,145	1,599	2,668	4,267
Accumulated amortisation	(233)	–	(233)	(184)	–	(184)

⁽¹⁾ Includes brands, contracts and other intangibles of \$1,308 million (2013: \$1,380 million) relating to De Beers, principally comprising assets that were recognised at fair value on acquisition of a controlling interest in De Beers in August 2012. Of these, \$517 million (2013: \$517 million) have indefinite useful lives.

⁽²⁾ Includes \$19 million (2013: \$20 million) of amortisation arising due to the fair value uplift of the Group's pre-existing 45% shareholding in De Beers. This has been included within operating remeasurements (see note 6).

Impairment tests for goodwill

See note 39f for the Group's accounting policy on impairment of goodwill.

Goodwill is allocated for impairment testing purposes to cash generating units (CGUs) or groups of CGUs which reflect how it is monitored for internal management purposes. This allocation largely represents the Group's segments. Any goodwill associated with CGUs subsumed within these segments is not significant when compared to the goodwill of the Group. The allocation of goodwill to CGUs or groups of CGUs is as follows:

US\$ million	2014	2013
Coal South Africa	88	88
Copper	124	124
Platinum	230	230
De Beers	1,895	2,056
Other	216	170
	2,553	2,668

For the purposes of goodwill impairment testing, the recoverable amount of each of the CGUs or group of CGUs has been determined based on a fair value less costs of disposal basis. The key assumptions used in determining fair value less costs of disposal are set out in note 1. Management believes that any reasonably possible change in a key assumption on which the recoverable amounts are based would not cause the carrying amounts to exceed their recoverable amounts.

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. PROPERTY, PLANT AND EQUIPMENT

See notes 39g to 39j for the Group's accounting policies on property, plant and equipment.

US\$ million	2014					2013				
	Mining properties and leases ⁽¹⁾	Land and buildings ⁽²⁾	Plant and equipment	Capital works in progress	Total	Mining properties and leases ⁽¹⁾	Land and buildings ⁽²⁾	Plant and equipment	Capital works in progress	Total
Net book value										
At 1 January	14,996	3,030	11,530	11,949	41,505	17,301	2,996	14,268	10,166	44,731
Additions	596	46	311	5,452	6,405	827	43	209	5,818	6,897
Depreciation charge for the year ⁽³⁾	(1,065)	(161)	(1,534)	–	(2,760)	(1,125)	(135)	(1,530)	–	(2,790)
Impairments	(1,242)	(26)	(213)	(2,935)	(4,416)	(959)	(147)	(817)	(401)	(2,324)
Disposal of assets	(3)	(20)	(30)	(3)	(56)	(286)	(10)	(52)	(106)	(454)
Reclassifications	859	345	1,573	(2,777)	–	1,432	599	780	(2,811)	–
Currency movements	(1,123)	(147)	(522)	(411)	(2,203)	(2,194)	(316)	(1,328)	(717)	(4,555)
At 31 December	13,018	3,067	11,115	11,275	38,475	14,996	3,030	11,530	11,949	41,505
Cost	24,206	4,307	21,525	14,497	64,535	24,334	4,191	21,263	12,279	62,067
Accumulated depreciation	(11,188)	(1,240)	(10,410)	(3,222)	(26,060)	(9,338)	(1,161)	(9,733)	(330)	(20,562)

⁽¹⁾ Additions to mining properties and leases include amounts of \$524 million (2013: \$382 million) in relation to deferred stripping.

⁽²⁾ Net book value principally comprises freehold land and buildings.

⁽³⁾ Includes \$2,545 million (2013: \$2,579 million) of depreciation within operating profit, \$110 million (2013: \$111 million) of depreciation arising due to the fair value uplift on the pre-existing 45% shareholding in De Beers which has been included within operating remeasurements (see note 6), and \$105 million (2013: \$100 million) of pre-commercial production depreciation which has been capitalised.

For information on the impairments recorded in the year see note 6.

Included in the additions is \$369 million (2013: \$320 million) of net interest expense incurred on borrowings funding the construction of qualifying assets which has been capitalised during the year.

Assets held under finance leases relate to plant and equipment with a net book value of \$70 million (2013: \$50 million), of which depreciation charges in the year amounted to \$13 million (2013: \$13 million).

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

See note 39k for the Group's accounting policy on associates and joint arrangements, which includes joint ventures.

Details of principal associates and joint ventures are set out in note 37.

US\$ million	2014			2013		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
At 1 January	2,936	1,676	4,612	3,063	99	3,162
Share of net income/(loss) from associates and joint ventures	140	68	208	238	(70)	168
Dividends received	(432)	(3)	(435)	(242)	(4)	(246)
Investment in equity and capitalised loans	125 ⁽¹⁾	25	150	175	46	221
Repayment of capitalised loans	–	–	–	(108)	–	(108)
Acquired through formation of joint ventures (note 29)	–	–	–	–	1,658	1,658
Impairment	–	–	–	–	(98)	(98)
Other movements	1	28	29	–	–	–
Currency movements	(89)	(99)	(188)	(190)	45	(145)
At 31 December⁽²⁾	2,681	1,695	4,376	2,936	1,676	4,612

⁽¹⁾ Includes non-cash investment of \$69 million relating to the refinancing of Atlatsa Resources Corporation (see note 35).

⁽²⁾ The fair value of the Group's investment in its associate Atlatsa Resources Corporation at 31 December 2014 was \$25 million (2013: \$64 million).

The Group's total investments in associates and joint ventures comprise:

US\$ million	2014			2013		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
Equity	2,294	1,695	3,989	2,553	1,676	4,229
Loans ⁽¹⁾	387	–	387	383	–	383
	2,681	1,695	4,376	2,936	1,676	4,612

⁽¹⁾ The Group's total investments in associates include long term loans which in substance form part of the Group's net investment. These loans are not repayable in the foreseeable future.

NOTES TO THE CONSOLIDATED BALANCE SHEET**13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES** continued

None of the Group's associates or joint ventures are considered to be individually material to the Group. We have therefore disclosed the Group's share of the financial information of associates and joint ventures on an aggregated basis.

US\$ million	2014			2013		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
Non-current assets	2,742	2,035	4,777	2,900	2,049	4,949
Current assets	924	626	1,550	1,234	725	1,959
Current liabilities	(363)	(557)	(920)	(451)	(785)	(1,236)
Non-current liabilities	(622)	(409)	(1,031)	(747)	(313)	(1,060)
Net assets	2,681	1,695	4,376	2,936	1,676	4,612
Revenue	2,101	1,814	3,915	2,238	1,483	3,721
Share of net income/(loss) from associates and joint ventures	140	68	208	238	(70)	168
Total comprehensive income/(expense)	141	68	209	238	(70)	168

Segmental information is provided in aggregate for associates and joint ventures in the table below. Refer to note 3 for changes in reporting segments. Comparatives have been reclassified to align with current year presentation.

US\$ million	Aggregate investment	
	2014	2013
Iron Ore and Manganese	867	907
Coal	1,225	1,417
Platinum	659	648
De Beers	33	29
Corporate and other	1,592	1,611
	4,376	4,612

14. FINANCIAL ASSET INVESTMENTS

See notes 39l and 39m for the Group's accounting policies on financial asset investments.

US\$ million	2014			2013		
	Loans and receivables	Available for sale investments	Total	Loans and receivables	Available for sale investments	Total
At 1 January	759	706	1,465	1,427	1,064	2,491
Additions	–	12	12	–	–	–
Interest receivable	52	–	52	37	–	37
Net loans granted/(repaid) ⁽¹⁾	33	–	33	(424)	–	(424)
Disposals	–	–	–	(9)	(99)	(108)
Movements in fair value	(1)	(150)	(151)	(37)	(69)	(106)
Currency movements	(82)	(63)	(145)	(235)	(190)	(425)
At 31 December	761	505	1,266	759	706	1,465

⁽¹⁾ Includes net non-cash settlements of \$47 million (2013: \$123 million) relating to the refinancing of Atlatsa Resources Corporation (see note 35).

Maturity analysis of financial asset investments is as follows:

US\$ million	2014	2013
Current	–	19
Non-current	1,266	1,446
	1,266	1,465

NOTES TO THE CONSOLIDATED BALANCE SHEET**15. INVENTORIES**

See note 39q for the Group's accounting policy on inventories.

US\$ million	2014	2013
Raw materials and consumables	1,087	915
Work in progress	1,445	1,496
Finished products	2,188	2,378
	4,720	4,789

The cost of inventories recognised as an expense and included in cost of sales amounted to \$17,779 million (2013: \$17,929 million). In 2013, an additional \$126 million was recognised as an expense within operating special items relating to the reversal of fair value uplifts on De Beers inventory.

Inventories held at net realisable value amounted to \$1,014 million (2013: \$308 million).

Write-down of inventories (net of revaluation of provisionally priced purchases) amounted to \$153 million (2013: \$58 million).

16. TRADE AND OTHER RECEIVABLES

Trade receivables do not incur any interest, are principally short term in nature and are measured at their nominal value (with the exception of receivables relating to provisionally priced sales, as set out in the revenue recognition accounting policy, see note 39a), net of appropriate provision for estimated irrecoverable amounts. Such provisions are raised based on an assessment of debtor ageing, past experience or known customer circumstances.

US\$ million	2014			2013		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Trade receivables	1,807	161	1,968	2,596	235	2,831
Other receivables	604	526	1,130	541	502	1,043
Prepayments	157	58	215	214	60	274
	2,568	745	3,313	3,351	797	4,148

The historical level of customer default is minimal and as a result the credit quality of year end trade receivables is considered to be high. Of the year end trade receivables balance, \$61 million (2013: \$65 million) were past due at 31 December, stated after an associated impairment provision of \$30 million (2013: \$19 million). The overdue debtor ageing profile is typical of the industry in which certain of the Group's businesses operate. Given this, the use of payment security instruments (including letters of credit from acceptable financial institutions), and the nature of the related counterparties, these amounts are considered recoverable.

17. TRADE AND OTHER PAYABLES

Trade payables are not interest bearing and are measured 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.

US\$ million	2014	2013
Trade payables	1,931	2,364
Tax and social security	99	100
Other payables	478	903
Accruals and deferred income ⁽¹⁾	1,032	1,024
	3,540	4,391

⁽¹⁾ Includes \$25 million (2013: \$22 million) of deferred income recorded within non-current liabilities.

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. FINANCIAL INSTRUMENTS

See notes 39m and 39n for the Group's accounting policies on impairment of financial assets, derivative financial instruments and hedge accounting.

The carrying amounts of financial assets and financial liabilities are as shown below. Where the carrying amount of a financial asset or liability does not approximate its fair value, this is also disclosed.

For financial assets and liabilities which are traded on an active market, such as listed investments or listed debt instruments, fair value is determined by reference to market value. For non-traded financial assets and liabilities, fair value is calculated using discounted cash flows, considered to be reasonable and consistent with those that would be used by a market participant, and based on observable market data where available, unless carrying value is considered to approximate fair value.

All derivatives that have been designated into hedge relationships have been separately disclosed. Comparatives have been reclassified to align with current year presentation.

						2014
US\$ million	At fair value through profit and loss	Loans and receivables	Available for sale	Designated into hedges	Financial liabilities at amortised cost	Total
Financial assets						
Trade and other receivables ⁽¹⁾	912	1,553	–	–	–	2,465
Derivative financial assets ⁽²⁾	153	–	–	980	–	1,133
Cash and cash equivalents	–	6,748	–	–	–	6,748
Financial asset investments	–	761	505	–	–	1,266
	1,065	9,062	505	980	–	11,612
Financial liabilities						
Trade and other payables ⁽¹⁾	(314)	–	–	–	(3,073)	(3,387)
Derivative financial liabilities ⁽²⁾	(2,277)	–	–	(47)	–	(2,324)
Borrowings ⁽³⁾	–	–	–	(15,048)	(3,487)	(18,535)
	(2,591)	–	–	(15,095)	(6,560)	(24,246)
Net financial assets/(liabilities)	(1,526)	9,062	505	(14,115)	(6,560)	(12,634)

						2013
US\$ million	At fair value through profit and loss	Loans and receivables	Available for sale	Designated into hedges	Financial liabilities at amortised cost	Total
Financial assets						
Trade and other receivables ⁽¹⁾	1,652	2,222	–	–	–	3,874
Derivative financial assets ⁽²⁾	312	–	–	362	–	674
Cash and cash equivalents	–	7,704	–	–	–	7,704
Financial asset investments	–	759	706	–	–	1,465
	1,964	10,685	706	362	–	13,717
Financial liabilities						
Trade and other payables ⁽¹⁾	(279)	–	–	–	(3,923)	(4,202)
Derivative financial liabilities ⁽²⁾	(1,361)	–	–	(150)	–	(1,511)
Borrowings ⁽³⁾	–	–	–	(14,619)	(3,229)	(17,848)
	(1,640)	–	–	(14,769)	(7,152)	(23,561)
Net financial assets/(liabilities)	324	10,685	706	(14,407)	(7,152)	(9,844)

⁽¹⁾ Trade and other receivables exclude prepayments and tax receivables. Trade and other payables exclude tax and social security and deferred income.

⁽²⁾ Derivative instruments are analysed between those which are 'Held for trading' and those designated into hedge relationships in note 19.

⁽³⁾ Borrowings designated in fair value hedges represent listed debt. The fair value of these borrowings is \$15,339 million (2013: \$14,907 million), which is based on the quoted market price and consequently categorised as level 1 in the fair value hierarchy. For the majority of borrowings at amortised cost the carrying value is considered to approximate the fair value. In certain circumstances the fair value of borrowings at amortised cost is based on management's estimates of future cash flows and consequently the valuation is categorised as level 3 in the fair value hierarchy.

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. FINANCIAL INSTRUMENTS continued

Fair value hierarchy

An analysis of financial assets and liabilities carried at fair value is set out below:

US\$ million	2014				2013			
	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total
Financial assets								
At fair value through profit and loss								
Provisionally priced trade receivables	–	812	–	812	–	1,510	–	1,510
Other receivables	–	–	100	100	–	–	142	142
Derivatives hedging net debt	–	51	59	110	–	266	24	290
Other derivatives	1	42	–	43	–	22	–	22
Designated into hedges								
Derivatives hedging net debt	–	979	–	979	–	362	–	362
Other derivatives	1	–	–	1	–	–	–	–
Available for sale investments								
Financial asset investments	457	–	48	505	647	–	59	706
	459	1,884	207	2,550	647	2,160	225	3,032
Financial liabilities								
At fair value through profit and loss								
Provisionally priced trade payables	–	(314)	–	(314)	–	(279)	–	(279)
Derivatives hedging net debt	–	(1,647)	(499)	(2,146)	–	(576)	(446)	(1,022)
Other derivatives	(2)	(129)	–	(131)	(3)	(326)	(10)	(339)
Designated into hedges								
Derivatives hedging net debt	–	(27)	–	(27)	–	(138)	–	(138)
Other derivatives	–	(20)	–	(20)	–	(12)	–	(12)
	(2)	(2,137)	(499)	(2,638)	(3)	(1,331)	(456)	(1,790)
Net (liabilities)/assets carried at fair value	457	(253)	(292)	(88)	644	829	(231)	1,242

⁽¹⁾ Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes listed equity shares.

⁽²⁾ Valued using techniques based significantly on observable market data. Instruments in this category are valued using valuation techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

⁽³⁾ Instruments in this category have been valued using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input.

