

# ANGLO AMERICAN A WORLD OF DIFFERENCE

## ANNUAL REPORT 2003

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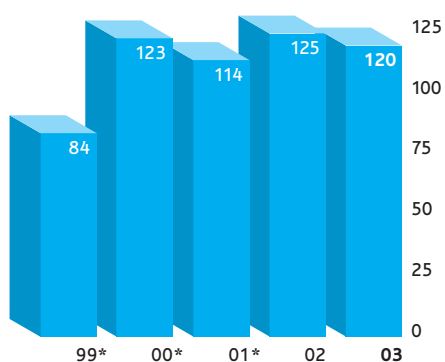
## FINANCIAL HIGHLIGHTS

\$ million (unless otherwise stated)	2003	2002
Turnover	24,909	20,497
Total operating profit	2,606	3,251
Total operating profit before operating exceptional items	2,892	3,332
Profit for the financial year	1,592	1,563
Profit for the financial year before exceptional items	1,498	1,583
Headline earnings for the financial year <sup>(1)</sup>	1,694	1,759
Net operating assets <sup>(2)</sup>	29,709	21,122
EBITDA <sup>(3)</sup>	4,785	4,792
Net cash inflow from operating activities	3,184	3,618
Capital expenditure	3,025	2,139
Earnings per share (\$):		
Profit for the financial year	1.13	1.11
Headline earnings for the financial year	1.20	1.25
Total dividend for the year (US cents per share)	54.0	51.0

## SELECTED FINANCIAL DATA

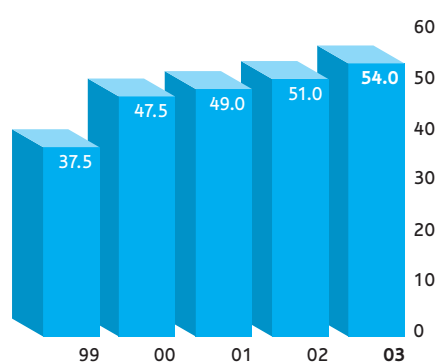
### HEADLINE EARNINGS PER SHARE

US cents



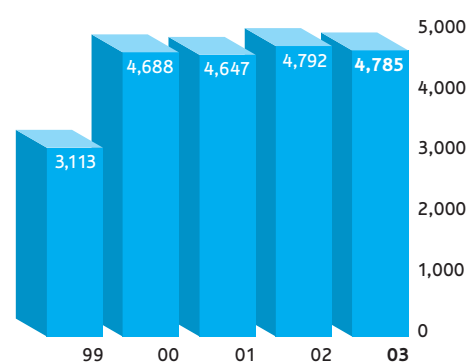
### DIVIDENDS PER SHARE

US cents



### EBITDA

US\$ million



(1) Headline earnings are defined in note 12 to the financial statements.

(2) Net operating assets are defined in note 2 to the financial statements.

(3) EBITDA is operating profit before exceptional items plus depreciation and amortisation of subsidiaries and share of EBITDA of joint ventures and associates.

\* Throughout this report 1999, 2000 and 2001 figures have been restated for FRS 19.

Unless otherwise stated, throughout this report \$ denotes US dollars.

## CHAIRMAN'S STATEMENT

**Q: What do you regard as the Company's most significant achievements of 2003?**

A: Overall, Anglo's operations did well to produce a very solid set of results in the face of difficult currency movements. Strategically, I would suggest securing final approval for the acquisition of a controlling stake in Kumba as the most significant achievement. This has been a long term objective. Iron ore will strengthen the balance of our portfolio and our position has been achieved at a reasonable cost to shareholders.

In the non-financial arena I would identify both the provision of anti-retroviral therapy to HIV positive staff and the introduction of the Socio-Economic Assessment Toolbox (SEAT). As far as I am aware, SEAT is a unique initiative which will enable our operations to become more professional and strategic in their interactions with communities.

**Q: But clearly there are things with which you are not satisfied. Where will the board be looking for the most significant improvement in performances in 2004?**

A: We have made remarkable strides in improving the Group's overall safety performance over the last five years. Nonetheless, the board remains determined to see further reductions in fatalities. My colleagues and I visited New Denmark colliery in South Africa in October and there we saw what can be achieved in embedding a safety culture through strong and focused leadership. Ben Magara, the colliery manager, has produced substantial safety advances coupled with performance improvements in almost all areas. Time and again we see that teamwork, a real sense of shared objectives amongst the workforce, and the operating disciplines needed to deliver safe performance, lead to overall improvement of performance. Our challenge is to ensure that the lessons of operations like New Denmark are learned more widely.

**Q: During 2003 there has been a renewed focus on corporate governance. How does Anglo measure against the Higgs Report?**

A: Markets work most efficiently where there is confidence. Clearly, events over the last two years on both sides of the Atlantic provide examples of how poor governance, or unhealthy dominance of strategy by an individual or clique, have resulted in shareholders losing a lot of money. Society is entitled to see how such outcomes can best be prevented. In general I think a workable structure has emerged.

Anglo American has a strong team of non-executive directors and we have restructured our board committees to meet the Higgs recommendations. I am also delighted that the board has been strengthened by the appointment of Dr Maria Silvia Bastos Marques. She brings very pertinent experience of Latin America and of the metals sector and is also the first woman to be elected to the Anglo American plc board.

**Q: What is the new Bonus Share Plan that is being proposed?**

A: The BSP will strengthen the linkage of rewards to performance. The new plan will require executive directors to invest a greater proportion of their remuneration in shares up front, thereby better aligning their interests with those of shareholders. Awards under the BSP will be made annually and will consist of three elements: a cash element, a Bonus Share element and an Enhancement Share element. These bonus awards will not be pensionable. A resolution seeking approval for the BSP and authorising the directors to implement it in the UK and other countries where we operate will be proposed at the AGM. A letter from the chairman of the Remuneration Committee explaining the terms of the BSP is being sent to all shareholders.

**Q: Anglo has expanded its interests in Latin America. How do you see prospects in that continent?**

A: Over the last two years we have seen work start on expansions at our Cerrejón coal operation in Colombia (of which Anglo owns a third), Collahuasi in Chile (a world class copper operation, of which

Anglo owns 44%), our phosphates operation in Brazil (Copebrás), the commissioning of Loma de Níquel in Venezuela and, above all, the acquisition of the Disputada (now known as Minera Sur Andes) assets in Chile.

I visited almost all of our operations in Latin America during 2003. The continent is facing some political instability. Nonetheless, Chile continues to show the maturity of its democracy and institutions and I have been impressed by President 'Lula' da Silva's emphasis in Brazil on macro-economic stability and on welcoming foreign direct investment – a point which he particularly emphasised when he opened Copebrás' expansion project.

**Q: Does Anglo have a disproportionate exposure to southern Africa? What about continuing investor concern?**

A: We remain committed to South Africa and believe that this year's celebrations of the transition to democracy will highlight the real achievements of the past decade. Of course there are problems in the region – not least the continuing turmoil in Zimbabwe and HIV/AIDS. But South Africa itself has strong institutions and a vibrant civil society. After the strongly negative investor reaction to the leaking of an early draft of the Mining Empowerment Charter in 2002, the final requirements which have emerged are financeable for fair value. It is in the interests of South Africa's long term stability that there should be a rebalancing of ownership in the economy. We have been pioneers in black economic empowerment deals and I am also pleased with the substantial growth, R3.5 billion in 2003, in procurement from black owned businesses. Our Zimele small business development unit is invested in 30 growing companies, providing over 2,000 direct jobs.

I should note too in southern Africa the consistent courage and skill of our managers in Zimbabwe and also the inauguration during 2003 of our Skorpion zinc mine. This will account for some 4% of Namibia's GDP at full production.

**Q: But the Extractive Industries Review, in which you participated, has produced a negative assessment of the impact of the mining sector. How do you respond?**

A: I was disappointed by Dr Salim's report. It is very much a personal appreciation, but I think it suffers from having taken very little input from governments and relied excessively on the more radical and absolutist end of the NGO movement. It recommends that the World Bank should remain involved in the sector. But it then adds so many caveats that its recommendations would reduce the Bank's involvement and, thereby, diminish the investment going to some of the poorest countries – for which the responsible exploitation of resources is their best route out of poverty. I do not take lightly the examples of how resource projects have fed corruption or conflict. But, properly understood, these are examples of a 'poor governance' curse rather than a 'resource' curse. Anglo American has been prominent in supporting the Extractive Industries Transparency Initiative – which aims to tackle the misuse of revenues generated by the sector. The mining industry, as a long term investor, has an interest in good governance. We want to see the positive development experiences of Chile, Botswana, South Africa and Oman – or indeed, historically, Canada and Australia – shared more widely.

**Q: Finally, how do you rate Anglo's performance on sustainable development?**

A: We are making good progress. I note that one of the biggest corporate socially responsible investment houses recently described us as being a challenger for sector leadership in relation to corporate social responsibility. We are doing leading-edge work in relation to HIV/AIDS, local business development and community engagement. I have seen very thoughtful initiatives under way in areas like assessing our economic and developmental impacts, climate change and biodiversity. Of course, there are still improvements to be made in some areas – such as target setting and in embedding best practice more widely – but Anglo is moving strongly in the right direction.

## CHIEF EXECUTIVE'S STATEMENT

The year 2003 was notable for a high degree of political and economic uncertainty. The first half of the year was impacted by the war in Iraq and political tension in the Middle East, as well as the significant decline of the US dollar against other world currencies. This weakness in the dollar had a significant impact on the Group's results and, in particular, on the translation of the Group's costs in South Africa and Australia. The second half of the year saw some recovery in demand for commodities and significant rises in the dollar prices for many of the Group's products, including platinum, gold, coal and base metals.

The Group benefited again from its wide spread of product and geographic diversity which together offer a natural hedge against economic conditions in any particular sector. For the first time since our listing in 1999, the biggest contributor to headline earnings was the Group's interest in De Beers, which reported record results from buoyant demand and rising prices in the diamond sector.

Although turnover increased by 22% to \$25 billion, the currency impacts referred to above affected operating profits (including the translation of non-cash items such as goodwill amortisation and depreciation). However, it is pleasing that the Group was able to report another year of strong cash flow (EBITDA), virtually unchanged at \$4,785 million. Headline earnings declined 4% to \$1,694 million and earnings per share fell similarly by 5 cents to 120 cents per share.

The Group continued to grow on a steady basis and during the year benefited from the acquisition in late 2002 of the Minera Sur Andes (formerly Disputada) copper operations in Chile, which materially exceeded the acquisition forecast parameters, and the acquisition of 66.6% of South Africa's largest iron ore producer, Kumba.

Against a background of rising commodity prices and an improving outlook for the Group's products, the board has decided to increase the final dividend by 3 cents to 39 cents per share, resulting in a total dividend of 54 cents per share for 2003, up 6%.

### STRATEGY

Over the past five years we have achieved a significant restructuring of Anglo American. What was a highly complex group has been transformed into a world class entity with an exceptional portfolio of high quality assets and a balanced geographic exposure. During this period we have grown our businesses significantly through \$12 billion of acquisitions and projects and have made disposals of \$7 billion of non-core assets, thereby creating a focused business to deliver improved returns to our shareholders. A major milestone was the unwinding of the De Beers cross-holding in 2001, which unlocked significant value. Since 1999, when we listed on the London Stock Exchange, shareholder value has increased by \$20 billion.

Anglo American's strategy is to achieve steady growth for its shareholders across the cycle by investing in attractive acquisitions as well as brownfield and greenfield projects that add value to natural resources. Our policy of adding value and pursuing growth covers the following key areas:

#### Acquisitions and organic growth

We continue to pursue both acquisition and organic-led growth across our business units. Anglo American has one of the strongest pipelines of growth projects in the mining and natural resource industry, spanning all of our key products, with around \$6 billion of approved project capital expenditure over the next five years. We successfully commissioned a number of projects during 2003, including the \$454 million Skorpion zinc project in Namibia which is currently operating at 75% of design capacity. The timing of this project appears opportune with zinc prices and demand starting to recover from recent record lows. The Ruzomberok paper mill project

in Slovakia was also commissioned successfully, increasing the Group's paper production by some 100,000 tonnes. Both of these projects should contribute to earnings in 2004.

Our strong track record in terms of acquisitions speaks for itself. The EBITDA cash flow returns on our key acquisitions of Minera Sur Andes, Cerrejón, Shell Coal, Syktyvkar and Tarmac range between 16% and 23%. The acquisition of Minera Sur Andes late in 2002 has proved extremely attractive for the Group. Not only were the projected synergies exceeded but the operations were earnings-accretive in their first year after acquisition at an average copper price of 81 US cents/lb. Additional reserves totalling 368 million tonnes have also been identified during the year, thereby extending the life of this large, low cost producer at a time when few large, new copper mines are coming into production.

Since our London listing in 1999, we have achieved significant volume growth: 17% for platinum, 40% for diamonds, 67% for copper, 57% for nickel, 197% for zinc, 40% for coal, 152% for aggregates, 166% for uncoated woodfree paper, 158% for packaging papers and 346% for industrial sacks. In terms of geographic exposure, we have made significant progress in transforming Anglo American's asset base, with 30% of our assets today in Europe, 40% in South Africa, 16% in the Americas and the balance spread around the globe.

#### Improving the efficiency of our asset base

We seek continuously to improve the operating efficiency of our existing assets. Our focus on driving returns has produced significant results from Group-wide cost cutting programmes. We have consistently exceeded our targets and over the last two years have achieved total costs savings and efficiency improvements of just over \$600 million. Management is very aware of the value that can be created by optimising existing operations and is incentivised to achieve this.

#### Innovation

Improving the culture for innovation and entrepreneurialism remains a key driver of growth. This includes a thoroughgoing review of employee communication and knowledge sharing, enhanced by a strong central technical and research function for our specialist mining technologies. Comprehensive programmes of innovation activity are now under way in various business units, including Base Metals, Paper and Packaging, and Industrial Minerals. These programmes seek to empower individuals to put forward ideas and facilitate their translation into practical business improvements.

### GROWING OUR BUSINESS

#### Finance

Significant progress was made during the year in diversifying the Group's debt capability away from pure bank credit by the placement of euro and sterling denominated bonds. Simultaneously, the debt-maturity profile was extended materially. We will continue to explore opportunities to improve further the depth and flexibility of our financing capability.