Financial assets and liabilities included within level 3 primarily consist of certain cross currency swaps of Brazilian real denominated borrowings (whose valuation depends upon regulated interest rates), contingent proceeds and related receivables relating to disposals and unlisted equity investments.

The movements in the fair value of the level 3 financial assets and liabilities are shown as follows:

US\$ million	Assets		Liabilities	
	2014	2013	2014	2013
At 1 January	225	107	(456)	(216)
Net (loss)/gain recorded in the income statement ⁽¹⁾	(7)	134	(43)	(195)
Net (loss)/gain recorded in the statement of comprehensive income	(6)	2	–	–
Currency movements	(5)	(18)	–	(45)
At 31 December	207	225	(499)	(456)

⁽¹⁾ This is principally recorded in special items and remeasurements.

For the level 3 financial assets and liabilities, changing certain inputs to reasonably possible alternative assumptions does not change the fair value significantly.

NOTES TO THE CONSOLIDATED BALANCE SHEET**19. DERIVATIVES**

See note 39n for the Group's accounting policy on derivatives.

The fair values of derivatives are separately recorded on the Consolidated balance sheet within 'Derivative financial assets' and 'Derivative financial liabilities'. Derivatives are classified as current or non-current depending on the date of expected settlement of the derivative.

The Group utilises derivative instruments to manage certain market risk exposures. The Group does not use derivative financial instruments for speculative purposes, however it may choose not to designate certain derivatives as hedges for accounting purposes. Such derivatives are classified as 'Held for trading' and fair value movements are recorded in the Consolidated income statement.

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

Cash flow hedges

In certain cases the Group classifies its forward foreign currency contracts, which hedge 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 Consolidated income statement (or hedged balance sheet item).

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 Group's policy) have been designated as fair value hedges. The carrying value of the hedged debt is adjusted at each balance sheet date to reflect the impact on its fair value of changes in market interest rates. Changes in the fair value of the hedged debt are offset against fair value changes in the interest rate swap and recognised in the Consolidated income statement as financing remeasurements.

Net investment hedges

In certain instances, the Group uses derivative instruments to hedge exposures in non-US dollar functional subsidiaries to exchange rate fluctuations on US dollar denominated borrowings. These derivatives are designated as net investment hedges and principally relate to the Group's Australian coal operations. Fair value changes in these derivatives are recognised within the cumulative translation adjustment reserve and recycled upon disposal of the related subsidiary.

Held for trading

The Group may choose not to designate certain derivatives as hedges. This may occur where the Group is economically hedged but IAS 39 hedge accounting cannot be achieved or where gains and losses on both the derivative and hedged item naturally offset in the Consolidated income statement, as is the case for certain cross currency swaps of non-US dollar debt. Fair value changes on these derivatives are recognised in the Consolidated income statement as remeasurements and are classified as financing or operating depending on the nature of the associated hedged risk.

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.

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 'Derivative financial assets' and 'Derivative financial liabilities' is as follows:

US\$ million	Current				Non-current			
	2014		2013		2014		2013	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Derivatives hedging net debt								
Fair value hedge ⁽¹⁾								
Interest rate swaps	15	—	8	—	617	(27)	354	(138)
Net investment hedge								
Forward foreign currency contracts	—	—	—	—	347	—	—	—
Held for trading								
Forward foreign currency contracts	51	(10)	18	(86)	—	—	—	—
Cross currency swaps	38	(386)	24	(15)	21	(1,750)	248	(919)
Interest rate swaps	—	—	—	—	—	—	—	(2)
	104	(396)	50	(101)	985	(1,777)	602	(1,059)
Other derivatives⁽²⁾	43	(143)	20	(271)	1	(8)	2	(80)
Total derivatives	147	(539)	70	(372)	986	(1,785)	604	(1,139)

⁽¹⁾ Recognised in the Consolidated income statement is a loss on fair value hedged items of \$440 million (2013: gain of \$555 million), partly offset by a gain on fair value hedging instruments of \$381 million (2013: loss of \$474 million).

⁽²⁾ Other derivatives primarily relate to forward foreign currency contracts hedging capital expenditure that are accounted for as 'Held for trading'.

These marked to market valuations are not 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 closing all hedge contracts at year end, at market prices and rates available at the time.

The Group is exposed in varying degrees to a variety of financial instrument related risks. For more information about these risks and the ways in which the Group manages them see notes 24 and 38.

NOTES TO THE CONSOLIDATED BALANCE SHEET**20. PROVISIONS FOR LIABILITIES AND CHARGES**

See note 39r for the Group's accounting policy on environmental restoration and decommissioning obligations.

US\$ million	Environmental restoration	Decommissioning	Employee benefits	Onerous contracts	Other	Total
At 1 January 2014	1,155	488	418	702	693	3,456
Charged to the income statement	40	8	242	38	214	542
Capitalised	18	106	–	–	63	187
Unwinding of discount	57	33	2	65	9	166
Amounts applied	(27)	(2)	(183)	(92)	(194)	(498)
Unused amounts reversed	(53)	(11)	(12)	–	(53)	(129)
Currency movements	(100)	(27)	(30)	(69)	(10)	(236)
At 31 December 2014	1,090	595	437	644	722	3,488
Current	21	3	383	67	206	680
Non-current	1,069	592	54	577	516	2,808

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, based on management's best estimate of the legal and constructive obligations incurred. These estimates reflect industry best practice and currently applicable legislation. Significant changes in legislation could result in changes in provisions recognised. 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.

Employee benefits

Provision is made for statutory or contractual employee entitlements including long service leave, annual leave, sickness pay and similar obligations. It is anticipated that these costs will be incurred when employees choose to take their benefits.

Onerous contracts

Provision is made for the present value of certain long term contracts where the unavoidable cost of meeting the Group's obligations is expected to exceed the benefits to be received. It is anticipated these costs will be incurred over a period of up to 16 years.

Other

Other provisions primarily relate to restructuring costs, indemnities, legal and other claims. It is anticipated that the majority of these costs will be incurred over a five year period.

Environmental rehabilitation trusts

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

US\$ million	2014	2013
Equity	139	149
Bonds	155	134
Cash	64	65
	358	348

These assets are primarily denominated in South African rand. Cash is held in short term fixed deposits or earns interest at floating inter-bank rates. Bonds earn interest at a weighted average fixed rate of 8.2% (2013: 8.2%) for an average period of four years (2013: five years). Equity investments are recorded at fair value through profit and loss and bonds are recorded at amortised cost.

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 provisions stated above.

NOTES TO THE CONSOLIDATED BALANCE SHEET

21. DEFERRED TAX

See note 39c for the Group's accounting policy on tax.

The movement in net deferred tax liabilities during the year is as follows:

US\$ million	2014	2013
At 1 January	(3,293)	(4,847)
(Charged)/credited to the income statement	(187)	471
Credited to the statement of comprehensive income	25	148
Credited directly to equity	–	106
Currency movements	308	829
At 31 December	(3,147)	(3,293)
Comprising:		
Deferred tax assets	1,351	1,364
Deferred tax liabilities	(4,498)	(4,657)

The amount of deferred tax recognised in the Consolidated balance sheet is as follows:

US\$ million	2014	2013
Deferred tax assets		
Tax losses	573	593
Post employment benefits	66	71
Share-based payments	13	5
Enhanced tax depreciation	653	414
Other temporary differences	46	281
	1,351	1,364
Deferred tax liabilities		
Capital allowances in excess of depreciation	(2,845)	(2,871)
Fair value adjustments	(1,068)	(1,476)
Tax losses	53	29
Derivatives	3	4
Provisions	255	436
Withholding tax	(568)	(570)
Other temporary differences	(328)	(209)
	(4,498)	(4,657)

The amount of deferred tax (charged)/credited to the Consolidated income statement is as follows:

US\$ million	2014	2013
Capital allowances in excess of depreciation	(523)	(238)
Fair value adjustments	12	73
Tax losses	20	187
Derivatives	(39)	220
Provisions	(14)	134
Withholding tax	2	(3)
Other temporary differences	355	98
	(187)	471

The Group has the following balances in respect of which no deferred tax asset has been recognised:

	2014				2013			
US\$ million	Tax losses – revenue	Tax losses – capital	Other temporary differences	Total	Tax losses – revenue	Tax losses – capital	Other temporary differences	Total
Expiry date								
Within one year	3	–	–	3	16	–	–	16
Greater than one year, less than five years	420	–	–	420	294	–	–	294
Greater than five years	297	–	3,117	3,414	3	–	4,370	4,373
No expiry date	4,463	1,058	3,775	9,296	4,858	753	2,077	7,688
	5,183	1,058	6,892	13,133	5,171	753	6,447	12,371

The Group also has unused tax credits of \$11 million (2013: \$17 million) for which no deferred tax asset is recognised in the Consolidated balance sheet. All of these credits expire within three months.

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries, branches, associates and interests in joint arrangements 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 such investments in subsidiaries, branches, associates and interests in joint arrangements is represented by the contribution of those investments to the Group's retained earnings and amounted to \$17,488 million (2013: \$19,117 million).

CASH FLOW STATEMENT, NET DEBT AND RELATED NOTES

22. CAPITAL EXPENDITURE

Capital expenditure is defined as cash expenditure on property, plant and equipment including related derivatives, and is now presented net of proceeds from disposal of property, plant and equipment and includes direct funding for capital expenditure from non-controlling interests in order to match more closely the way in which it is managed. Comparatives have been re-presented to align with current year presentation.

Capital expenditure by segment

US\$ million	2014	2013
Iron Ore and Manganese	2,685	2,518
Coal ⁽¹⁾	1,045	1,263
Copper	728	959
Nickel ⁽²⁾	14	(28)
Niobium ⁽¹⁾	198	206
Phosphates ⁽¹⁾	41	30
Platinum	576	601
De Beers	689	476
Corporate and other ⁽¹⁾	42	50
	6,018	6,075
Excluding:		
Cash outflows from derivatives related to capital expenditure	(157)	(136)
Proceeds from disposal of property, plant and equipment	71	140
Direct funding for capital expenditure received from non-controlling interests	42	46
Expenditure on property, plant and equipment	5,974	6,125

⁽¹⁾ Refer to note 3 for changes in reporting segments. Comparatives have been reclassified to align with current year presentation.

⁽²⁾ Cash capital expenditure for Nickel of \$164 million (2013: \$76 million) is offset by the capitalisation of \$150 million (2013: \$104 million) of net operating cash inflows generated by Barro Alto which has not yet reached commercial production.

Capital expenditure by category

US\$ million	2014	2013
Expansionary ⁽¹⁾	3,248	3,213
Stay-in-business	1,973	2,241
Stripping and development	868	761
Proceeds from disposal of property, plant and equipment	(71)	(140)
	6,018	6,075

⁽¹⁾ The expansionary category includes the cash flows from derivatives related to capital expenditure and is net of direct funding for capital expenditure received from non-controlling interests.

CASH FLOW STATEMENT, NET DEBT AND RELATED NOTES**23. NET DEBT**

See note 39o for the Group's accounting policy on cash and debt.

Net debt is a measure of the Group's financial position. The Group uses net debt to monitor the sources and uses of financial resources, the availability of capital to invest or return to shareholders, and the resilience of the balance sheet. Net debt is calculated as total borrowings less cash and cash equivalents (including derivatives which provide an economic hedge of net debt, see note 19).

a) Reconciliation to the balance sheet

	Cash and cash equivalents		Short term borrowings		Medium and long term borrowings	
US\$ million	2014	2013	2014	2013	2014	2013
Balance sheet	6,748	7,704	(1,618)	(2,108)	(16,917)	(15,740)
Bank overdrafts	(1)	(2)	1	2	–	–
Net debt classifications	6,747	7,702	(1,617)	(2,106)	(16,917)	(15,740)

b) Movement in net debt

US\$ million	Cash and cash equivalents	Short term borrowings	Medium and long term borrowings	Net debt excluding derivatives	Derivatives hedging net debt	Net debt including derivatives
At 1 January 2013	9,298	(2,490)	(15,150)	(8,342)	(168)	(8,510)
Cash flow	(1,235)	2,307	(3,279)	(2,207)	(181)	(2,388)
Disposal of businesses	–	69	–	69	–	69
Reclassifications	–	(2,084)	2,084	–	–	–
Movement in fair value	–	24	521	545	(155)	390
Other non-cash movements	–	(5)	(39)	(44)	–	(44)
Currency movements	(361)	73	123	(165)	(4)	(169)
At 31 December 2013	7,702	(2,106)	(15,740)	(10,144)	(508)	(10,652)
Cash flow	(841)	1,785	(3,568)	(2,624)	(203)	(2,827)
Reclassifications	–	(1,487)	1,487	–	–	–
Movement in fair value	–	(7)	(434)	(441)	(373)	(814)
Other non-cash movements	–	(2)	(72)	(74)	–	(74)
Currency movements	(114)	200	1,410	1,496	–	1,496
At 31 December 2014	6,747	(1,617)	(16,917)	(11,787)	(1,084)	(12,871)

c) Net debt by segment

The Group's policy is to hold the majority of its cash and borrowings at the corporate centre. Business units may from time to time raise borrowings in connection with specific capital projects, and subsidiaries with non-controlling interests have borrowings which are without recourse to the Group. Other than the impact of South African exchange controls (see 23d below), there are no significant restrictions over the Group's ability to access these cash balances or repay these borrowings. Net debt by segment is stated after elimination of inter-segment balances.

US\$ million	2014	2013
Iron Ore and Manganese	(2,294)	(1,413)
Coal ⁽¹⁾	201	169
Copper	738	531
Nickel	(262)	(398)
Niobium ⁽¹⁾	44	22
Phosphates ⁽¹⁾	32	46
Platinum	24	(50)
De Beers	(126)	(311)
Corporate and other ⁽¹⁾	(11,228)	(9,248)
	(12,871)	(10,652)

⁽¹⁾ Refer to note 3 for changes in reporting segments. Comparatives have been reclassified to align with current year presentation.

d) South Africa net debt

The Group operates in South Africa where the existence of exchange controls may restrict the use of certain cash balances. The Group therefore monitors the cash and debt associated with these operations separately. These restrictions are not expected to have a material effect on the Group's ability to meet its ongoing obligations. Below is a breakdown of net debt in South Africa.

US\$ million	2014	2013
Cash and cash equivalents	1,298	2,247
Short term borrowings	(118)	(512)
Medium and long term borrowings	(1,252)	(1,000)
Net (debt)/cash excluding derivatives	(72)	735
Derivatives hedging net debt	1	4
Net (debt)/cash including derivatives	(71)	739

CASH FLOW STATEMENT, NET DEBT AND RELATED NOTES

24. BORROWINGS

See note 39o for the Group's accounting policy on bank borrowings.

The Group accesses borrowings mostly in capital markets through bonds issued under the Euro Medium Term Note (EMTN) programme, the South African Domestic Medium Term Note (DMTN) programme, the Australian Medium Term Note (AMTN) programme and through accessing the United States (US) bond markets. The Group uses interest rate and cross currency swaps to ensure that the majority of the Group's borrowings are floating rate US dollar denominated.

During 2014, the Group issued corporate bonds with a US dollar equivalent value of \$3.2 billion. These included the following bonds:

- €750 million 1.75% guaranteed loan notes due 2018 and €750 million 3.25% guaranteed loan notes due 2023 issued under the EMTN programme.
- \$500 million LIBOR plus 0.95% senior floating rate notes due 2016 and \$500 million 4.125% senior notes due 2021 through accessing the US bond markets.
- R650 million 9.49% senior notes due 2021 and R400 million JIBAR plus 1.47% floating rate notes due 2021 issued under the DMTN programme.

An analysis of borrowings, as presented on the Consolidated balance sheet, is set out below:

US\$ million	2014				2013			
	Short term borrowings	Medium and long term borrowings	Total borrowings	Contractual repayment at hedged rates	Short term borrowings	Medium and long term borrowings	Total borrowings	Contractual repayment at hedged rates
Secured								
Bank loans and overdrafts ⁽¹⁾	9	21	30	30	9	32	41	41
Obligations under finance leases ⁽²⁾	25	52	77	77	7	49	56	56
	34	73	107	107	16	81	97	97
Unsecured								
Bank loans and overdrafts	211	2,198	2,409	2,805	433	2,003	2,436	2,467
Bonds issued under EMTN programme								
5.875% €1,000m bond due April 2015	1,228	–	1,228	1,577	–	1,445	1,445	1,577
4.375% €750m bond due December 2016	–	959	959	1,122	–	1,098	1,098	1,122
1.75% €900m bond due November 2017	–	1,107	1,107	1,211	–	1,206	1,206	1,211
1.75% €750m bond due April 2018	–	922	922	1,033	–	–	–	–
6.875% £400m bond due May 2018	–	701	701	793	–	747	747	793
2.5% €750m bond due September 2018	–	938	938	959	–	1,029	1,029	959
1.028% JPY10,000m bond due December 2018	–	84	84	97	–	95	95	97
2.75% €750m bond due June 2019	–	956	956	941	–	1,039	1,039	941
2.875% €600m bond due November 2020	–	769	769	807	–	787	787	807
2.5% €750m bond due April 2021	–	947	947	977	–	987	987	977
3.5% €750m bond due March 2022	–	1,025	1,025	992	–	1,065	1,065	992
3.25% €750m bond due April 2023	–	976	976	1,033	–	–	–	–
US bonds								
9.375% \$1,250m bond due April 2014	–	–	–	–	1,256	–	1,256	1,250
LIBOR+0.95% \$500m bond due April 2016	–	499	499	500	–	–	–	–
2.625% \$600m bond due April 2017	–	604	604	600	–	605	605	600
2.625% \$750m bond due September 2017	–	738	738	750	–	733	733	750
9.375% \$750m bond due April 2019	–	804	804	750	–	807	807	750
4.45% \$500m bond due September 2020	–	521	521	500	–	509	509	500
4.125% \$500m bond due April 2021	–	505	505	500	–	–	–	–
4.125% \$600m bond due September 2022	–	578	578	600	–	540	540	600
Bonds issued under AMTN programme								
5.75% AUD500m bond due November 2018	–	423	423	470	–	440	440	470
Bonds issued under DMTN programme								
9.77% R1,000m bond due May 2015	86	–	86	86	–	98	98	95
JIBAR+0.5% R200m bond due March 2016	–	17	17	17	–	19	19	19
JIBAR+1.38% R600m bond due March 2017	–	52	52	52	–	57	57	57
9.27% R1,400m bond due March 2019	–	121	121	121	–	133	133	133
9.49% R650m bond due April 2021	–	56	56	56	–	–	–	–
JIBAR+1.47% R400m bond due April 2021	–	35	35	35	–	–	–	–
Other loans	59	309	368	368	403	217	620	621
	1,584	16,844	18,428	19,752	2,092	15,659	17,751	17,788
Total borrowings	1,618	16,917	18,535	19,859	2,108	15,740	17,848	17,885

⁽¹⁾ Assets with a book value of \$73 million (2013: \$81 million) have been pledged as security, of which \$47 million (2013: \$30 million) are property, plant and equipment, \$24 million (2013: \$47 million) are financial assets and \$2 million (2013: \$4 million) are inventories. Related to these assets are borrowings of \$30 million (2013: \$41 million).

⁽²⁾ Details of assets held under finance leases are provided in note 12.

CASH FLOW STATEMENT, NET DEBT AND RELATED NOTES

24. BORROWINGS continued

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. In addition, certain projects may be financed by means of limited recourse project finance, if appropriate.

The expected undiscounted cash flows of the Group's net debt related and other financial liabilities, by remaining contractual maturity, based on conditions existing at the balance sheet date are as follows:

US\$ million	2014				
	Net debt related financial liabilities				
	Borrowings	Expected future interest payments	Derivatives hedging net debt	Other financial liabilities	Total
Amount due for repayment within one year	(1,602)	(752)	(175)	(3,387)	(5,916)
Greater than one year, less than two years	(1,866)	(670)	(101)	–	(2,637)
Greater than two years, less than three years	(2,806)	(581)	(47)	–	(3,434)
Greater than three years, less than four years	(3,555)	(489)	(277)	–	(4,321)
Greater than four years, less than five years	(2,053)	(320)	44	–	(2,329)
Greater than five years	(6,094)	(556)	(201)	–	(6,851)
Total due for repayment after more than one year	(16,374)	(2,616)	(582)	–	(19,572)
Total	(17,976)	(3,368)	(757)	(3,387)	(25,488)

US\$ million	2013				
	Net debt related financial liabilities				
	Borrowings	Expected future interest payments	Derivatives hedging net debt	Other financial liabilities	Total
Amount due for repayment within one year	(2,098)	(762)	245	(4,204)	(6,819)
Greater than one year, less than two years	(1,903)	(720)	19	–	(2,604)
Greater than two years, less than three years	(1,532)	(540)	67	–	(2,005)
Greater than three years, less than four years	(2,872)	(470)	165	–	(3,177)
Greater than four years, less than five years	(2,642)	(417)	58	–	(3,001)
Greater than five years	(6,580)	(581)	476	–	(6,685)
Total due for repayment after more than one year	(15,529)	(2,728)	785	–	(17,472)
Total	(17,627)	(3,490)	1,030	(4,204)	(24,291)

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

US\$ million	2014	2013
Expiry date		
Within one year ⁽¹⁾	1,073	1,318
Greater than one year, less than two years	525	637
Greater than two years, less than three years	1,172	1,449
Greater than three years, less than four years	597	–
Greater than four years, less than five years	5,000	5,847
	8,367	9,251

⁽¹⁾ Includes undrawn facilities equivalent to \$0.9 billion (2013: \$1.2 billion) in respect of facilities with 364 day maturity which roll automatically on a daily basis, unless notice is served.

In April 2014, the Group amended a \$5 billion revolving credit facility, extending the maturity to 2019. The facility was undrawn as at 31 December 2014.

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 enable the business to operate effectively.

In order to manage the short and long term capital structure, the Group has a number of options including raising and refinancing debt, adjusting returns to equity shareholders, managing the allocation of capital and divesting of non-core assets to reduce debt.

The Group monitors capital using various financial metrics including the ratio of net debt to total capital (gearing). Net debt is calculated as total borrowings less cash and cash equivalents (including derivatives which provide an economic hedge of net debt). Total capital is calculated as 'Net assets' (as shown in the Consolidated balance sheet) excluding net debt. Total capital and gearing are as follows:

US\$ million	2014	2013
Net assets	32,177	37,364
Net debt including related derivatives (note 23)	12,871	10,652
Total capital	45,048	48,016
Gearing	28.6%	22.2%

Gearing has increased from 22.2% to 28.6% as net debt has increased and total capital has decreased. Net debt increased from \$10.7 billion to \$12.9 billion at 31 December 2014 as cash inflows from operating activities were offset by outflows primarily relating to capital expenditure and dividends to Anglo American plc shareholders as well as to non-controlling interests. Total capital decreased from \$48.0 billion to \$45.0 billion primarily due to the impact of impairments and the effect of a stronger US dollar on assets denominated in other currencies.

CASH FLOW STATEMENT, NET DEBT AND RELATED NOTES**24. BORROWINGS** continued**Market risk**

Market risk is the risk that financial instrument fair values and related cash flows will fluctuate due to changes in market prices. The Group manages interest rate risks and foreign exchange risks on borrowings and cash with the use of cross currency swaps and interest rate swaps in order to ensure that the majority of borrowings are floating rate US dollar denominated. The Group does not hedge foreign exchange exposures on rand denominated borrowings in South Africa. For more information regarding the Group's financial risk management see note 38.

The table below reflects the exposure of the Group's net debt to currency and interest rate risk.

	2014					
US\$ million	Cash and cash equivalents	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Derivatives hedging net debt	Impact of currency derivatives
US dollar	6,151	(1,291)	(3,896)	–	(1,087)	(12,336)
Euro	24	–	(9,827)	–	–	9,827
Rand	134	(703)	(266)	–	3	–
Brazilian real	211	(1,303)	–	–	–	1,301
Australian dollar	61	–	(423)	–	–	423
Sterling	29	–	(701)	–	–	701
Other	137	(7)	(117)	–	–	84
Impact of interest derivatives	–	(15,050)	15,050	–	–	–
Total	6,747	(18,354)	(180)	–	(1,084)	–

	2013					
US\$ million	Cash and cash equivalents	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Derivatives hedging net debt	Impact of currency derivatives
US dollar	5,460	(942)	(4,477)	–	(510)	(11,257)
Euro	22	–	(8,656)	–	–	8,656
Rand	1,225	(890)	(231)	(7)	2	–
Brazilian real	716	(1,319)	(2)	–	–	1,319
Australian dollar	103	–	(440)	–	–	440
Sterling	41	–	(747)	–	–	747
Other	135	(25)	(106)	(4)	–	95
Impact of interest derivatives	–	(14,468)	14,468	–	–	–
Total	7,702	(17,644)	(191)	(11)	(508)	–

25. COMMITMENTS

See note 39x for the Group's accounting policy on leases.

The Group had \$1,936 million (2013: \$3,391 million) outstanding capital commitments relating to subsidiaries and joint operations which were contracted but not provided.

In addition, the Group had outstanding commitments under contracts relating to shipping services of \$2,124 million (2013: \$1,168 million).

The Group's share of joint ventures' capital commitments, including its share of commitments made jointly with other investors, is \$63 million (2013: \$364 million).

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

US\$ million	2014	2013
Expiry date		
Within one year	94	104
Greater than one year, less than two years	65	83
Greater than two years, less than five years	115	145
Greater than five years	80	145
	354	477

Operating leases relate principally to land and buildings, vehicles and mining equipment.

EMPLOYEE REMUNERATION**26. EMPLOYEE NUMBERS AND COSTS**

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

Thousand	2014	2013
By segment		
Iron Ore and Manganese	9	8
Coal ⁽¹⁾	12	11
Copper	6	6
Nickel	2	2
Niobium ⁽¹⁾	1	1
Phosphates ⁽¹⁾	1	1
Platinum	51	55
De Beers	10	10
Corporate and other ⁽¹⁾	3	4
	95	98

⁽¹⁾ Refer to note 3 for changes in reporting segments. Comparatives have been reclassified to align with current year presentation.

The average number of employees by principal location of employment was:

Thousand	2014	2013
South Africa	72	75
Other Africa	4	4
South America	11	11
North America	2	2
Australia and Asia	4	4
Europe	2	2
	95	98

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

US\$ million	2014	2013
Wages and salaries	4,244	4,439
Social security costs	166	160
Post employment benefits ⁽¹⁾	404	395
Share-based payments (note 28)	258	261
Total payroll costs	5,072	5,255
Reconciliation:		
Less: employee costs capitalised	(367)	(265)
Less: employee costs included within special items	(191)	(156)
Employee costs included in operating costs	4,514	4,834

⁽¹⁾ Includes contributions to defined contribution pension and medical plans, current and past service costs related to defined benefit pension and medical plans and other benefits provided to certain employees during retirement (see note 27).

Key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (executive and non-executive) of the Group. Key management comprises members of the Board and the Group Management Committee.

Compensation for key management was as follows:

US\$ million	2014	2013
Salaries and short term employee benefits	31	30
Social security costs	5	5
Termination benefits	3	11
Post employment benefits	3	4
Share-based payments	18	21
	60	71

Disclosure of directors' emoluments, pension entitlements, share options and long term incentive plan awards required by the Companies Act 2006 and those specified for audit by Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 are included in the Remuneration report.

EMPLOYEE REMUNERATION**27. RETIREMENT BENEFITS**

See note 39t for the Group's accounting policy on retirement benefits.

The Group operates a number of defined contribution and defined benefit pension plans. It also operates post employment medical plans, principally in South Africa.

Defined contribution plans

The defined contribution pension and medical cost represents the actual contributions payable by the Group to the various 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 plans (net of amounts capitalised) was \$244 million (2013: \$261 million) and for defined contribution medical plans (net of amounts capitalised) was \$81 million (2013: \$88 million).

Defined benefit pension plans and post employment medical plans

The Group operates defined benefit pension and medical plans across a number of segments. The most significant plans are in South Africa and the United Kingdom.

A summary of the movements in the net pension plan assets and retirement benefit obligations on the Consolidated balance sheet is as follows:

US\$ million	2014	2013
Net liability recognised at 1 January	(1,013)	(1,233)
Net income statement charge	(113)	(88)
Remeasurement of net defined benefit obligation	(15)	97
Employer contributions	132	151
Other	31	(10)
Currency movements	89	70
Net liability recognised at 31 December	(889)	(1,013)
Amounts recognised as:		
Defined benefit pension plans in surplus ⁽¹⁾	184	191
Retirement benefit obligation – pension plans	(615)	(727)
Retirement benefit obligation – medical plans	(458)	(477)
	(889)	(1,013)

⁽¹⁾ Included in 'Other non-current assets' on the Consolidated balance sheet.

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 in the relevant jurisdiction. The unfunded liabilities are principally in relation to termination indemnity plans in Chile.

The post employment medical plans provide health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. The majority of these plans are unfunded and are principally in South Africa.

Independent qualified actuaries carry out full valuations at least every three years using the projected unit credit method. The actuaries have updated the valuations to 31 December 2014. Assumptions are set after consultation with the qualified actuaries. While management believe the assumptions used are appropriate, a change in the assumptions used would impact the Group's other comprehensive income.

Characteristics and risks of plans

The defined benefit plans are exposed to risks such as longevity, investment risk, inflation risk, interest rate risk and foreign exchange risk.

The weighted average duration of the South African plans is 12 years (2013: 12 years), United Kingdom plans is 18 years (2013: 19 years) and plans in other regions is 14 years (2013: 14 years). This represents the average period over which future benefit payments are expected to be made.

Employer contributions are made in accordance with the terms of each plan and may vary from year to year. Employer contributions made in the year ended 31 December 2014 were \$132 million to pension plans and in addition \$27 million of benefits were paid in relation to post employment medical plans. The Group expects to contribute \$134 million to its pension plans and \$25 million to its post employment medical plans in 2015.

The responsibility for the governance of the funded retirement benefit plans, including investment and funding decisions, lies with the Trustees of each scheme.

South Africa

The pension plans in South Africa are in surplus, with the asset recognised on the Consolidated balance sheet restricted to the amount in the Employer Surplus Account, being plan assets less plan liabilities less any contingency reserves as recommended by the funds' actuaries.