#### Diamonds

The earnings contribution from our 45% associate De Beers increased by 19% to \$386 million, and cash dividends received increased by 124% to \$238 million.

De Beers has successfully implemented its Supplier of Choice business model. Having obtained approval from the European Commission in January 2003 for its Supplier of Choice customer strategy, the process of reconfiguring its relationship with sightholders commenced. The strategy of stimulating interest in diamonds as a luxury-goods category appears to be working well, with a number of sightholders and their downstream trade partners financing advertising

## CHIEF EXECUTIVE'S STATEMENT CONTINUED

programmes, and diamond jewellery sales appearing to successfully compete with, if not outperform, other luxury-goods categories. Maintenance of this long term strategy is expected to result in a sustainable increase in rough diamond demand.

De Beers continues to drive a continuous improvement programme aimed at optimising all aspects of the business from production efficiencies through to marketing, and is focused on optimising availability of rough diamond supply from its own mines in anticipation of further increased demand in 2004.

### Platinum

Anglo Platinum's long term objective is to grow the market for platinum group metals and in tandem to expand output to meet this demand. In December 2003, the company completed a detailed review of its expansion projects in light of the stronger than anticipated rand and weaker dollar. As a result, Anglo Platinum has decided to slow down the development of certain of its projects but will continue to utilise its outstanding ore reserves in growing production to 2.9 million refined platinum ounces by 2006. In light of its funding requirements, on 16 February 2004 Anglo Platinum announced a R4 billion (\$570 million) convertible preference share offer. Anglo American will be subscribing for its pro rata share of the issue and continues to believe in the fundamental long term attraction of the platinum business.

### Gold

In November, the Ghanaian government gave its backing for AngloGold's bid to bring about a merger with Ashanti Goldfields. The merger, which is expected to be completed in the first half of 2004, will create one of the world's largest gold mining companies in terms of reserves and gold production. Ashanti Goldfields has six operations spread across the African continent, including the long life Obuasi mine, where \$1 billion is estimated to be spent over its remaining life, including \$570 million on the Obuasi Deeps project.

In order to address the challenges of margin squeeze as a function of reducing ore grades at some of its mines, declining global reserves and the weak dollar, AngloGold continues its focus on operational excellence, initiatives to increase reserves and downstream efforts to invigorate demand.

### Coal

In the thermal coal market, Anglo Coal intends to maximise and grow its exports from South Africa, South America and Australia. The export metallurgical coal capability will be further enhanced by pursuing opportunities in Australia as well as in China and Russia.

Major expansionary capital in 2004 will include the Kriel South, Greenside and Kleinkopje expansions in South Africa. In Australia, a feasibility study is under way regarding the development of the remainder of the Dawson complex, which incorporates Moura and Theodore, while work continues on several other projects. In Colombia, Cerrejón is expanding its operations to an annual output of 28 million tonnes of coal by 2007. Although first-half production in Australia will be affected by a longwall disruption at Moranbah, Anglo Coal will benefit from the recent strong price rises for both thermal and coking coal.

### Base Metals

A major turnaround has been achieved in Base Metals. The integration of Minera Sur Andes, which had its first full year of contribution in 2003, has provided critical mass to our copper operations in Chile, and annual cost savings and synergies achieved so far amount to \$17 million. Anglo American is now among the world's top five producers of the metal, with an attributable production of more than 700,000 tonnes a year. In September, the Skorpion mine and refinery opened in Namibia. This is set to become one of the world's lowest cost zinc producers as it ramps up to full production of 150,000 tonnes per annum. Exploration effort within Base Metals will continue to focus on copper, with lower emphasis on nickel and zinc, in pursuit of organic growth.

### Industrial Minerals

Anglo Industrial Minerals continued to deliver a strong performance, through a broad spread of businesses, mainly in the UK and continental Europe. The year's highlights included acquisitions in the UK, France, Spain, Germany and the Czech Republic. Tarmac is now the largest aggregates producer in the Czech Republic, and is well placed to benefit from the country's forthcoming entry into the EU. In the UK, the \$173 million cement plant at Buxton is undergoing final commissioning trials and is expected to be in full production in the second quarter of 2004. In Brazil, the new phosphate fertilizer plant at Goiás was completed during the year, \$19 million under its budgeted cost of \$147 million, and is operating at full capacity. In China, Tarmac is developing a quarry 140 kilometres from Shanghai. The quarry is the nearest known reserve of top quality asphaltting aggregates to China's booming commercial capital.

### Paper and Packaging

Anglo Paper and Packaging continued to develop and expand its European and South African asset base. Mondi Packaging saw significant transaction-led growth through the acquisition announced in December last year of the Austrian Bauernfeind Group, a corrugated paper and packaging business with extensive European operations. Frantschach has entered the North American industrial sack market with the acquisition of the Copamex sack business in Mexico (subject to competition approval). In South Africa, the Richards Bay pulp mill expansion is on track for commissioning its first phase by the end of the first quarter in 2004, with completion scheduled for just over a year later. The Russian mill, Neusiedler Syktyvkar, is performing well and in line with the acquisition forecast.

### Ferrous Metals & Industries

Anglo American has for some time sought entry into the iron ore industry. A major development was the approval in September by South Africa's Competition Tribunal for the Company to acquire shares in Kumba. In October, Anglo American's shareholding in Kumba increased to just over 35% and as a consequence the company extended a mandatory cash offer to Kumba's shareholders, resulting in Anglo American's stake increasing to 66.6%. Kumba has exciting expansion potential in iron ore through a number of projects in South Africa and Australia. Having secured control of Kumba, attention is now focused on meeting the black economic empowerment (BEE) requirements in South Africa and growing the company.

In line with the strategy of disposing of non-core assets, the remaining shareholding in Li & Fung was sold for \$269 million. The majority of our remaining stake in FirstRand was sold for \$176 million, with the small residual amount disposed of in January 2004.



## CHIEF EXECUTIVE'S STATEMENT CONTINUED

### SAFETY AND HEALTH

Further progress has been made in improving the safety and health environment for employees, with Anglo American's lost time injury frequency rate (LTIFR) reflecting a 58% improvement over three years, including a 26% improvement in 2003. I am, however, disappointed by our failure to significantly reduce fatalities compared with 2002. We continue to stress the paramount importance of safety throughout our operations with single-minded determination.

Good progress has been made in rolling out anti-retroviral therapy to employees with AIDS. Over 1,000 employees were receiving treatment as of the end of 2003 and the preliminary results are very encouraging. Anglo American has established an ambitious partnership with the NGO loveLife; the Global Fund to fight AIDS, TB and Malaria; the Nelson Mandela Foundation; and the Henry J. Kaiser Foundation to help primary health care clinics build capacity to deliver improved HIV/AIDS prevention and care services. This public-private partnership is the first step in the process of building an AIDS treatment infrastructure in the communities associated with our operations.