The Employer Surplus Account is the amount that the Group is entitled to by way of refund. All pension plans in South Africa are closed to new members and the majority of plans are closed to future benefit accrual. As the plans are in surplus no employer contributions are currently being made.

The Group's provision of anti-retroviral therapy to HIV positive staff does not significantly impact the post employment medical plan liability.

United Kingdom

The Group operates funded pension plans in the United Kingdom. These plans are closed to new members. The only plan still open to future benefit accrual will close to accrual on 30 September 2015.

Certain assets held by the main plans in the United Kingdom are structured to closely match the characteristics of the liabilities through a variety of investment strategies, including the use of interest rate hedging and inflation hedging to manage interest rate risk and inflation rate risk respectively.

The Group is committed to make payments to certain United Kingdom pension plans under deficit funding plans agreed with the respective Trustees. Where the present value of the agreed funding payments exceeds the liability in respect of the plans as measured under IFRS, and would therefore, when paid, give rise to a surplus as measured under IFRS, a provision is recognised for any part of that surplus that would not be recoverable. Any resulting surplus has been assessed to be fully recoverable and as such no provision has been recognised.

EMPLOYEE REMUNERATION

27. RETIREMENT BENEFITS continued

Other

Other pension and post employment medical plans primarily comprise obligations in Chile where legislation requires employers to provide for a termination indemnity, entitling employees to a cash payment made on the termination of an employment contract. The features of this provision meet the definition of a post employment benefit obligation and consequently an unfunded liability is recognised on the Consolidated balance sheet. Other plans are in Brazil, Canada and mainland Europe and consist of funded and unfunded pension plans and unfunded medical aid plans. These plans are not considered to be significant to the Group.

Actuarial assumptions

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

	2014			2013		
	South Africa	United Kingdom	Other	South Africa	United Kingdom	Other
Defined benefit pension plans						
Average discount rate for plan liabilities	8.3%	3.6%	6.4%	8.8%	4.4%	7.3%
Average rate of inflation	6.2%	3.1%	3.5%	6.4%	3.4%	3.5%
Average rate of increase of pensions in payment	6.2%	3.2%	3.2%	6.4%	3.3%	3.4%
Post employment medical plans						
Average discount rate for plan liabilities	8.3%	3.9%	7.0%	8.8%	4.3%	8.1%
Average rate of inflation	6.2%	3.3%	5.2%	6.4%	3.4%	5.7%
Expected average increase in healthcare costs	7.9%	8.0%	7.7%	8.2%	8.1%	8.1%

Mortality assumptions are determined based on standard mortality tables with adjustments, as appropriate, to reflect experience of conditions locally. In South Africa, the PA90 tables are used. The main plans in the United Kingdom use either SAPS tables or Club Vita models with plan specific adjustments based on mortality investigations. The mortality tables used imply that a male or female aged 60 at the balance sheet date has the following future life expectancy (shown as weighted averages):

Years	Male		Female	
	2014	2013	2014	2013
South Africa	19.9	19.8	24.6	24.6
United Kingdom	28.7	28.7	30.2	30.2
Other	22.8	22.7	27.1	27.0

The table below summarises the expected life expectancy from the age of 60 for a male or female age 45 at the balance sheet date. When viewed together with the respective life expectancy at age 60 in the table above this indicates the anticipated improvement in life expectancy (shown as weighted averages):

Years	Male		Female	
	2014	2013	2014	2013
South Africa	19.9	19.8	24.6	24.6
United Kingdom	29.7	29.7	31.9	32.0
Other	23.3	23.2	27.5	27.3

Sensitivity analysis

Significant actuarial assumptions for the determination of pension and medical plan liabilities are the discount rate, inflation rate and mortality. The sensitivity analysis below has been provided by local actuaries on an approximate basis based on changes in the assumptions occurring at the end of the year assuming that all other assumptions are held constant and the effect of interrelationships is excluded. The effect on plan liabilities is as follows:

US\$ million	2014			
	South Africa	United Kingdom	Other	Total
Discount rate – 0.5% decrease	(79)	(433)	(21)	(533)
Inflation rate – pension plans – 0.5% increase	(54)	(222)	(12)	(288)
Inflation rate – medical plans – 0.5% increase	(23)	–	(4)	(27)
Life expectancy – increase by 1 year	(65)	(130)	(5)	(200)

Income statement

The amounts recognised in the Consolidated income statement are as follows:

US\$ million	2014			2013		
	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
Amount charged within operating costs	54	4	58	23	4	27
Net charge to net finance costs	18	37	55	25	36	61
Total charge to the income statement	72	41	113	48	40	88

EMPLOYEE REMUNERATION

27. RETIREMENT BENEFITS continued

Comprehensive income

The amounts recognised in the Consolidated statement of comprehensive income are as follows:

	2014			2013		
US\$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
Return on plan assets, excluding interest income	542	(1)	541	146	–	146
Actuarial (losses)/gains on plan liabilities ⁽¹⁾	(527)	(8)	(535)	8	17	25
Movement in surplus restriction	(21)	–	(21)	(74)	–	(74)
Remeasurement of net defined benefit obligation	(6)	(9)	(15)	80	17	97

⁽¹⁾ Comprises (losses)/gains from changes in financial and demographic assumptions as well as experience on plan liabilities.

Pension plan assets and liabilities by geography

The split of the present value of funded and unfunded obligations in defined benefit pension plans and the fair value of pension assets at 31 December is as follows:

	2014				2013			
US\$ million	South Africa	United Kingdom	Other	Total	South Africa	United Kingdom	Other	Total
Equity	454	885	11	1,350	515	1,232	14	1,761
Corporate bonds	275	1,368	66	1,709	–	817	51	868
Government bonds	687	1,513	37	2,237	936	1,189	62	2,187
Cash	69	48	1	118	74	211	1	286
Other	–	203	10	213	41	166	6	213
Fair value of pension plan assets⁽¹⁾	1,485	4,017	125	5,627	1,566	3,615	134	5,315
Active members	(9)	(307)	(35)	(351)	(11)	(252)	(38)	(301)
Deferred members	(24)	(1,672)	(9)	(1,705)	(36)	(1,494)	(16)	(1,546)
Pensioners	(1,136)	(2,372)	(93)	(3,601)	(1,183)	(2,334)	(93)	(3,610)
Present value of funded obligations	(1,169)	(4,351)	(137)	(5,657)	(1,230)	(4,080)	(147)	(5,457)
Present value of unfunded obligations⁽²⁾	–	–	(219)	(219)	–	–	(217)	(217)
Net surplus/(deficit) in pension plans	316	(334)	(231)	(249)	336	(465)	(230)	(359)
Surplus restriction	(182)	–	–	(182)	(177)	–	–	(177)
Recognised retirement benefit assets/(liabilities)	134	(334)	(231)	(431)	159	(465)	(230)	(536)
Amounts in the Consolidated balance sheet								
Defined benefit pension plans in surplus	134	50	–	184	159	32	–	191
Retirement benefit obligation – pension plans	–	(384)	(231)	(615)	–	(497)	(230)	(727)
	134	(334)	(231)	(431)	159	(465)	(230)	(536)

⁽¹⁾ The fair value of assets is used to determine the funding level of the plans. The fair value of the assets of the funded plans was sufficient to cover 99% (2013: 97%) of the benefits that had accrued to members after allowing for expected increases in future earnings and pensions.

⁽²⁾ Includes \$214 million (2013: \$200 million) relating to active members.

All investments have been fair valued based on quoted market prices.

Movement analysis

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

	2014			2013		
US\$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	5,315	17	5,332	5,327	21	5,348
Effects of settlements	(4)	–	(4)	(3)	–	(3)
Interest income	284 ⁽¹⁾	1	285	269 ⁽¹⁾	1	270
Return on plan assets, excluding interest income	542 ⁽¹⁾	(1)	541	146 ⁽¹⁾	–	146
Contributions paid by employer	132	–	132	151	–	151
Benefits paid ⁽²⁾	(236)	(1)	(237)	(253)	(1)	(254)
Other	6	–	6	(24) ⁽³⁾	–	(24)
Currency movements	(412)	(2)	(414)	(298)	(4)	(302)
At 31 December	5,627	14	5,641	5,315	17	5,332

⁽¹⁾ The actual return on assets in respect of pension plans was \$826 million (2013: \$415 million).

⁽²⁾ Includes \$10 million (2013: \$11 million) of benefits paid to defined contribution plans.

⁽³⁾ Includes \$26 million refund of surplus plan assets as agreed with the pension plan Trustees. These funds relate to plans in South Africa and will be used to make future contributions to post employment medical plans. The refund is included within 'Other non-current assets' on the Consolidated balance sheet.

EMPLOYEE REMUNERATION**27. RETIREMENT BENEFITS** continued

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

	2014			2013		
US\$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	(5,674)	(494)	(6,168)	(5,862)	(602)	(6,464)
Current service costs	(25)	(4)	(29)	(23)	(4)	(27)
Effects of curtailments/settlements	(17)	–	(17)	3	–	3
Interest cost	(302)	(38)	(340)	(294)	(37)	(331)
Actuarial (losses)/gains ⁽¹⁾	(527)	(8)	(535)	8	17	25
Benefits paid	241	27	268	242	28	270
Other	(6)	–	(6)	(2)	–	(2)
Currency movements	434	45	479	254	104	358
At 31 December	(5,876)	(472)	(6,348)	(5,674)	(494)	(6,168)

⁽¹⁾ Includes losses of \$557 million (2013: gains of \$44 million) relating to changes in financial assumptions.

28. SHARE-BASED PAYMENTS

See note 39u for the Group's accounting policy on share-based payments.

During the year ended 31 December 2014 the Group had share-based payment arrangements with employees relating to shares of the Company, the details of which are described in the Remuneration report. All of these Company schemes are equity settled, either by award of ordinary shares (BSP, LTIP and SIP) or award of options to acquire ordinary shares (ESOS, DOP and SAYE). The ESOS is now closed to new participants, having been replaced with the BSP. No options have been granted under the DOP.

The total share-based payment charge relating to Anglo American plc shares for the year is split as follows:

US\$ million	2014	2013
BSP	94	82
LTIP	60	52
Other schemes	3	10
Share-based payment charge relating to Anglo American plc shares⁽¹⁾	157	144

⁽¹⁾ In addition, there are equity settled share-based payment charges of \$58 million (2013: \$65 million) relating to Kumba Iron Ore Limited shares and \$35 million (2013: \$52 million) relating to Anglo American Platinum Limited shares. Certain business units also operate cash settled employee share-based payment schemes. These schemes had a charge of \$8 million (2013: nil).

Schemes settled by award of ordinary shares

The fair value of ordinary shares awarded under the BSP, LTIP 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 are set out below:

	2014				2013			
Arrangement ⁽¹⁾	BSP	LTIP	LTIP-ROCE	LTIP-TSR	BSP	LTIP	LTIP-AOSC	LTIP-TSR
Date of grant	07/03/14	07/03/14	07/03/14	07/03/14	01/03/13	01/03/13	01/03/13	01/03/13
Number of instruments	5,128,574	1,934,900	613,682	613,682	4,830,179	1,285,634	470,561	470,561
Share price at the date of grant (£)	14.63	14.63	14.63	14.63	19.00	19.00	19.00	19.00
Contractual life (years)	3	3	3	3	3	3	3	3
Vesting conditions	(2)	(2)	(3)	(4)	(5)	(2)	(3)	(4)
Expected volatility ⁽⁶⁾	35%	35%	35%	35%	35%	35%	35%	35%
Risk free interest rate ⁽⁷⁾	1.1%	1.1%	1.1%	1.1%	0.3%	0.3%	0.3%	0.3%
Expected departures	5% pa	5% pa	5% pa	5% pa	5% pa	5% pa	5% pa	5% pa
Dividend yield	2.1%	2.1%	2.1%	2.1%	1.9%	1.9%	1.9%	1.9%
Fair value at date of grant (weighted average) (£)	14.63	14.63	14.63	7.87	18.55	19.00	19.00	9.31

⁽¹⁾ The number of instruments used in the fair value models may differ from the total number of instruments awarded in the year due to awards made subsequent to the fair value calculations. 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⁾ Three years of continuous employment.

⁽³⁾ Variable vesting dependent on three years of continuous employment and Group ROCE (2013: AOSC) target being achieved.

⁽⁴⁾ Variable vesting dependent on three years of continuous employment and market based performance conditions being achieved.

⁽⁵⁾ Three years of continuous employment with enhancement shares having variable vesting based on non-market based performance conditions.

⁽⁶⁾ Based on historic volatility over the last five years.

⁽⁷⁾ The yield on zero-coupon UK government bonds with a term similar to the expected life of the award.

The charges arising in respect of the other Anglo American plc employee share schemes that the Group operated during the year are not considered material.

EMPLOYEE REMUNERATION

28. SHARE-BASED PAYMENTS continued

The movements in the number of shares for the more significant share-based payment arrangements are as follows:

Bonus Share Plan⁽¹⁾

Ordinary shares of 54⁸⁶/₉₁ US cents may be awarded under the terms of this scheme for no consideration.

Number of awards	2014	2013
Outstanding at 1 January	10,871,470	9,656,833
Conditionally awarded in year	5,128,574	4,830,179
Vested in year	(2,144,872)	(2,234,189)
Forfeited in year	(1,751,162)	(1,381,353)
Outstanding at 31 December	12,104,010	10,871,470

⁽¹⁾ The BSP was approved by shareholders in 2004 as a replacement for the ESOS. Further information in respect of the BSP, including performance conditions, is shown in the Remuneration report.

Long Term Incentive Plan⁽¹⁾

Ordinary shares of 54⁸⁶/₉₁ US cents may be awarded under the terms of this scheme for no consideration.

Number of awards	2014	2013
Outstanding at 1 January	4,762,211	3,985,771
Conditionally awarded in year	3,162,264	2,226,755
Vested in year	(986,324)	(901,610)
Forfeited or expired in year	(806,153)	(548,705)
Outstanding at 31 December	6,131,998	4,762,211

⁽¹⁾ The early vesting of share awards is permitted at the discretion of the Company upon, *inter alia*, termination of employment, ill health or death. 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.

Schemes settled by award of options

The fair value of options granted under the SAYE scheme, being the only material option scheme, was calculated using a Black Scholes model.

The assumptions used in these calculations for the current and prior year are set out in the table below:

Arrangement ⁽¹⁾	2014 SAYE	2013 SAYE
Date of grant	01/05/14	19/04/13
Number of instruments	133,625	87,224
Exercise price (£)	12.52	13.84
Share price at the date of grant (£)	15.64	15.97
Contractual life (years)	3.5-5.5	3.5-5.5
Vesting conditions ⁽²⁾	3-5	3-5
Expected volatility ⁽³⁾	35%	35%
Dividend yield	2.1%	1.9%
Expected option life (years) ⁽⁴⁾	3.5-5.5	3.5-5.5
Risk free interest rate (weighted average) ⁽⁵⁾	1.7%	0.5%
Expected departures	5% pa	5% pa
Fair value per option granted (weighted average) (£)	5.15	4.53

⁽¹⁾ The number of instruments used in the fair value models may differ from the total number of instruments awarded in the year due to awards made subsequent to the fair value calculations. 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 of continuous employment.

⁽³⁾ Based on historic volatility over the last five years.

⁽⁴⁾ Average expected period to exercise.

⁽⁵⁾ The yield on zero-coupon UK government bonds with a term similar to the expected life of the option.

A reconciliation of option movements for the more significant share-based payment arrangements over the year to 31 December 2014 and the prior year is shown below. All options outstanding at 31 December 2014 with an exercise date on or prior to 31 December 2014 are deemed exercisable. Options were exercised regularly during the year and the weighted average share price for the year ended 31 December 2014 was £14.47 (2013: £15.79).

SAYE Share Option Scheme⁽¹⁾

Options to acquire ordinary shares of 54⁸⁶/₉₁ US cents were outstanding under the terms of this scheme as follows:

	2014		2013	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Outstanding at 1 January	208,716	14.36	1,048,504	16.26
Granted in year	133,625	12.52	87,224	13.84
Exercised in year	(61,319)	10.08	(366,319)	9.88
Forfeited in year	(85,969)	17.14	(560,693)	20.76
Outstanding at 31 December	195,053	13.22	208,716	14.36

⁽¹⁾ The early exercise of share options is permitted at the discretion of the Company upon, *inter alia*, termination of employment, ill health or death.

Options outstanding at 31 December 2014 have a weighted average remaining contractual life of 3.5 years (2013: 1.9 years) and an exercise price range of £9.56 – £25.47 (2013: £9.56 – £25.47).

GROUP STRUCTURE AND TRANSACTIONS**28. SHARE-BASED PAYMENTS** continued**Executive Share Option Scheme⁽¹⁾**

Options to acquire ordinary shares of 54⁸⁶/₉₁ US cents were outstanding under the terms of this scheme as follows:

	2014		2013	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Outstanding at 1 January	845,683	13.39	1,634,797	11.64
Exercised in year	(687,383)	13.42	(760,114)	9.72
Forfeited in year	(158,300)	13.25	(29,000)	11.07
Outstanding at 31 December	—	—	845,683	13.39

⁽¹⁾ Closed to new participants. The early exercise of share options is permitted at the discretion of the Company upon, *inter alia*, termination of employment, ill health or death.

29. BUSINESS COMBINATIONS AND FORMATION OF JOINT VENTURES

See note 39d for the Group's accounting policy on business combinations and goodwill arising thereon.

2014

There were no business combinations in the year ended 31 December 2014.

2013**Lafarge Tarmac transaction**

On 7 January 2013 the Group announced the completion of a 50:50 joint venture with Lafarge SA (Lafarge), combining their cement, aggregates, ready-mix concrete, asphalt and asphalt surfacing, maintenance services and waste services businesses in the United Kingdom.

The Group disposed of its interests in Tarmac Quarry Materials in exchange for a 50% interest in the newly formed joint venture, plus cash, deferred consideration and contingent consideration receivable for certain of Tarmac Quarry Materials' operations that were sold pursuant to the Competition Commission's conditions precedent to the formation of the joint venture.

This resulted in the derecognition of all assets and liabilities relating to the Tarmac Quarry Materials' operations and recognition of an investment of \$1,658 million in the Lafarge Tarmac joint venture (included in 'Investments in associates and joint ventures' on the Consolidated balance sheet). The Group recognised a net loss on disposal of \$55 million in relation to the transaction.

30. DISPOSALS OF SUBSIDIARIES**2014**

There were no significant disposals in the year ended 31 December 2014.

Disposal proceeds of \$44 million received in 2014 primarily relate to deferred consideration from the sale of certain Tarmac Quarry Materials' operations prior to the formation of the Lafarge Tarmac joint venture in 2013 (see note 29).

2013

Disposals in 2013 related to the disposal of Amapá (Corporate and other segment).

31. NON-CONTROLLING INTERESTS

Non-controlling interests that are material to the Group relate to the following subsidiaries:

- Kumba Iron Ore Limited (Kumba Iron Ore), which is a company incorporated in South Africa and listed on the JSE. Its principal mining operations are the Sishen, Kolomela and Thabazimbi iron ore mines which are located in South Africa. Non-controlling interests hold an effective 46.3% interest in the operations of Kumba Iron Ore, comprising the 30.3% interest held by other shareholders in Kumba Iron Ore and the 23% of Kumba Iron Ore's principal operating subsidiary, Sishen Iron Ore Company (Proprietary) Limited, that is held by shareholders outside the Group.
- Anglo American Sur SA (Anglo American Sur), which is a company incorporated in Chile. Its principal operations are the Los Bronces and El Soldado copper mines and the Chagres smelting plant, which are located in Chile. Non-controlling interests hold a 49.9% interest in Anglo American Sur.

	2014				2013			
US\$ million	Kumba Iron Ore	Anglo American Sur	Other ⁽¹⁾	Total	Kumba Iron Ore	Anglo American Sur	Other ⁽¹⁾	Total
Profit attributable to non-controlling interests	614	218	157	989	991	439	(43)	1,387
Equity attributable to non-controlling interests	1,060	2,212	2,488	5,760	1,185	2,060	2,448	5,693
Dividends paid to non-controlling interests	(674)	(116)	(33)	(823)	(663)	(474)	(22)	(1,159)

⁽¹⁾ Other consists of individually immaterial non-controlling interests.

ADDITIONAL DISCLOSURES

31. NON-CONTROLLING INTERESTS continued

Summarised financial information on a 100% basis and before inter-company eliminations for Kumba Iron Ore and Anglo American Sur is as follows:

US\$ million	2014		2013	
	Kumba Iron Ore	Anglo American Sur	Kumba Iron Ore	Anglo American Sur
Non-current assets	3,405	4,746	3,200	4,854
Current assets	1,161	958	1,233	1,111
Current liabilities	(841)	(616)	(516)	(1,004)
Non-current liabilities	(1,271)	(653)	(1,190)	(832)
Net assets	2,454	4,435	2,727	4,129
Revenue	4,388	2,792	5,643	3,296
Profit for the financial year	1,339	441	2,103	880
Total comprehensive income	1,124	424	1,626	871
Net cash inflow from operating activities	1,657	1,136	2,501	1,306

There were no significant changes in ownership interests in subsidiaries in 2014 or 2013.

32. CALLED-UP SHARE CAPITAL AND CONSOLIDATED EQUITY ANALYSIS

Called-up share capital

	2014		2013	
	Number of shares	US\$ million	Number of shares	US\$ million
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	1,405,465,332	772	1,405,459,753	772
Allotted during the year	–	–	5,579	–
At 31 December	1,405,465,332	772	1,405,465,332	772

During 2014, no ordinary shares were allotted to non-executive directors (2013: 5,579 ordinary shares of 54⁸⁶/₉₁ US cents were allotted to certain non-executive directors by subscription of their post-tax directors' fees).

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 and carrying value of called-up, allotted and fully paid ordinary shares as at 31 December 2014 was 1,396,671,247 and \$767 million (2013: 1,394,149,340 and \$766 million).

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.

Own shares

	2014		2013	
	Number of shares	US\$ million	Number of shares	US\$ million
Own shares				
Treasury shares	8,794,085	481	11,315,992	599
Own shares held by subsidiaries and employee benefit trusts	116,665,530	5,878	115,691,282	5,864
Total	125,459,615	6,359	127,007,274	6,463

The movement in treasury shares during the year is as follows:

	2014		2013	
	Number of shares	US\$ million	Number of shares	US\$ million
Treasury shares				
At 1 January	11,315,992	599	14,505,120	801
Transferred to employees in settlement of share awards	(2,521,907)	(118)	(3,189,128)	(202)
At 31 December	8,794,085	481	11,315,992	599

ADDITIONAL DISCLOSURES**32. CALLED-UP SHARE CAPITAL AND CONSOLIDATED EQUITY ANALYSIS** *continued***Tenon**

Tenon Investment Holdings Proprietary Limited (Tenon), a wholly owned subsidiary of Anglo American South Africa Limited (AASA), has entered into agreements with Epoch Investment Holdings Proprietary Limited (Epoch), Epoch Two Investment Holdings Proprietary Limited (Epoch Two) and Tarl Investment Holdings Proprietary 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, provided all the funding required to acquire the Anglo American plc shares through the market. These payments by Tenon were 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 \$4.69 per share to Epoch, \$7.29 per share to Epoch Two and \$6.05 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, as these are own shares of the Company, any resulting gain or loss recorded by Tenon will not be recognised in the Consolidated 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 on 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 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 2014 the Investment Companies together held 112,300,129 (2013: 112,300,129) Anglo American plc shares, which represented 8.0% (2013: 8.1%) of the ordinary shares in issue (excluding treasury shares) with a market value of \$2,100 million (2013: \$2,451 million). 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.

The Investment Companies are considered to be structured entities. Although the Group has no voting rights in the Investment Companies and cannot appoint or remove trustees of the charitable trusts, the Investment Companies continue to meet the accounting definition of a subsidiary in accordance with IFRS 10, and as a result are consolidated by the Group.

Employee benefit trust

The provision of shares to certain of the Company's share option and share incentive schemes may be facilitated by an employee benefit trust or settled by the issue of treasury shares. Shares held by the trust are recorded as own shares, and the carrying value is shown as a reduction within shareholders' equity. The employee benefit trust has waived the right to receive dividends on these shares. The costs of operating the trust are borne by the Group but are not material.

The market value of the 1 share (2013: 985 shares) held by the trust at 31 December 2014 was \$19 (2013: \$21,000).

Consolidated equity analysis

Fair value and other reserves comprise:

US\$ million	Share-based payment reserve	Available for sale reserve	Cash flow hedge reserve	Other reserves ⁽¹⁾	Total fair value and other reserves
At 1 January 2013	549	694	15	157	1,415
Total comprehensive expense	–	(123)	(6)	–	(129)
Equity settled share-based payment schemes	(1)	–	–	–	(1)
Other	–	–	–	(17)	(17)
At 1 January 2014	548	571	9	140	1,268
Total comprehensive expense	–	(115)	(7)	–	(122)
Equity settled share-based payment schemes	(8)	–	–	–	(8)
At 31 December 2014	540	456	2	140	1,138

⁽¹⁾ Other reserves comprise a capital redemption reserve of \$115 million (2013: \$115 million), a revaluation reserve of \$17 million (2013: \$17 million) and a legal reserve of \$8 million (2013: \$8 million).

ADDITIONAL DISCLOSURES

33. AUDITOR'S REMUNERATION

	2014				2013			
	Paid/payable to Deloitte			Paid/payable to auditor (if not Deloitte)	Paid/payable to Deloitte			Paid/payable to auditor (if not Deloitte)
US\$ million	United Kingdom	Overseas	Total	Overseas	United Kingdom	Overseas	Total	Overseas
Paid to the Company's auditor for audit of the Anglo American plc Annual Report	1.6	2.5	4.1	–	1.4	3.1	4.5	–
Paid to the Company's auditor for other services to the Group								
Audit of the Company's subsidiaries	0.7	6.4	7.1	0.1	0.9	6.3	7.2	0.1
Total audit fees	2.3	8.9	11.2	0.1	2.3	9.4	11.7	0.1
Audit related assurance services ⁽¹⁾	0.7	1.7	2.4	–	0.5	1.4	1.9	–
Taxation compliance services	–	0.3	0.3	–	–	0.4	0.4	–
Taxation advisory services	0.2	1.0	1.2	–	0.1	1.2	1.3	–
Other assurance services ⁽²⁾	0.4	0.4	0.8	–	0.5	0.8	1.3	–
Other non-audit services	0.3	0.3	0.6	–	–	1.6	1.6	–
Total non-audit fees	1.6	3.7	5.3	–	1.1	5.4	6.5	–

⁽¹⁾ Includes \$1.4 million (2013: \$1.5 million) for the interim review.

⁽²⁾ Includes \$0.1 million (2013: \$0.1 million) for the audit of Group pension plans.

34. CONTINGENT LIABILITIES

The Group is subject to various claims which arise in the ordinary course of business. Additionally, the Group has provided indemnities against certain liabilities as part of agreements for the sale or other disposal of business operations. Having taken appropriate legal advice, the Group believes that a material liability arising from the indemnities provided is remote.

The Group is required to provide guarantees in several jurisdictions in respect of environmental restoration and decommissioning obligations. The Group has provided for the estimated cost of these activities.

No contingent liabilities were secured on the assets of the Group at 31 December 2014 or 31 December 2013.

Anglo American South Africa Limited (AASA)

AASA, a wholly owned subsidiary of the Company, is a defendant in a number of lawsuits filed in England and South Africa on behalf of former mineworkers (or their dependants or survivors) who allegedly contracted silicosis working for gold mining companies in which AASA was a shareholder and to which AASA provided various technical and administrative services.

In England: AASA is a defendant in a lawsuit filed in the High Court in London on behalf of approximately 2,700 named former mineworkers or their dependants.

In South Africa: (i) AASA is a defendant in approximately 4,400 separate lawsuits filed in the North Gauteng High Court (Pretoria) which have been referred to arbitration; and (ii) AASA is named as one of 32 defendants in a consolidated class certification application filed in South Africa.

AASA successfully contested the jurisdiction of the English courts to hear certain claims filed against it in that jurisdiction. AASA is defending the separate lawsuits filed in South Africa and will oppose the application for consolidated class certification in South Africa.

AASA, AngloGold Ashanti, Gold Fields, Harmony Gold and Sibanye Gold announced in November 2014 that they have formed an industry working group to address issues relating to compensation and medical care for occupational lung disease (OLD) in the gold mining industry in South Africa. The companies have begun to engage all stakeholders on these matters, including government, organised labour, other mining companies and legal representatives of claimants who have filed legal suits against the companies. These legal proceedings are being defended. The industry working group is seeking a comprehensive solution to address legacy compensation issues and future legal frameworks that is fair to past and current employees and enables companies to continue to be competitive over the long term.

Kumba Iron Ore**21.4% undivided share of the Sishen mine mineral rights**

Sishen Iron Ore Company (Pty) Limited (SIOC) has not yet been awarded the 21.4% Sishen mining right, which it applied for early in 2014 following the Constitutional Court judgment on the matter in December 2013. The Constitutional Court ruled that SIOC held a 78.6% undivided share of the Sishen mining right and that, based on the provisions of the Minerals and Petroleum Resources Development Act (MPRDA), only SIOC can apply for, and be granted, the residual 21.4% share of the mining right at the Sishen mine. The grant of the mining right may be made subject to such conditions considered by the minister to be appropriate, provided that the proposed conditions are permissible under the MPRDA. Kumba Iron Ore is actively continuing its discussions with the Department of Mineral Resources (DMR) in order to finalise the grant of the residual right.

Kumba Iron Ore tax

At 31 December 2014, Kumba Iron Ore has certain unresolved tax matters that are currently under review with the South African Revenue Service (SARS). Kumba Iron Ore management has consulted with external tax and legal advisers, who support the positions taken. Nonetheless, Kumba Iron Ore management is actively discussing the issue with SARS with a view to seeking resolution and believes that the accounting for these matters is appropriate in the results for the year ended 31 December 2014.

ADDITIONAL DISCLOSURES**35. RELATED PARTY TRANSACTIONS**

The Group has a related party relationship with its subsidiaries, joint operations, associates and joint ventures (see note 37). Members of the Board and the Group Management Committee are considered to be related parties.

The Company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with joint operations, associates, joint ventures and others in which the Group has a material interest. These transactions are under terms that are no less favourable to the Group than those arranged with third parties. These transactions are not considered to be significant, other than purchases by De Beers from its joint operations in excess of its attributable share of their production, which amounted to \$3,493 million (2013: \$3,064 million).