### CORPORATE RESPONSIBILITY

Specific programmes to support the implementation of *Good Citizenship: Our Business Principles* were introduced during the year, with a particular focus on community issues, employee communication and enhancing our whistle-blowing facilities. Three year rolling Community Engagement Plans are being produced by significant operations, to improve interaction between the Company and the communities in which it operates. These will increasingly be enriched by our new Socio-Economic Assessment Toolbox (SEAT). The SEAT process will support our local managers in engaging with local stakeholders; improving management of any adverse impacts; and working to maximise the local benefits of their presence in areas like local business development and training. A noteworthy event during the year was Anglo American's inclusion in the Dow Jones Sustainability Index for the first time.

### BLACK ECONOMIC EMPOWERMENT

The legislative framework governing the transformation of the South African mining industry is continuing to emerge. We expect promulgation of the Minerals and Petroleum Resources Development Act later this year, together with the regulations governing its application. The process of conversion from old order to new order mineral rights will then begin. The South African government has confirmed that, regarding the Royalties Bill, royalties will only become payable in 2009 when the conversion process is complete.

In terms of black economic empowerment (BEE), the Group continues to make steady progress, having now recorded over \$2 billion in major transactions and over \$1.5 billion in procurement and small business promotion spend. The Group is making good progress towards complying with the Mining Charter BEE targets.

### COMMODITIES – TIME FOR A TURNAROUND?

The past 20 years have been a difficult time in the commodities business. Steady price rises for 40 years since the end of World War II – notably on the back of the rise of Japan and reconstruction in Germany, followed by the emergence of South Korea and later Brazil – came to an end, and were even reversed, from the early 1980s onwards. In part this was due to the end of the post-war reconstruction phase, combined with an oversupply of a number of major metals. This resulted in certain commodities, such as copper and zinc, declining to real price levels last seen in the 1930s.

Encouragingly, there are signs that the historical real decline in metal prices has started to reverse. Whether this represents the start of a new 'long term cycle' is a question that will not be answered for a few years. At present, the cycle is not obviously different from any other strong upturn over the past 20 years, though much of the new optimism is based on China's current industrial revolution, which in 2003 alone saw industrial production growth of 17%. China has become the world's biggest consumer of iron ore, copper and various other commodities. For three years running, China has also been the primary market for platinum jewellery, with compound annual growth rates over that period of 35%. Diamond jewellery demand is also growing strongly. Moreover, China's embrace of the free market is now being tracked, albeit at lower rates of growth, by India. Between them, the two countries look set to provide sustained demand for a number of commodities for years to come. The effect of this, combined with fewer discoveries and a more disciplined industry, is set to provide a positive backdrop to metals markets going forward.

### OUTLOOK

The positive outlook for a number of our commodities provides an encouraging platform for the year ahead. Improved economic growth in the USA and Japan, combined with the strong industrial performance of China, is encouraging. After two decades of generally flat or declining real prices for metals, despite a background of steadily increasing demand, the backdrop for commodities is now more positive than it has been for a number of years. Although the potential for a further weakening of the dollar remains a cause for concern, this is likely to be offset by rising dollar prices for our key commodities.

The Group offers a unique mix of geographic and product diversity which insulates it from the volatility associated with single-product cycles. Our gold, platinum, diamond, coal, base and ferrous metals businesses are benefiting from recent price rises and should continue to enjoy steady growth. In addition, paper and packaging and industrial minerals are generating strong cash flows. The Group will also benefit from a number of new projects and recent acquisitions. On the basis of prevailing commodity prices and exchange rates, the Group should achieve good growth in 2004.



A J Trahar  
Chief executive

## FINANCIAL REVIEW

### RESULTS SUMMARY

Headline earnings per share were \$1.20, a reduction of 4% from the prior year. Strong performances by many of the Group's businesses were offset by the significant impact on the Group results of the stronger South African rand, which appreciated some 28% against the US dollar compared with the prior year average rate. Despite the weakening of the dollar, headline earnings reached \$1,694 million resulting from an outstanding performance by De Beers and strong contributions from Base Metals, Industrial Minerals and Paper and Packaging. Lower earnings were recorded by Anglo Platinum, AngloGold, the Coal business and Ferrous Metals & Industries, due in the main to the impact of the firming of the rand against the dollar. The robust underlying performance reflects the Group's geographic and product diversity, and the successful integration of acquisitions and projects.

#### Headline earnings

\$ million	2003	2002
Profit for the financial year	1,592	1,563
Operating exceptional items	286	81
Exceptional finance charge	13	–
Non-operating exceptional items	(386)	(64)
Tax on exceptionals	(13)	3
Goodwill amortisation	203	189
Related minority interests	(1)	(13)
<b>Headline earnings</b>	<b>1,694</b>	<b>1,759</b>
<b>Headline earnings per share (\$)</b>	<b>1.20</b>	<b>1.25</b>

Profit for the year was \$1,592 million compared with \$1,563 million in the prior year. The increased profit in the current year is principally due to significant profits on the sale of the Group's interests in Li & Fung and FirstRand Limited, reduced minority interests and a lower effective tax rate. These more than compensated for the net impact of currency price movements, an increase in exceptional impairment charges and an increased net interest charge.

#### Summary profit and loss account

\$ million	2003	2002
Total operating profit before exceptional items	2,892	3,332
Exceptional operating items	(286)	(81)
Total operating profit	2,606	3,251
Non-operating exceptional items	386	64
Profit before interest	2,992	3,315
Net interest payable	319	179
Profit before tax	2,673	3,136
Tax	736	1,045
Profit after tax	1,937	2,091
Minority interests	345	528
<b>Profit for the financial year</b>	<b>1,592</b>	<b>1,563</b>
<b>Earnings per share (\$)</b>	<b>1.13</b>	<b>1.11</b>

### NET IMPACT OF CURRENCY MOVEMENTS

The Group's results are influenced by a variety of currencies due to the geographic diversity of its operations. The South African rand in particular strengthened considerably against the US dollar during the year with an average exchange rate of 7.55 compared with 10.48 in 2002. The euro and the Australian dollar also appreciated against the US dollar, with the average rate for the euro moving from 1.06 to 0.88 and for the Australian dollar from 1.84 to 1.53. Currency movements adversely impacted headline earnings by \$578 million. This was partially offset by the positive impact, \$400 million, of increased commodity prices.

### EXCEPTIONAL ITEMS

Operating exceptional charges amounted to \$286 million. These included impairments or write-downs of \$208 million to the carrying value of Hudson Bay in Base Metals, \$20 million against the Boyongan project by Exploration and \$43 million to AngloGold mining assets, principally Savuka.

An exceptional finance charge of \$13 million related to the Group's share of De Beers' costs on the early redemption of debt, being facility fees not yet amortised.

Non-operating exceptional gains amounted to \$386 million. These included \$163 million for the profit on sale of the Group's remaining holding in Li & Fung Limited, \$117 million for the profit on the sale of shares in FirstRand Limited, \$51 million for the profit on the sale of the Group's stake in Avgold Limited and \$42 million for sale of shares in East Africa Gold Mines and Randgold Resources.

### INTEREST

The net interest charge increased from \$179 million in the prior year to \$319 million in 2003. The increase reflects the increase in net debt from \$5,578 million at the beginning of 2003 to \$8,633 million as at 31 December 2003.

### TAXATION

The effective rate of taxation before exceptional items was 29%. This was a reduction from the effective rate of 33% in 2002, due to the impact of a number of one off deferred tax benefits arising from tax rate reductions in a number of countries, benefits from losses not previously recognised and the change in the mix of earnings contributed by the Group's businesses.

### BALANCE SHEET

Total shareholders' funds were \$20,394 million compared with \$16,261 million as at 31 December 2002. The increase was primarily due to retained earnings and the appreciation of the rand and other local currencies against the dollar.

Net debt was \$8,633 million, an increase of \$3,055 million from 2002. This increase was principally due to debt incurred to fund acquisitions during the period. Net debt at 31 December 2003 comprised \$10,759 million of debt, offset by \$2,126 million of cash and current asset investments. Net debt to total capital as at 31 December 2003 was 26.6%, compared with 23.1% in 2002. Further information on net debt is given on pages 15 and 16.



## FINANCIAL REVIEW CONTINUED

### CASH FLOW

Net cash inflow from operations was \$3,184 million compared with \$3,618 million in 2002. EBITDA was \$4,785 million, in line with \$4,792 million in 2002. Depreciation and amortisation, which increased by \$362 million, are analysed below.

#### Analysis of depreciation by business segment (subsidiaries)

\$ million	2003	2002
Platinum	206	107
Gold	180	182
Coal	124	104
Base Metals	220	124
Industrial Minerals	176	142
Paper and Packaging	285	228
Ferrous Metals & Industries	105	63
Other	14	12
	<b>1,310</b>	<b>962</b>

#### Analysis of amortisation by business segment (subsidiaries)

\$ million	2003	2002
Platinum	17	16
Gold	32	31
Coal	5	4
Base Metals	1	1
Industrial Minerals	53	46
Paper and Packaging	18	15
Ferrous Metals & Industries	5	4
Other	22	22
	<b>153</b>	<b>139</b>

Acquisition expenditure accounted for an outflow of \$1,469 million. The principal acquisitions included an increase in the Group's shareholding in Kumba to 66.6%. The Group also increased its interests in Anglo Platinum and AngloGold.

Purchases of tangible fixed assets amounted to \$3,025 million, an increase of \$886 million from 2002. The major components of expansion were in Platinum and Paper and Packaging.

#### Analysis of capital expenditure by business segment (subsidiaries)

\$ million	2003	2002
Platinum	1,004	586
Gold	339	246
Coal	207	142
Base Metals	352	346
Industrial Minerals	316	363
Paper and Packaging	601	365
Ferrous Metals & Industries	195	85
Other	11	6
	<b>3,025</b>	<b>2,139</b>

### DIVIDENDS

The directors recommend a final dividend of 39 US cents per share to be paid on 29 April 2004. Dividends for the year will amount to 54 US cents per share, a 6% increase on the 2002 total dividend.

### PLATINUM

\$ million	2003	2002
Total operating profit	433	802
Headline earnings	205	351
Net operating assets	6,119	3,580
Capital expenditure	1,004	586
Share of Group headline earnings (%)	12	20
Share of Group net operating assets (%)	21	17

Anglo Platinum's operating profit fell by 46% to \$433 million, due primarily to the weak dollar. The effect of the firmer rand was partially offset by a higher average dollar basket price of metals sold and greater sales volumes. Operating costs rose as a result of increased production volumes from ramp-up mining and smelting operations.

### Markets

The average realised dollar basket price of metals sold slightly exceeded that for 2002, with the benefit of improved platinum and nickel prices largely offset by lower palladium and rhodium prices. For 2003, the average realised price for platinum of \$696/oz was \$152 higher than for 2002, while nickel was \$4.07/lb compared with \$3.03 the previous year. The realised prices of platinum's sister metals palladium and rhodium were significantly lower, at \$198/oz for palladium (2002: \$329) and \$527/oz in the case of rhodium (2002: \$831).

### Operating performance

Total platinum received at the smelters, including platinum purchased from joint venture partners, increased by 8.0%, and was equivalent to refined platinum production of 2.36 million ounces at standard processing recoveries. Some 53,000 of these ounces were permanently absorbed into the production pipeline because of higher volumes and the new Polokwane smelter. Refined platinum output amounted to 2.31 million ounces, slightly ahead of the target announced in July 2003.

The temporary increase in pipeline stock levels reported at the interim results stage had been successfully processed by the end of 2003, resulting in a significant increase in production and sales volumes in the second half of the year.

During 2003, the Anglo Platinum strategy review was conducted in the context of the strong rand, which has a significant impact on operating margins, cash generation and funding requirements of new projects. The review confirmed that current and future demand for platinum remains robust. However, in view of the current strength of the rand, the rate of implementation of the expansion projects has been slowed down. Production of refined platinum by the end of 2006 is now planned to amount to 2.9 million ounces, which represents a compound annual production growth rate of 8% from 2003 to 2006. The effect of the slowdown on the expected ongoing platinum supply deficit is likely to be lessened by an increase in palladium usage in autocatalysts and slower growth in demand of platinum jewellery. Notwithstanding the slowing of the expansion programme, Anglo Platinum's long term strategy to grow markets for platinum group metals, expand production to meet the increased demand and optimise operations remains in place.

In 2003, significant progress was made with the project programme. The Polokwane smelter, designed to process concentrate from Eastern Limb operations, was successfully commissioned in March, as was the slag-cleaning furnace at Rustenburg. The Anglo Platinum Converting Process (ACP) plant near Rustenburg was brought on stream and is ramping up to full production. Phase 1 of the Western

## FINANCIAL REVIEW CONTINUED

Limb Tailings Project is being commissioned ahead of schedule. Agreement was reached with Aquarius Platinum to jointly mine contiguous properties in the Kroondal area with effect from November 2003 and the Bafokeng-Rasimone, Rustenburg UG2 and Modikwa projects have continued to increase production levels.

### Outlook

Refined platinum production is planned to increase to 2.45 million ounces in 2004. The platinum price is expected to remain firm during 2004, supported by the ongoing supply deficit, while the palladium price will be determined by Russian supply patterns, notwithstanding firm demand. Should metal prices and the rand remain at the levels achieved so far in 2004, operating profit for 2004 is likely to be higher than for 2003.

### GOLD

\$ million	2003	2002
Total operating profit	326	463
Headline earnings	167	205
Net operating assets	3,302	2,511
Capital expenditure	339	246
Share of Group headline earnings (%)	10	12
Share of Group net operating assets (%)	11	12

Operating profit was down by 30% to \$326 million, with headline earnings 19% lower at \$167 million. Total cash costs increased from \$161 to \$229/oz, mainly owing to the weakening of the US dollar against local currencies in those countries in which AngloGold operates as well as inflation and lower ore grades.

### Markets

The gold market was again buoyant for much of 2003, driven overwhelmingly by higher levels of investment and speculator interest in the metal. The gold price finished on its high for the year of \$417/oz, almost \$100 higher than the low earlier in the year. The continued strength in the gold price has been closely correlated with the weakening of the dollar against the euro.

### Operating performance

Gold production dropped by 5% to 5.6 million ounces mainly as a result of the sale of Jerritt Canyon in North America as well as lower grades at Morila in Mali. A combination of stronger currencies against the dollar, inflation and lower ore grades had a significant negative impact on costs, margins and earnings. However, these effects were partially offset by a 20% increase in the realised dollar gold price.