Loans receivable⁽¹⁾

US\$ million	2014	2013
Associates	98	164
Joint ventures	329	265
	427	429

⁽¹⁾ These loans are included in 'Financial asset investments'.

At 31 December 2014 the directors of the Company and their immediate relatives controlled 0.1% (2013: 0.1%) of the voting shares of the Company.

Remuneration and benefits received by directors are disclosed in the Remuneration report. Remuneration and benefits of key management personnel, including directors, are disclosed in note 26.

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

Refinancing of Atlatsa

In January 2014, Platinum completed the second and final phase of the refinancing transaction for Atlatsa Resources Corporation (Atlatsa). Platinum sold its existing 27.0% indirect equity interest in Atlatsa to the controlling Black Economic Empowerment (BEE) shareholders and subscribed for equity shares in Atlatsa representing a 22.8% direct interest. In return the level of debt outstanding from Atlatsa was reduced. These transactions resulted in an increase in 'Investments in associates' of \$69 million, a net decrease in 'Financial asset investments' of \$47 million and a net gain of \$22 million recorded within 'Non-operating special items'.

The first phase of the refinancing transaction completed in December 2013. Platinum acquired certain properties from Bokoni Platinum Holdings Proprietary Limited, which is an associate of the Group and is controlled by Atlatsa. In return the level of debt outstanding from Atlatsa was reduced. A charge of \$37 million was recorded within 'Non-operating special items' for the year ended 31 December 2013 in relation to this transaction.

36. EVENTS OCCURRING AFTER END OF YEAR

With the exception of the proposed final dividend for 2014 (see note 10), there have been no reportable events since 31 December 2014.

ADDITIONAL DISCLOSURES

37. GROUP COMPANIES

The Group consists of the parent company, Anglo American plc, incorporated in the United Kingdom and its subsidiaries, joint operations, joint ventures and associates. For information on the Group's policies and the nature of any significant judgements in relation to the basis of accounting for interests in other entities, see note 1. Further information on interests in associates and joint ventures is provided in note 13.

The Group holds certain interests in both consolidated and unconsolidated structured entities. Further details on consolidated structured entities can be found in note 32. Unconsolidated structured entities consist of employee benefit trusts and community investment vehicles, principally in South Africa. Financial support provided to these entities by the Group is not material.

The principal subsidiaries, joint operations, joint ventures and associates of the Group and the Group percentage of equity capital and joint arrangements are set out below. All these interests are held indirectly by the parent company and are consolidated within these financial statements. As permitted by section 410 of the Companies Act 2006, the Group has restricted the information provided to its principal subsidiaries in order to avoid a statement of excessive length.

Subsidiary undertakings	Country of incorporation ⁽¹⁾	Business	Percentage of equity owned ⁽²⁾	
			2014	2013
Iron Ore and Manganese				
Anglo American Minério de Ferro Brasil SA	Brazil	Iron ore project	100%	100%
Anglo Ferrous Brazil SA	Brazil	Iron ore	100%	100%
Kumba Iron Ore Limited	South Africa	Iron ore	69.7%	69.7%
Sishen Iron Ore Company (Proprietary) Limited ⁽³⁾	South Africa	Iron ore	73.9%	73.9%
Coal				
Anglo American Metallurgical Coal Holdings Limited	Australia	Coal	100%	100%
Anglo Coal ⁽⁴⁾	South Africa	Coal	100%	100%
Peace River Coal Inc.	Canada	Coal	100%	100%
Copper				
Anglo American Sur SA	Chile	Copper	50.1%	50.1%
Anglo American Norte SA ⁽⁵⁾	Chile	Copper	100%	100%
Anglo American Quellaveco SA	Peru	Copper project	81.9%	81.9%
Nickel				
Anglo American Níquel Brasil Limitada (Barro Alto)	Brazil	Nickel project	100%	100%
Anglo American Níquel Brasil Limitada (Codemin)	Brazil	Nickel	100%	100%
Niobium				
Anglo American Nióbio Brasil Limitada	Brazil	Niobium	100%	100%
Phosphates				
Anglo American Fosfatos Brasil Limitada	Brazil	Phosphates	100%	100%
Platinum				
Anglo American Platinum Limited ⁽⁶⁾	South Africa	Platinum	78%	78%
De Beers				
De Beers Consolidated Mines Proprietary Limited ⁽⁷⁾	South Africa	Diamonds	74%	74%
De Beers Société Anonyme	Luxembourg	Diamonds	85%	85%

Proportionately consolidated joint operations	Country of incorporation ⁽¹⁾	Business	Percentage of equity owned ⁽⁸⁾	
			2014	2013
Capcoal ⁽⁹⁾	Australia	Coal	70%	70%
Dawson ⁽⁹⁾	Australia	Coal	51%	51%
Drayton ⁽⁹⁾	Australia	Coal	88.2%	88.2%
Foxleigh ⁽⁹⁾	Australia	Coal	70%	70%
Moranbah North ⁽⁹⁾	Australia	Coal	88%	88%
Compañía Minera Doña Inés de Collahuasi SCM	Chile	Copper	44%	44%
Debswana Diamond Company (Proprietary) Limited ⁽¹⁰⁾	Botswana	Diamonds	50%	50%
Namdeb Holdings (Proprietary) Limited ⁽¹¹⁾	Namibia	Diamonds	50%	50%

Joint ventures	Country of incorporation ⁽¹⁾	Business	Percentage of equity owned ⁽⁸⁾	
			2014	2013
LLX Minas-Rio Logística Comercial Exportadora SA ⁽¹²⁾	Brazil	Port	50%	49%
Lafarge Tarmac Holdings Limited	United Kingdom	Heavy building materials	50%	50%
Al Futtain Tarmac Quarry Products Limited	Dubai	Heavy building materials	49%	49%
Tarmac Oman Limited	Hong Kong	Heavy building materials	50%	50%
Midmac Tarmac Qatar LLC	Qatar	Heavy building materials	50%	50%

See page 155 for footnotes.

ADDITIONAL DISCLOSURES**37. GROUP COMPANIES** continued

Associates	Country of incorporation ⁽¹⁾	Business	Percentage of equity owned ⁽⁶⁾	
			2014	2013
Samancor Holdings Proprietary Limited ⁽¹³⁾⁽¹⁴⁾	South Africa	Manganese	40%	40%
Groote Eylandt Mining Company Pty Limited (GEMCO) ⁽¹³⁾	Australia	Manganese	40%	40%
Tasmanian Electro Metallurgical Company Pty Limited (TEMCO) ⁽¹³⁾	Australia	Manganese	40%	40%
Carbones del Cerrejón LLC	Anguilla	Coal	33.3%	33.3%
Cerrejón Zona Norte SA	Colombia	Coal	33.3%	33.3%
Jellinbah Group Pty Limited ⁽¹⁵⁾	Australia	Coal	33.3%	33.3%

⁽¹⁾ The principal country of operation is the same as the country of incorporation for all entities with the exception of De Beers Société Anonyme (De Beers), which has worldwide operations.

⁽²⁾ The proportion of voting rights of subsidiaries held by the Group is the same as the proportion of equity owned.

⁽³⁾ The 73.9% interest in Sishen Iron Ore Company (Proprietary) Limited (SIOC) is held indirectly through Kumba Iron Ore, in which the Group has a 69.7% interest. A further 3.1% interest in SIOC is held by the Kumba Envision Trust for the benefit of participants in Kumba's broad based employee share scheme for non-managerial Historically Disadvantaged South African employees. The Trust meets the definition of a subsidiary under IFRS, and is therefore consolidated by Kumba Iron Ore. Consequently the effective interest in SIOC included in the Group's results is 53.7%.

⁽⁴⁾ A division of Anglo Operations Proprietary Limited, a wholly owned subsidiary.

⁽⁵⁾ Non-controlling interest of 0.018%.

⁽⁶⁾ The Group's effective interest in Anglo American Platinum Limited is 79.8% (2013: 79.9%), which includes shares issued as part of a community empowerment deal.

⁽⁷⁾ The 74% interest in De Beers Consolidated Mines Proprietary Limited (DBCM) is held indirectly through De Beers. The 74% interest represents De Beers' legal ownership share in DBCM. For accounting purposes De Beers consolidates 100% of DBCM as it is deemed to control the BEE entity, Ponahalo, which holds the remaining 26%. The Group's effective interest in DBCM is 85%.

⁽⁸⁾ All equity interests shown are ordinary shares.

⁽⁹⁾ The wholly owned subsidiary Anglo American Metallurgical Coal Holdings Limited holds the proportionately consolidated joint operations. These operations are unincorporated and jointly controlled.

⁽¹⁰⁾ The 50% interest in Debswana Diamond Company (Proprietary) Limited is held indirectly through De Beers and is consolidated on a 19.2% proportionate basis, reflecting economic interest. The Group's effective interest in Debswana Diamond Company (Proprietary) Limited is 16.3%.

⁽¹¹⁾ The 50% interest in Namdeb Holdings (Proprietary) Limited is held indirectly through De Beers. The Group's effective interest in Namdeb Holdings (Proprietary) Limited is 42.5%.

⁽¹²⁾ Operating as Ferroport.

⁽¹³⁾ These entities have a 30 June year end.

⁽¹⁴⁾ Samancor Holdings Proprietary Limited is the parent company of Hotazel Manganese Mines (HMM) and the Metalloys Smelter. BEE shareholders hold a 27% interest in HMM and therefore the Group's effective ownership interest in HMM is 29%.

⁽¹⁵⁾ The Group's effective interest in the Jellinbah operation is 23.3%. The entity has a 30 June year end.

38. FINANCIAL RISK MANAGEMENT

The Board approves and monitors the risk management processes, including documented treasury policies, counterparty limits and 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 Consolidated balance sheet at 31 December is as follows (subcategorised into credit risk, commodity price risk, foreign exchange risk and interest rate risk). See note 24 for liquidity risk.

Market risks**a) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will cause a loss to the Group by failing to pay for its obligation. The Group's principal financial assets are cash, trade and other receivables, investments and derivative financial instruments. The Group's maximum exposure to credit risk primarily arises from these financial assets and is as follows:

US\$ million	2014	2013
Cash and cash equivalents	6,747	7,702
Trade and other receivables ⁽¹⁾	2,465	3,874
Financial asset investments ⁽²⁾	761	759
Derivative financial assets	1,133	674
	11,106	13,009

⁽¹⁾ Trade and other receivables exclude prepayments and tax receivables.

⁽²⁾ Financial asset investments exclude available for sale investments.

The Group limits credit risk on liquid funds and derivative financial instruments through diversification of exposures with a range of financial institutions approved by the Board. Counterparty limits are set for each financial institution with reference to credit ratings assigned by Standard & Poor's, Moody's and Fitch Ratings, shareholder equity (in case of relationship banks) and fund size (in case of asset managers).

Given the diverse nature of the Group's operations (both in relation to commodity markets and geographically), and the use of payment security instruments (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.

A provision for impairment of 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. Details of the credit quality of trade receivables and the associated provision for impairment are disclosed in note 16.

ADDITIONAL DISCLOSURES

38. FINANCIAL RISK MANAGEMENT continued

b) Commodity price risk

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

The Group's policy is to sell its products at prevailing market prices and is generally not to hedge commodity price risk, although some hedging may be undertaken for strategic reasons. In such cases, the Group generally uses forward contracts to hedge the price risk.

Certain of the Group's sales and purchases are provisionally priced, meaning that the selling price is determined normally 30 to 180 days after delivery to the customer, based on quoted market prices stipulated in the contract, 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	2014				2013			
	Commodity price linked		Not linked to commodity price	Total	Commodity price linked		Not linked to commodity price	Total
	Subject to price movements ⁽¹⁾	Fixed price ⁽²⁾			Subject to price movements ⁽¹⁾	Fixed price ⁽²⁾		
Total net financial instruments (excluding derivatives)	498	649	(12,590)	(11,443)	1,261	678	(10,946)	(9,007)
Derivatives	3	–	(1,194)	(1,191)	(3)	–	(834)	(837)
	501	649	(13,784)	(12,634)	1,258	678	(11,780)	(9,844)

⁽¹⁾ Includes provisionally priced trade receivables and trade payables.

⁽²⁾ Includes receivables and payables for commodity sales and purchases not subject to price adjustment at the balance sheet date.

Commodity based contracts that 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 and are not marked to market.

c) Foreign exchange risk

As a global business, the Group is exposed to many currencies principally as a result of non-US dollar operating costs and, to a lesser extent, from non-US dollar revenue. The Brazilian real, South African rand and Australian dollar are the most significant non-US dollar currencies influencing costs. A strengthening of the US dollar against the currencies to which the Group is exposed has a positive effect on the Group's underlying earnings. The Group's policy is generally not to hedge such exposures given the correlation, over the longer term, with commodity prices and the diversified nature of the Group, though exceptions can be approved by the Group Management Committee.

In addition, currency exposures exist in respect of non-US dollar approved capital expenditure projects and non-US dollar borrowings in US dollar functional currency entities. The Group's policy is that such exposures should be hedged subject to a review of the specific circumstances of the exposure.

Analysis of foreign exchange risk associated with net debt balances and the impact of derivatives to hedge against this risk is included within note 24. Net other financial assets (excluding net debt related balances) are \$237 million. This includes net assets of \$510 million which are denominated in US dollar, \$158 million in Brazilian real and \$42 million in South African rand, partially offset by net liabilities of \$331 million which are denominated in Chilean peso and \$223 million in Australian dollar.

d) Interest rate risk

Interest rate risk arises due to fluctuations in interest rates which impact on the value of short term investments and financing activities. The Group is principally exposed to US and South African interest rates.

The Group's policy is to borrow funds at floating rates of interest given the link with economic output and therefore the correlation, over the longer term, with commodity prices. The Group uses interest rate swap contracts to manage its exposure to interest rate movements on its debt. Strategic hedging using fixed rate debt may also be undertaken from time to time if approved by the Group Management Committee.

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

Analysis of interest rate risk associated with net debt balances and the impact of derivatives to hedge against this risk is included within note 24. Of net other financial assets (excluding net debt related balances) of \$237 million, the majority are non-interest bearing.

ADDITIONAL DISCLOSURES**38. FINANCIAL RISK MANAGEMENT** continued**e) Financial instrument sensitivities**

Financial instruments affected by market risk include borrowings, deposits, derivative financial instruments, trade receivables and trade payables. The following analysis is intended to illustrate the sensitivity of the Group's financial instruments at 31 December to changes in foreign currencies, commodity prices 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 at 31 December.

The following assumptions were made in calculating the sensitivity analysis:

- all income statement sensitivities also impact equity
- for debt and other deposits carried at amortised cost, 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
- no sensitivity has been calculated on derivatives and related underlying instruments designated into fair value hedge relationships as these are assumed materially to offset one another
- all hedge relationships are assumed to be fully effective
- debt with a maturity of less than 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 table shows the illustrative effect on the income statement and equity that would result from reasonably possible changes in the relevant commodity price.