In December, AngloGold announced that it had entered into a support agreement with the Government of Ghana in its role as holder of 16.9% of the share capital of Ashanti Goldfields and that it had agreed the terms of a stability agreement with the government concerning certain fiscal and regulatory undertakings in the government's role as regulator of Ashanti. These agreements were definitive steps in the conclusion of the merger between the two companies. AngloGold currently has a number of major capital projects in South Africa – Mponeng Deepening, Moab Khotsoeng, TauTona expansion, TauTona carbon leader below 120 level and the TauTona Ventersdorp Contact Reef (VCR) pillar. Together, these projects will yield some 12 million ounces of gold production over their lives. Future capital projects in South Africa include Moab Phase 2, Mponeng VCR below 120 level and Vaal River Surface, which together could add some 7.5 million ounces of gold production over their lives. Potential growth projects outside of South Africa include the Cuiabá expansion in Brazil and the Sunrise Dam underground project and Boddington mine in Australia,

which together would add a further 7 million ounces of gold production over their lives. The completion of the AngloGold-Ashanti merger would open up the possibility of the Obuasi Deeps project, extending the life of that operation by some 20 years.

AngloGold's forward-pricing, or hedging, programme has been an important part of the company's management of revenue and, in turn, an important part of its management of returns to shareholders and of capital expenditure programmes. In the circumstances of improved dollar spot prices of gold, AngloGold has reduced its forward-pricing commitments substantially over the past two years, and is likely to continue to reduce hedge levels in the future.

### Outlook

Production in 2004 is expected to decrease to some 5.4 million ounces, following the sale of Jerritt Canyon in North America and the closure of Union Reefs in Australia. Lower grades at Morila in Mali will also contribute to this lower output. However, following the expected completion of the Ashanti deal in April, production is expected to increase to some 6.6 million ounces. Assuming an exchange rate of R7.00 to the dollar, AngloGold is expecting total unit cash costs to rise to \$238/oz and capital expenditure to increase to \$589 million.

Many of the economic factors which are negative for the US currency have been, conversely, incentives for investors to buy gold. It is expected that these factors will remain in play in the year ahead, and there is good reason to expect gold price strength to be maintained.

### DIAMONDS

\$ million	2003	2002
Total operating profit	562	541
Headline earnings	386	324
Group's share of De Beers' net assets <sup>(1)</sup>	2,706	2,149
Share of Group headline earnings (%)	23	18

<sup>(1)</sup> De Beers is an associate of the Group. The Group's share of De Beers' net assets is disclosed. The figures per share of Group net operating assets shown for other businesses relate to the Group's subsidiaries only.

The Group's share of total operating profit from independently managed De Beers increased by \$21 million over the 2002 figure to \$562 million. De Beers' contribution to headline earnings rose by \$62 million, or 19%, to \$386 million.

### Markets

Overall, 2003 was a good year for the diamond industry, with further encouraging growth in retail sales of diamond jewellery. In spite of war in Iraq and the SARS virus impacting negatively on the global economy and consumer confidence, diamond jewellery sales during the first half of the year were marginally positive compared with the first six months of 2002. However, strong growth in sales was reported in the third and fourth quarters as the world economy and consumer confidence rebounded. Preliminary indications are that global retail sales of diamond jewellery for the year as a whole were about 5% higher than the previous year in local currency and, because of the weakness of the dollar, about 6% higher in dollars. The USA, which accounts for more than 50% of world diamond jewellery sales, was particularly strong, as were India, China and the UK. Encouragingly, Japan also recorded growth for the first time in a number of years. These results should ensure that any excess pipeline stocks held by the trade would have been cleared by the 2003 year end and, hopefully, should help to reduce debt levels in the cutting centres which have been at historically high levels.

## FINANCIAL REVIEW CONTINUED

### Operating performance

The strong demand for rough diamonds from the cutting centres in the first half of the year continued through into the second half and full year sales by The Diamond Trading Company (DTC), the marketing arm of De Beers, were \$5.52 billion, 7% higher than in 2002.

During the year, DTC raised its rough diamond prices on three occasions and, by the year end, its prices were, on average, about 10% higher than at the beginning of the year. Increased sales at higher prices and lower financing costs more than compensated for the negative impact on De Beers' 2003 results of the significant appreciation of the rand against the dollar in 2003. Diamond stocks were reduced further by nearly \$700 million during the year and, for the second year running, operating cash flow of \$1.6 billion was generated. This enabled De Beers to reduce net interest-bearing debt from \$1,716 million to \$906 million and to reduce net gearing to 15% (2002: 28%).

The combined total production of De Beers and its partners, Debswana and Namdeb, totalled 43.9 million carats (2002: 40.2 million carats). The Combined Treatment Plant in Kimberley, South Africa, designed to extend the life of the Kimberley operations, was fully commissioned during the year.

### Outlook

There is optimism that 2004 will be another good year for the diamond industry. Macro-economic indicators are positive for the global economy and there is growing evidence that the transformation of the diamond industry, stimulated by De Beers' Supplier of Choice strategy, is producing the desired results. Greater investment by the trade in marketing and branding is driving demand for diamond jewellery and helping diamonds to gain a larger share of the luxury goods sector.

Responding to the current strength of the diamond market and the positive outlook for 2004, the DTC had a strong first sight at which it raised its rough diamond prices by a further 3%.

Debswana Diamond Company's lease of the Jwaneng mine falls due for renewal in July 2004, and discussions have begun with the Government of Botswana.

### COAL

\$ million	2003	2002
Total operating profit	333	427
South Africa	133	247
Australia	130	130
South America	70	50
Headline earnings	232	266
Net operating assets	2,152	1,658
Capital expenditure	207	142
Share of Group headline earnings (%)	14	15
Share of Group net operating assets (%)	7	8

Operating profit was \$333 million, 22% down on the previous year's \$427 million, while headline earnings declined by 13% from \$266 million to \$232 million. Production increased by 8% to 87 million tonnes. In spite of this increase and excellent cost containment, a fall in average prices compared with the previous year and the appreciation of the rand and the Australian dollar served to significantly depress operating profit for the year.

### Markets

The year was characterised by demand growth in most sectors, dramatically increased price volatility and directional uncertainty.

Factors that contributed to coal market volatility included exchange rate fluctuations, freight and logistics cost increases, power-market price volatility, and gas and oil price increases. Also significant were Chinese demand growth for all commodities and the limitation on coal exports from that country, increased global thermal and metallurgical coal demand, nuclear industry issues in Japan and Europe, as well as constraints affecting supply and logistics, principally in South Africa and Australia. Significantly, the business environment now includes numerous participants that are neither producers nor consumers, who are not driven by physical coal supply and demand considerations, but who exercise considerable influence through their interest in coal price related derivative instruments.

South African thermal coal prices, as measured by published indices, dropped by 15% during the first four months before increasing 72% by year end. Coking coal prices also rose significantly during the year following 2003 contract settlements. The benefits of price increases in all sectors will be felt in 2004.

### Operating performance

Operating profit for South African sourced coal fell by 46% to \$133 million. Headline earnings declined by 41% to \$79 million, mainly as a result of the rand's 28% appreciation. This was partially offset by rigorous cost control.