US\$ million	2014		2013	
	Income	Equity	Income	Equity
Foreign currency sensitivities⁽¹⁾				
+10% US dollar to rand	61	61	16	16
-10% US dollar to rand	(61)	(61)	(16)	(16)
+10% US dollar to Brazilian real ⁽²⁾	(154)	(154)	(167)	(167)
-10% US dollar to Brazilian real ⁽²⁾	154	154	155	155
+10% US dollar to Australian dollar	30	30	37	37
-10% US dollar to Australian dollar	(30)	(30)	(37)	(37)
+10% US dollar to Chilean peso	36	36	30	30
-10% US dollar to Chilean peso	(40)	(40)	(32)	(32)
Commodity price sensitivities				
10% increase in the copper price	103	103	109	109
10% decrease in the copper price	(103)	(103)	(109)	(109)
10% increase in the platinum price	(21)	(21)	(15)	(15)
10% decrease in the platinum price	21	21	15	15
Interest rate sensitivity				
50bps increase in LIBOR ⁽³⁾	(4)	(4)	(7)	(7)
50bps decrease in LIBOR ⁽³⁾	4	4	7	7

⁽¹⁾ + represents strengthening of US dollar against the respective currency.

⁽²⁾ Includes sensitivities for derivatives related to capital expenditure.

⁽³⁾ Without the impact of capitalised interest, the Group's sensitivity to a 50bps increase and decrease in LIBOR would be \$49 million (2013: \$44 million) loss and gain respectively.

The above sensitivities are calculated with reference to a single moment in time and are subject to 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.

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 whilst, in reality, commodity prices, interest rates and foreign currencies do not move independently.

ADDITIONAL DISCLOSURES

39. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted for use by the European Union, with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and with the requirements of the Disclosure and Transparency rules of the Financial Conduct 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 revaluation of pension assets and liabilities and certain financial instruments. A summary of the principal Group accounting policies is set out below.

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.

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

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting in preparing the financial statements continues to be adopted. Further details are contained in the Directors' report on page 212.

Basis of consolidation

The financial statements incorporate a consolidation of the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the 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 arrangements 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, non-controlling interests are presented in equity separately from the equity attributable to shareholders of the Company. Profit or loss and other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest in subsidiaries that do not result in a change in control are accounted for in equity. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recorded directly in equity and attributed to the shareholders of the Company.

39a. 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 and is 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 recognised in revenue.

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

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

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

39b. 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.

39c. Tax

The tax expense includes the current tax and deferred tax charge recognised in the income statement.

Current tax 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 reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint arrangements 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 reporting 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, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to 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 in that taxation authority.

ADDITIONAL DISCLOSURES

39. ACCOUNTING POLICIES continued**39d. Business combinations and goodwill arising thereon**

The identifiable assets, liabilities and contingent liabilities of a subsidiary, a joint arrangement or an associate, which can be measured reliably, are recorded at their provisional fair values at the date of acquisition. Goodwill is the fair value of the consideration transferred (including contingent consideration and previously held non-controlling interests) less the fair value of the Group's share of identifiable net assets on acquisition.

Where a business combination is achieved in stages, the Group's previously held interests in the acquiree are remeasured to fair value at the acquisition date and the resulting gain or loss is recognised in the income statement.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the income statement, where such treatment would be appropriate if that interest were disposed of.

Transaction costs incurred in connection with the business combination are expensed. Provisional fair values are finalised within 12 months of the acquisition date.

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

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 recognised directly in the income statement in the period of acquisition.

For non-wholly owned subsidiaries, non-controlling interests are initially recorded at the non-controlling interest's proportion of the fair values of net assets recognised at acquisition.

39e. Non-mining licences and other intangibles

Non-mining licences and other intangibles are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition. Intangible assets are amortised over their estimated useful lives, usually between 3 and 20 years, except goodwill and those intangible assets that are considered to have indefinite lives. For intangible assets with a finite life, the amortisation period is determined as the period over which the Group expects to obtain benefits from the asset, taking account of all relevant facts and circumstances including contractual lives and expectations about the renewal of contractual arrangements without significant incremental costs. An intangible asset is deemed to have an indefinite life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash flows for the Group. Amortisation methods, residual values and estimated useful lives are reviewed at least annually.

39f. Impairment of goodwill

Goodwill arising on business combinations is allocated to the group of cash generating units (CGUs) that is expected to benefit from 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. The recoverable amount of the CGU, or group of CGUs, to which goodwill has been allocated is tested for impairment annually, or when events or changes in circumstances indicate that it may be impaired.

Any impairment loss is recognised immediately in the income statement. Impairment of goodwill is not subsequently reversed.

39g. Property, plant and equipment

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

Mining properties are depreciated to their residual values using the unit of production method based on Proved and Probable Ore Reserves and, in certain limited circumstances, other Mineral Resources. Mineral Resources are included in depreciation calculations where there is a high degree of confidence that they will be extracted in an economic manner. For diamond operations, depreciation calculations are based on Diamond Reserves and Resources included in the Life of Mine Plan. 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, an impairment loss is recognised in the income statement.

Capital works in progress are measured at cost less any recognised impairment. Depreciation commences when the assets reach commercial production, at which point they are transferred to the appropriate asset class. Buildings and plant and equipment are depreciated to their residual values at varying rates on a straight line basis over their estimated useful lives or the Reserve Life, 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. Land is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Depreciation methods, 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.

Gains or losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount. The gain or loss is recognised in the income statement.

39h. Deferred stripping

The removal of overburden and other mine waste materials is often necessary during the initial development of a mine site, in order to access the mineral ore deposit. The directly attributable cost of this activity is capitalised in full within mining properties and leases, until the point at which the mine is considered to be capable of commercial production. This is classified as expansionary capital expenditure, within investing cash flows.

The removal of waste material after the point at which a mine is capable of commercial production is referred to as production stripping.

When the waste removal activity improves access to ore extracted in the current period, the costs of production stripping are charged to the income statement as operating costs in accordance with the principles of IAS 2 *Inventories*.

Where production stripping activity both produces inventory and improves access to ore in future periods the associated costs of waste removal are allocated between the two elements. The portion which benefits future ore extraction is capitalised within stripping and development capital expenditure. If the amount to be capitalised cannot be specifically identified it is determined based on the volume of waste extracted compared with expected volume for the identified component of the orebody. Components are specific volumes of a mine's orebody that are determined by reference to the Life of Mine Plan.

In certain instances significant levels of waste removal may occur during the production phase with little or no associated production. This may occur at both open pit and underground mines, for example longwall development. The cost of this waste removal is capitalised in full.

All amounts capitalised in respect of waste removal are depreciated using the unit of production method based on Proved and Probable Ore Reserves of the component of the orebody to which they relate.

The effects of changes to the Life of Mine Plan on the expected cost of waste removal or remaining reserves for a component are accounted for prospectively as a change in estimate.

ADDITIONAL DISCLOSURES

39. ACCOUNTING POLICIES *continued*

39i. Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the 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 of disposal and value in use (VIU). In assessing VIU, 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 loss is recognised in the income statement.

Where an impairment loss 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. A reversal of an impairment loss is recognised in the income statement.

39j. Exploration, evaluation and development expenditure

Exploration and evaluation expenditure is expensed in the year in which it is incurred. When a decision is taken that a mining property is economically feasible, all subsequent evaluation expenditure is capitalised within property, plant and equipment including, where applicable, directly attributable pre-production development expenditure. Capitalisation of such expenditure ceases when the mining property is capable of commercial production.

Exploration properties acquired are recognised in the balance sheet at cost less any accumulated impairment losses. Such properties and capitalised evaluation and pre-production development expenditure prior to commercial production are assessed for impairment in accordance with the Group's accounting policy stated above.

39k. Associates and joint arrangements

Associates are investments over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but without the ability to exercise control or joint control. Typically the Group owns between 20% and 50% of the voting equity of its associates.

Joint arrangements are arrangements in which the Group shares joint control with one or more parties. Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the activities that significantly affect the arrangement's returns require the unanimous consent of the parties sharing control.

Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement. In joint operations, the parties have rights to the assets and obligations for the liabilities relating to the arrangement, whereas in joint ventures, the parties have rights to the net assets of the arrangement.

Joint arrangements that are not structured through a separate vehicle are always joint operations. Joint arrangements that are structured through a separate vehicle may be either joint operations or joint ventures depending on the substance of the arrangement. In these cases, consideration is given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances. When the activities of an arrangement are primarily designed for the provision of output to the parties, and the parties are substantially the only source of cash flows contributing to the continuity of the operations of the arrangement, this indicates the parties to the arrangements have rights to the assets and obligations for the liabilities.

The Group accounts for joint operations by recognising the assets, liabilities, revenue and expenses for which it has rights or obligations, including its share of such items held or incurred jointly.

Investments in associates and joint ventures are accounted for using the equity method of accounting except when classified as held for sale. The Group's share of associates' and joint ventures' 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 and joint ventures 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 and joint ventures are reviewed on a regular basis and if there is objective evidence that an impairment in value has occurred as a result of one or more events during the period, the investment is impaired.

The Group's share of an associate's or joint venture's losses in excess of its interest in that associate or joint venture is not recognised unless the Group has an obligation to fund such losses. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

39l. Financial asset investments

Investments, other than investments in subsidiaries, joint arrangements and associates, are financial asset investments and are initially recognised at fair value. At subsequent reporting dates, financial assets classified as held-to-maturity or as loans and receivables are measured at amortised cost, less any impairment losses. Other investments are classified as either at fair value through profit or loss (which includes investments held for trading) or available for sale financial assets. Both categories are subsequently measured 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 of or impaired, at which time the cumulative gain or loss previously recognised in equity is recycled to the income statement.

39m. Impairment of financial assets (including receivables)

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Impairment losses relating to available for sale investments are recognised when a decline in fair value is considered significant or prolonged. These impairment losses are recognised by transferring the cumulative loss that has been recognised in the statement of comprehensive income to the income statement. The loss recognised in the income statement is the difference between the acquisition cost and the current fair value.

39n. 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 (own use) contracts that meet the scope exemption in IAS 39 *Financial Instruments: Recognition and Measurement* are recognised in earnings when they are settled by physical delivery.

ADDITIONAL DISCLOSURES

39. ACCOUNTING POLICIES *continued*

All derivatives are held at fair value in the balance sheet within 'Derivative financial assets' or 'Derivative financial liabilities' except if they are linked to settlement and delivery of an unquoted equity instrument and the fair value cannot be measured reliably, in which case they are carried at cost. A derivative cannot be measured reliably where the range of reasonable fair value estimates is significant and the probabilities of various estimates cannot be reasonably assessed.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows (cash flow hedges) 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 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 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. The corresponding entry, along with gains or losses from remeasuring the associated derivative, are recognised in the income statement.

The gain or loss on hedging instruments relating to the effective portion of a net investment hedge is recognised in equity (within the cumulative translation adjustment reserve). The ineffective portion is recognised immediately in the income statement. Gains or losses accumulated in the cumulative translation adjustment reserve are recycled to the income statement on disposal of the foreign operations to which they relate.

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 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 recycled to the income statement for the period.

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

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.

39o. Cash and debt

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 shown within short term borrowings in current liabilities on the balance sheet. Cash and cash equivalents in the cash flow statement are shown net of overdrafts. Cash and cash equivalents are measured at amortised cost.

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.

Bank borrowings

Interest bearing bank loans and overdrafts are initially recognised at fair value, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are recognised in 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.

39p. Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the right to receive cash flows from the asset has 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.

39q. Inventories

Inventory and work in progress are measured 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 basis:

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

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

39r. Environmental restoration and decommissioning obligations

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when 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 recognised in the income statement 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 recognised in the income statement 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 above.

For some South African operations annual contributions are made to dedicated environmental rehabilitation trusts to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine. The Group exercises full control of these trusts and therefore the trusts are consolidated. The trusts' assets are disclosed separately on the balance sheet as non-current assets. The trusts' assets are measured based on the nature of the underlying assets in accordance with accounting policies for similar assets.

39s. Non-current assets and disposal groups held for sale

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 a sale is highly probable within one year from the date of classification, management is committed to the sale and the asset or disposal group is available for immediate sale in its present condition.

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 loss is recognised in the income statement. On classification as held for sale the assets are no longer depreciated. Comparative amounts are not adjusted.

ADDITIONAL DISCLOSURES

39. ACCOUNTING POLICIES *continued*

39t. Retirement benefits

The Group operates both defined benefit and defined contribution pension plans for its employees as well as post employment medical plans. For defined contribution plans the amount recognised in the income statement is the contributions paid or payable during the year.

For defined benefit pension and post employment medical plans, full actuarial valuations are carried out at least 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, is based on government bonds. Pension plan assets are measured using year end market values.

Remeasurements comprising actuarial gains and losses, movements in asset surplus restrictions and the return on scheme assets (excluding interest income) are recognised immediately in the statement of comprehensive income and are not recycled to the income statement. Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit. The net interest income or cost on the net defined benefit asset or liability is included in investment income and interest expense respectively.

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

The retirement benefit obligation recognised on the balance sheet represents the present value of the deficit or surplus of the defined benefit plans. Any recognised surplus is limited to the present value of available refunds or reductions in future contributions to the plan.

39u. Share-based payments

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 shares at the grant date. For all share schemes with non-market 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.

39v. 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 the cost, representing the fair value of the BEE credentials obtained by the subsidiary, is recorded in the income statement.

39w. Foreign currency transactions and translation

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period where these approximate the rates at the dates of the transactions. Any exchange differences arising are classified within the statement of comprehensive income 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 in the foreseeable future, 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 recycled from equity and recognised as income or expense on disposal of the operation to which they relate.

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

39x. 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 the right to use that asset is conveyed through the contract.

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

FINANCIAL STATEMENTS OF THE PARENT COMPANY

Balance sheet of the Company, Anglo American plc, as at 31 December 2014

US\$ million	Note	2014	2013
Fixed assets			
Fixed asset investments	1	15,071	13,278
Current assets			
Amounts due from subsidiaries		13,908	14,238
Prepayments and other debtors		–	6
Cash at bank and in hand		3	33
		13,911	14,277
Creditors due within one year			
Amounts owed to group undertakings		(309)	(408)
Other creditors		(1)	(5)
		(310)	(413)
Net current assets		13,601	13,864
Total assets less current liabilities		28,672	27,142
Net assets		28,672	27,142
Capital and reserves			
Called-up share capital	2	772	772
Share premium account	2	4,358	4,358
Capital redemption reserve	2	115	115
Other reserves	2	1,955	1,955
Share-based payment reserve	2	–	1
Profit and loss account	2	21,472	19,941
Total shareholders' funds (equity)		28,672	27,142

The financial statements of Anglo American plc, registered number 03564138, were approved by the Board of directors on 12 February 2015 and signed on its behalf by:

Mark Cutifani
Chief Executive

René Médori
Finance Director

1) Fixed asset investments

US\$ million	Investment in subsidiaries	
	2014	2013
Cost		
At 1 January	13,295	12,378
Capital contributions ⁽¹⁾	142	110
Additions	1,651	807
At 31 December	15,088	13,295
Provisions for impairment at 1 January and 31 December	(17)	(17)
Net book value	15,071	13,278

⁽¹⁾ This amount is net of \$6 million (2013: \$30 million) of intra-group recharges.

During 2014 Anglo American plc (the Company) increased its investment in Anglo American Services (UK) Limited by \$1,651 million in return for 10,000 additional shares.