Production and sales increased significantly to 52 million tonnes despite several production sections being closed to reduce costs. Production efficiencies contributed to saleable production at export collieries being 4% above the previous year. Growth in electricity production by Eskom, the principal electricity supplier in South Africa, when combined with low stocks, resulted in sales tonnes to Eskom increasing by 9%.

Major expansionary capital projects, including the Kriel South project and the Greenside and Kleinkopje expansions, are progressing to plan.

Operating profit for the Australian operations remained the same at \$130 million, mainly owing to improved production tonnages at export mines, partly compensated by the Australian dollar's 17% firming against the US dollar compared with the prior year average rate. Favourable exchange rate hedges taken out during the year reduced the adverse effect of the stronger Australian dollar on the operating results. Headline earnings declined by 4% to \$94 million.

Attributable saleable coal production rose by 4.4% to 26.1 million tonnes. Dartbrook and Moranbah achieved record production for longwall mines during the first six months. However, production slowed during the second half owing to longwall moves and certain technical problems. Drayton production was steady, while both Moura and German Creek exceeded previous performances. A number of the Queensland mines suffered production setbacks during the second half following sporadic industrial action, but these issues were resolved by year end.

Total attributable sales declined by 6% to 26.4 million tonnes.

## FINANCIAL REVIEW CONTINUED

Domestic sales were reduced by some 2.5 million tonnes, mainly as a result of new generating capacity being added to the network and the commissioning of competitor mines. Export sales were further limited by port constraints at Newcastle and Gladstone.

Australian thermal prices were marginally below 2002 prices, although coking coal prices held firm throughout the year.

Theodore commenced production in September and a feasibility study is under way regarding the balance of the Dawson complex, incorporating both Moura and Theodore. Work also commenced on the pre-feasibility studies for Lake Lindsay, adjacent to the German Creek complex, and continues on the development of Grasstree and Kayuga projects. Grasstree remains on schedule for start-up of production during 2006. Small volumes of coal are being produced at Kayuga during initial development and full production should be reached in 2004.

A significant fall of ground in January 2004 at Moranbah North will reduce production by some 10% compared with 2003 levels. The effect on earnings will be felt in the first half of 2004.

Operating profit at the South American operations rose by 40% to \$70 million on the back of increases in volume and reductions in unit costs. These gains were counteracted in part by reductions in prices during the first six months. Operations were affected by heavy rainfall during the last quarter. In Colombia, synergies achieved as a result of merging the two operations, Cerrejón Zona Norte and Carbones del Cerrejón SA, continue to exceed expectations. Cerrejón has now embarked on the expansion of the operation from the current 22 million to 28 million tonnes per annum. Carbones del Guasare in Venezuela was negatively affected by the national strike at the beginning of the year and subsequently by problems in the administration of the exchange controls imposed at that time.

### Outlook

Export coal prices have been rising in recent months and the upward trend is supported on the forward curves. Average coal prices in 2004 are expected to be significantly better than those in 2003. The rand/dollar rate remains volatile and difficult to predict, while in Australia, exchange rate pressure is expected to continue.

### BASE METALS

\$ million	2003	2002
Total operating profit before exceptional items	286	133
Copper	269	110
Nickel, niobium and mineral sands	106	94
Zinc	(62)	(51)
Head office expenses and other	(27)	(20)
Exceptional items	(208)	(51)
Total operating profit after exceptional items	78	82
Headline earnings	206	69
Net operating assets	4,087	3,617
Capital expenditure	352	346
Share of Group headline earnings (%)	12	4
Share of Group net operating assets (%)	14	17

Headline earnings were \$206 million compared with \$69 million

in 2002. Operating profit before exceptional items amounted to \$286 million (2002: \$133 million), but exceptional charges increased with the decision to write down the carrying value of Hudson Bay to the amount of the investment in the recently completed 777 project. As a result, operating profit after exceptionals amounted to \$78 million, against \$82 million in 2002.

### Markets

The average copper price increased from 70.6 US cents/lb in 2002 to 80.7 US cents/lb in 2003. Average nickel prices increased from 307 US cents/lb to 437 US cents/lb, with prices rising steeply in the second half. Average zinc prices remained roughly flat at 37.6 US cents/lb (2002: 35.3 US cents/lb). Commodity price rises were offset by the weakness of the US dollar against the local currencies of many of the business unit's operations, in particular the rand, Canadian dollar and euro.

### Operating performance

During 2003, further progress was made in restructuring and upgrading the Base Metals asset portfolio. The integration of Minera Sur Andes (formerly Disputada) into Anglo Chile has been successfully completed and synergies and cost savings amounting to \$17 million per annum were achieved by year end. Base Metals' interests in Bindura Nickel and Anaconda Nickel were disposed of during the year, while the third party debt of Lisheen was acquired at a rate of 50 US cents in the dollar and the remaining equity was purchased for \$1.8 million. Lisheen is now a 100% owned, debt free, subsidiary.

The copper operations generated an operating profit before exceptional charges of \$269 million (2002: \$110 million). Minera Sur Andes made a first full year contribution of \$128 million. Attributable production of copper amounted to 708,800 tonnes, compared with 497,700 tonnes in 2002, with Minera Sur Andes contributing 278,300 tonnes. Production at Los Bronces (207,800 tonnes) was slightly below forecast due to a lack of flexibility in the open pit. Both El Soldado (70,500 tonnes) and the Chagres smelter (160,100 tonnes) exceeded forecast. Mantoverde had a record year, producing 60,200 tonnes of cathode, while at Mantos Blancos production declined by 10% to 86,900 tonnes as a result of a tear in the dump leach pad and rescheduling of sulphide ore production. At Collahuasi, cathode production rose 5% to a new record, but overall attributable production fell from 190,800 to 173,700 tonnes owing to the anticipated decline in Ujina ore grades ahead of the relocation of mining to Rosario.

Cash operating costs remained broadly unchanged owing to a combination of good cost control and favourable treatment and refining charges. As part of the Minera Sur Andes integration, the combined headcount at Anglo Chile operations was reduced by 10% year on year, resulting in an 18% productivity improvement. Cash costs at Los Bronces, El Soldado and Chagres were all lower than forecast at the time of the acquisition of Minera Sur Andes. At Collahuasi the effect of higher acid prices and consumption, lower grades and higher freight costs was largely offset by lower treatment and refining costs.

The \$654 million Rosario Project at Collahuasi, which will increase sulphide mill throughput from 60,000 to 110,000 tonnes of ore per day, remains on budget and on schedule to enter production in mid-2004.

The nickel, niobium and mineral sands division generated an operating profit of \$106 million (2002: \$94 million). Attributable production of nickel totalled 24,900 tonnes (2002: 25,600 tonnes). Codemin increased production by 7%, primarily due to the cessation of power rationing in 2002. Loma de Níquel successfully ramped up to design capacity, with output for the year rising to 17,200 tonnes, despite the challenging political and economic environment in Venezuela.



## FINANCIAL REVIEW CONTINUED

Cash costs at Codemin rose by 13% in 2003 owing to the replacement of the existing favourable electricity supply contract with a new long term contract on market terms. At Loma de Níquel, costs were negatively affected by the strong bolivar but this was offset by increased production volume.