2) 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 2013	772	4,357	115	1,955	1	19,704	26,904
Profit for the financial year	–	–	–	–	–	700	700
Dividends payable to Company shareholders ⁽³⁾	–	–	–	–	–	(618)	(618)
Issue of treasury shares under employee share schemes	–	–	–	–	–	15	15
Capital contribution to Group undertakings	–	–	–	–	–	140	140
Other	–	1	–	–	–	–	1
Balance at 1 January 2014	772	4,358	115	1,955	1	19,941	27,142
Profit for the financial year	–	–	–	–	–	2,019	2,019
Dividends payable to Company shareholders ⁽³⁾	–	–	–	–	–	(620)	(620)
Net purchase of treasury shares under employee share schemes	–	–	–	–	–	(17)	(17)
Capital contribution to Group undertakings	–	–	–	–	–	148	148
Transfer between share-based payment reserve and profit and loss account	–	–	–	–	(1)	1	–
Balance at 31 December 2014	772	4,358	115	1,955	–	21,472	28,672

⁽¹⁾ At 31 December 2014 other reserves of \$1,955 million (2013: \$1,955 million) were not distributable under the Companies Act 2006.

⁽²⁾ At 31 December 2014 \$2,685 million (2013: \$2,685 million) of the Company profit and loss account of \$21,472 million (2013: \$19,941 million) was not distributable under the Companies Act 2006.

⁽³⁾ Dividends payable 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 directors are proposing a final dividend in respect of the year ended 31 December 2014 of 53 US cents per share (see note 10 of the Consolidated financial statements).

The audit fee in respect of the Company was \$7,807 (2013: \$8,133). 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 33.

3) Accounting policies: Anglo American plc (the Company)

The Company balance sheet and related notes have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice (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. Actual results may differ from those estimated.

As permitted by section 408 of the Companies Act 2006, 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 \$2,019 million (2013: \$700 million).

Significant accounting policies**Investments**

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

Share-based payments

The Company has applied the requirements of FRS 20 *Share-based Payment*.

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 a Monte Carlo model at the grant date. The fair value of share options issued with non-market vesting conditions has been calculated using a Black Scholes model. For all other share awards, the fair value is determined by reference to the market value of the share at the grant date. For all share schemes with non-market 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 2014.

New accounting standards, amendments and interpretations not yet adopted

Anglo American plc intends to apply FRS 101 in its separate financial statements for the financial year ended 31 December 2015. Any objections should be notified to the Company Secretary by 31 May 2015.

SUMMARY BY BUSINESS OPERATION

Marketing activities are allocated to the underlying operation to which they relate.

US\$ million	Revenue ⁽¹⁾		Underlying EBITDA ⁽²⁾		Underlying EBIT ⁽³⁾		Underlying earnings	
	2014	2013	2014	2013	2014	2013	2014	2013
Iron Ore and Manganese	5,176	6,517	2,286	3,390	1,957	3,119	717	1,125
Kumba Iron Ore	4,388	5,643	2,162	3,266	1,911	3,047	747⁽⁴⁾	1,171 ⁽⁴⁾
Iron Ore Brazil	–	–	(29)	(27)	(34)	(31)	(32)	(51)
Samancor	788	874	251	258	178	210	78	92
Projects and corporate	–	–	(98)	(107)	(98)	(107)	(76)⁽⁴⁾	(87) ⁽⁴⁾
Coal⁽⁵⁾	5,808	6,400	1,207	1,347	458	587	296	457
Australia and Canada	2,970	3,396	543	672	(1)	106	(30)	111
South Africa	2,083	2,187	463	479	350	356	271	283
Colombia	755	817	255	299	163	228	105	151
Projects and corporate	–	–	(54)	(103)	(54)	(103)	(50)	(88)
Copper	4,827	5,392	1,902	2,402	1,193	1,739	493	803
Anglo American Sur	2,792	3,300	1,185	1,642	762	1,220	301	464
Anglo American Norte	724	778	126	191	52	135	69	85
Collahuasi	1,311	1,314	707	718	495	533	207	386
Projects and corporate	–	–	(116)	(149)	(116)	(149)	(84)	(132)
Nickel	142	136	28	(37)	21	(44)	6	(54)
Codemin	142	136	43	23	37	17	23	5
Loma de Niquel	–	–	22	(5)	22	(5)	22	(7)
Barro Alto	–	–	(25)	(38)	(26)	(39)	(25)	(38)
Projects and corporate	–	–	(12)	(17)	(12)	(17)	(14)	(14)
Niobium⁽⁵⁾	180	182	73	87	67	82	30	42
Catalão	180	182	75	94	69	89	31	48
Projects and corporate	–	–	(2)	(7)	(2)	(7)	(1)	(6)
Phosphates⁽⁵⁾	486	544	79	89	57	68	35	50
Copebrás	486	544	88	100	66	79	39	57
Projects and corporate	–	–	(9)	(11)	(9)	(11)	(4)	(7)
Platinum	5,396	5,688	527	1,048	32	464	25	287
Operations	5,396	5,688	585	1,121	90	537	80	356
Projects and corporate	–	–	(58)	(73)	(58)	(73)	(55)	(69)
De Beers	7,114	6,404	1,818	1,451	1,363	1,003	923	532
Operations	7,114	6,404	1,862	1,516	1,407	1,068	959	591
Projects and corporate	–	–	(44)	(65)	(44)	(65)	(36)	(59)
Corporate and other⁽⁵⁾	1,859	1,800	(88)	(257)	(215)	(398)	(308)	(569)
Other Mining and Industrial	1,854	1,795	162	81	62	(13)	44	(2)
Exploration	–	–	(180)	(205)	(181)	(207)	(163)	(190)
Corporate activities and unallocated costs	5	5	(70)	(133)	(96)	(178)	(189)	(377)
	30,988	33,063	7,832	9,520	4,933	6,620	2,217	2,673

⁽¹⁾ Revenue includes the Group's attributable share of associates' and joint ventures' revenue. Revenue for copper is shown after deduction of treatment and refining charges (TC/RCs).

⁽²⁾ Underlying EBITDA is underlying EBIT before depreciation and amortisation in subsidiaries and joint operations, and includes the Group's attributable share of associates' and joint ventures' underlying EBITDA.

⁽³⁾ Underlying EBIT is operating profit before special items and remeasurements, and includes the Group's attributable share of associates' and joint ventures' underlying EBIT.

⁽⁴⁾ Of the projects and corporate expense, which includes a corporate cost allocation, \$54 million (2013: \$63 million) relates to Kumba Iron Ore. The total contribution from Kumba Iron Ore to the Group's underlying earnings is \$693 million (2013: \$1,108 million).

⁽⁵⁾ Refer to note 3 of the Consolidated financial statements for changes in reporting segments. Comparatives have been reclassified to align with current year presentation.

KEY FINANCIAL DATA

US\$ million (unless otherwise stated)	2014	2013	2012 restated ⁽¹⁾	2011	2010	2009	2008	2007	2006 ⁽²⁾	2005 ⁽²⁾
Group revenue including associates and joint ventures	30,988	33,063	32,785	36,548	32,929	24,637	32,964	30,559	29,404	24,872
Group revenue	27,073	29,342	28,680	30,580	27,960	20,858	26,311	25,470	24,991	20,132
Underlying EBIT⁽³⁾	4,933	6,620	6,253	11,095	9,763	4,957	10,085	9,590	8,888	5,549
Operating and non-operating special items and remeasurements (including associates and joint ventures)	(4,760)	(4,310)	(5,755)	(44)	1,727	(208)	(330)	(227)	24	16
Net finance costs, tax and non-controlling interests of associates and joint ventures	(212)	(204)	(281)	(452)	(423)	(313)	(783)	(434)	(398)	(315)
(Loss)/profit before net finance costs and tax	(39)	2,106	217	10,599	11,067	4,436	8,972	8,929	8,514	5,250
(Loss)/profit before tax	(259)	1,700	(171)	10,782	10,928	4,029	8,571	8,821	8,443	5,030
(Loss)/profit for the financial year	(1,524)	426	(564)	7,922	8,119	2,912	6,120	8,172	6,922	3,933
Non-controlling interests	(989)	(1,387)	(906)	(1,753)	(1,575)	(487)	(905)	(868)	(736)	(412)
(Loss)/profit attributable to equity shareholders of the Company	(2,513)	(961)	(1,470)	6,169	6,544	2,425	5,215	7,304	6,186	3,521
(Loss)/earnings per share (US\$)	(1.96)	(0.75)	(1.17)	5.10	5.43	2.02	4.34	5.58	4.21	2.43
Underlying earnings⁽⁴⁾	2,217	2,673	2,860	6,120	4,976	2,569	5,237	5,761	5,471	3,736
Underlying earnings per share (US\$)	1.73	2.09	2.28	5.06	4.13	2.14	4.36	4.40	3.73	2.58
Ordinary dividend per share (US cents)	85.0	85.0	85.0	74.0	65.0	–	44.0	124.0	108.0	90.0
Underlying EBITDA⁽⁵⁾	7,832	9,520	8,860	13,348	11,983	6,930	11,847	12,132	12,197	8,959
Underlying EBITDA interest cover ⁽⁶⁾	47.8	51.5	52.1	n/a	42.0	27.4	28.3	42.0	45.5	20.0
Underlying operating margin	15.9%	20.0%	19.1%	30.4%	29.6%	20.1%	30.6%	28.4%	25.4%	18.5%
Ordinary dividend cover (based on underlying earnings per share)	2.0	2.5	2.7	6.8	6.4	–	9.9	3.5	3.5	2.9
Net assets	32,177	37,364	43,738	43,189	37,971	28,069	21,756	24,330	27,127	27,578
Non-controlling interests	(5,760)	(5,693)	(6,127)	(4,097)	(3,732)	(1,948)	(1,535)	(1,869)	(2,856)	(3,957)
Equity attributable to equity shareholders of the Company	26,417	31,671	37,611	39,092	34,239	26,121	20,221	22,461	24,271	23,621
Total capital employed⁽⁷⁾	43,782	46,551	49,757	41,667	42,135	36,623	29,808	24,401	28,285	31,643
Cash flows from operations	6,949	7,729	7,370	11,498	9,924	4,904	9,579	9,845	10,057	7,265
Capital expenditure ⁽⁸⁾	(6,018)	(6,075)	(5,947)	(5,672)	(4,902)	(4,707)	(5,282)	(4,002)	(3,575)	(1,831)
Net debt⁽⁹⁾	(12,871)	(10,652)	(8,510)	(1,374)	(7,384)	(11,280)	(11,340)	(4,851)	(3,131)	(4,980)
Dividends received from associates, joint ventures and financial asset investments	460	264	348	403	285	639	659	363	288	470
Underlying EBITDA/average total capital employed⁽⁷⁾	17.3%	19.8%	19.4%	31.9%	30.4%	20.9%	43.7%	46.1%	40.7%	27.0%
Net debt to total capital (gearing)⁽¹⁰⁾	28.6%	22.2%	16.3%	3.1%	16.3%	28.7%	34.3%	16.6%	10.3%	15.3%

⁽¹⁾ Certain balances relating to 2012 were restated to reflect the adoption of new accounting pronouncements. See note 2 of the 2013 Consolidated financial statements for details.

⁽²⁾ Comparatives for 2006 and 2005 were adjusted in the 2007 Annual Report to reclassify amounts relating to discontinued operations where applicable.

⁽³⁾ Underlying EBIT is operating profit presented before special items and remeasurements and includes the Group's attributable share of associates' and joint ventures' underlying EBIT.

Underlying EBIT of associates and joint ventures is the Group's attributable share of revenue less operating costs before special items and remeasurements of associates and joint ventures.

⁽⁴⁾ Underlying earnings is profit attributable to equity shareholders of the Company before special items and remeasurements, and is therefore presented after net finance costs, income tax and non-controlling interests.

⁽⁵⁾ Underlying EBITDA is underlying EBIT before depreciation and amortisation in subsidiaries and joint operations and includes the Group's attributable share of associates' and joint ventures' underlying EBIT before depreciation and amortisation.

⁽⁶⁾ Underlying EBITDA interest cover is underlying EBITDA divided by net finance costs, excluding net foreign exchange gains and losses, unwinding of discount relating to provisions and other liabilities, financing special items and remeasurements, and including the Group's attributable share of associates' and joint ventures' net finance costs, which in 2011 resulted in a net finance income and therefore the ratio is not applicable.

⁽⁷⁾ Total capital employed is net assets excluding net debt (including related hedges and net debt in disposal groups) and financial asset investments. Comparatives are presented on a consistent basis.

⁽⁸⁾ Capital expenditure is defined as cash expenditure on property, plant and equipment including related derivatives, and is now presented net of proceeds from disposal of property, plant and equipment and includes direct funding for capital expenditure from non-controlling interests in order to match more closely the way in which it is managed. Comparatives have been re-presented to align with current year presentation.

⁽⁹⁾ Net debt is calculated as total borrowings less cash and cash equivalents (including related hedges and net debt in disposal groups).

⁽¹⁰⁾ Net debt to total capital is calculated as net debt (including related hedges and net debt in disposal groups) divided by total capital. Comparatives are presented on a consistent basis.

EXCHANGE RATES AND COMMODITY PRICES

US\$ exchange rates		2014	2013
Year end spot rates			
Rand		11.57	10.51
Brazilian real		2.66	2.36
Sterling		0.64	0.60
Australian dollar		1.22	1.12
Euro		0.82	0.73
Chilean peso		607	526
Botswana pula		9.51	8.76
Average rates for the year			
Rand		10.85	9.65
Brazilian real		2.35	2.16
Sterling		0.61	0.64
Australian dollar		1.11	1.03
Euro		0.75	0.75
Chilean peso		571	495
Botswana pula		8.97	8.39
Commodity prices		2014	2013
Year end spot prices			
Iron ore (62% Fe CFR) ⁽¹⁾	US\$/tonne	72	135
Thermal coal (FOB South Africa) ⁽²⁾	US\$/tonne	66	85
Thermal coal (FOB Australia) ⁽²⁾	US\$/tonne	65	85
Hard coking coal (FOB Australia) ⁽³⁾	US\$/tonne	119	152
Copper ⁽⁴⁾	US cents/lb	288	335
Nickel ⁽⁴⁾	US cents/lb	677	663
Platinum ⁽⁵⁾	US\$/oz	1,210	1,358
Palladium ⁽⁵⁾	US\$/oz	798	711
Rhodium ⁽⁶⁾	US\$/oz	1,245	975
Average market prices for the year			
Iron ore (62% Fe CFR) ⁽¹⁾	US\$/tonne	97	135
Thermal coal (FOB South Africa) ⁽²⁾	US\$/tonne	72	80
Thermal coal (FOB Australia) ⁽²⁾	US\$/tonne	71	84
Hard coking coal (FOB Australia) ⁽⁷⁾	US\$/tonne	125	159
Copper ⁽⁴⁾	US cents/lb	311	332
Nickel ⁽⁴⁾	US cents/lb	765	680
Platinum ⁽⁵⁾	US\$/oz	1,385	1,487
Palladium ⁽⁵⁾	US\$/oz	803	725
Rhodium ⁽⁶⁾	US\$/oz	1,173	1,067

⁽¹⁾ Source: Platts.⁽²⁾ Source: McCloskey.⁽³⁾ Source: Represents the quarter four benchmark.⁽⁴⁾ Source: London Metal Exchange (LME).⁽⁵⁾ Source: London Platinum and Palladium Market (LPPM).⁽⁶⁾ Source: Comdaq.⁽⁷⁾ Source: Represents the average quarterly benchmark.