At Catalão, market conditions remained soft and production and sales were maintained at 2002 levels. Costs were well controlled, but weaker prices resulted in a 14% reduction in operating profits to \$20 million.

At Namakwa, slag prices remained under pressure, whilst other product prices held up reasonably well. An initial period of poor furnace output and low Minerals Separation Plant (MSP) efficiencies in the first six months was followed by an electrical fire at the MSP in October that halted production at the plant. Production of zircon and rutile products re-commenced in December but will not reach full capacity until permanent repairs are completed in mid-2004. As a result, zircon and rutile production were down 17% and 22%, respectively. These production problems, combined with the strengthening of the rand, resulted in operating profits reducing to \$3 million from \$38 million.

The \$67 million Codemin Expansion project, which involves the treatment of higher-grade Barro Alto ore through the existing Codemin facilities, was approved in November 2003. The project is scheduled for commissioning and ramp-up in early 2005 and will result in an increase in nickel production to over 10,000 tonnes per year and a significant reduction in unit costs.

All zinc operations faced a combination of depressed prices and a material appreciation of local currencies against the dollar. In consequence, the zinc division made an operating loss of \$62 million (before exceptional charges of \$208 million) in comparison with a 2002 operating loss of \$51 million (before exceptional charges of \$76 million).

Lisheen was accounted for on a 100% basis for the first time, while Skorpion entered production during the year. As a result, attributable zinc production rose from 211,500 tonnes to 360,500 tonnes. Lisheen operated above design capacity and achieved record zinc output of 169,300 tonnes on the back of improved recoveries. At Hudson Bay, zinc production rose 9% to a record 117,900 tonnes, while copper production was virtually unchanged. A 10% reduction in the workforce was completed during the fourth quarter. At Black Mountain, zinc and lead production reduced by 6% and 12%, to 25,900 tonnes and 39,600 tonnes, respectively, due to lower grades in the Broken Hill mine prior to the transition to the Deeps orebody. The \$454 million Skorpion mine, which entered production in May and produced 47,400 tonnes during the year, is close to completion. Operating costs were capitalised throughout the year and the mine remains within budget and on target to achieve design throughput by the end of 2004.

Cash costs at Hudson Bay and Black Mountain rose by 7% and 2%, respectively, whilst those at Lisheen remained flat. All three operations were severely impacted by currency appreciation relative to the dollar, but Lisheen managed to offset this through cost-saving initiatives and volume increases. The Hudson Bay costs included a one off charge in respect of the downsizing of the workforce. At Hudson Bay, the \$276 million 777 project was completed ahead of schedule and within budget, allowing the closure of the older and more costly Callinan shaft at the end of 2003. The \$110 million Black Mountain Deeps project remains on budget and is scheduled to deliver first ore in late 2004.

### Outlook

The weight of evidence from business and consumer surveys, leading indicators and, increasingly, macro-economic data, suggests robust global growth in 2004, with the USA and Asia expected to provide most impetus, while the EU continues to lag. However, Chinese demand will have to remain very firm, and OECD demand improve markedly, in order to sustain prices at the levels reached in late 2003 and early 2004. It is possible that the inflow of fund money that has driven base metals prices higher in anticipation of the global economic recovery may partially reverse, leading to volatility and some retracement of prices from current levels. Nevertheless, the outlook for base metals is more encouraging than at any time in the past five years.

### INDUSTRIAL MINERALS

\$ million	2003	2002
Total operating profit	325	277
Europe	290	253
Brazil	35	24
Headline earnings	270	231
Net operating assets	4,304	3,848
Capital expenditure	316	363
Share of Group headline earnings (%)	16	13
Share of Group net operating assets (%)	14	18

The Industrial Minerals division increased headline earnings by 17% to \$270 million, while operating profit was 17% higher at \$325 million.

### Markets

In the UK, markets were disappointing. The private sector was subdued and the government's infrastructure programme lagged behind its plan. Market conditions generally were challenging but were more than offset by the benefits of Tarmac's ongoing business improvement and cost reduction programme. The core aggregates businesses all improved their profitability, although some of the downstream operations could not fully pass on cost increases in the competitive environment.

In continental Europe, operating profit climbed by 56%. This performance reflected continuing strong market conditions in Spain, particularly in Madrid, and a full year contribution from the Mavike business acquired in 2002. France suffered weak market conditions, while the businesses in eastern Europe moved forward satisfactorily, reflecting productivity improvements in businesses acquired in prior years.

The operating profit of the Middle Eastern operations increased strongly owing to a buoyant market, while the Far East business also had a better year with higher margins. Copebrás had an excellent year. Operating profit increased by 46% arising from continued strong demand for phosphate based fertilizers in Brazil and higher prices. Raw material prices increased, however, and demand for sodium tripolyphosphate was adversely affected by weakness in the Brazilian economy. The new plant at Goiás was completed in February 2003, \$19 million under the budget of \$147 million and is now operating at full capacity.

### Operating performance

The Tarmac group was the principal contributor to the increase in operating profit, achieving an operating profit of \$290 million, a rise of 14%. This was due to the improved performance of the business, the full year benefit of acquisitions made in 2002 and the strength of European currencies against the dollar. Copebrás also contributed to the increase, the new plant at Goiás allowing it to benefit more fully from the buoyant Brazilian market conditions for phosphate fertilizers.

During the year, Tarmac made ten acquisitions for a total consideration of \$100 million. In the UK, these included Baxter Asphalt, an independent producer of asphalt in Lancashire, and Huw Howatson, a road-surfacing contractor in North Wales. In France, Tarmac's aggregates business was strengthened by the acquisition of Jalicot in the Auvergne region and in Spain the acquisition of La Chanta quarry near Madrid has given Steetley Iberia a valuable source of aggregates at a time when reserves in the area are declining. Tarmac Central Europe has recently completed the acquisition of Bilfinger Berger Baustoffe, an aggregates producer in the Czech Republic and Germany. As a result, Tarmac is now the largest aggregates producer in the Czech Republic and is well placed to benefit from the country's forthcoming entry into the EU.

Tarmac continued to develop in a manner calculated to better serve customer needs and gain exposure to growing markets. In the UK, the cement business at Buxton had a satisfactory year. The new plant is scheduled to commence operation in the second quarter of 2004. The total project cost is expected to be below the budget of \$173 million. Three dry silo mortar plants were constructed, underpinning Tarmac's leadership position in the mortar market by offering dry silo in addition to traditional factory-mix mortar. The new decorative paving plant in Yorkshire has commenced operation and will enhance Tarmac's ability to supply this strong growth market. In China, Tarmac is developing a quarry 140 km from Shanghai. The quarry is the closest reserve to the city of top quality asphalt aggregates. Tarmac has for some time operated in the asphalt market in Shanghai, China's commercial capital and a city of extraordinary growth and this quarry will be the first major test of whether it can develop its business significantly to benefit from China's undoubted growth prospects.

### Outlook

Market conditions in the UK at the start of 2004 are extremely competitive. Tarmac's outlook will be underpinned by continuing cost reductions and productivity improvements. The challenge will be to improve margins in a highly competitive market while at least maintaining market share. Initiatives to improve customer service form an important part of this strategy. In addition, value-adding acquisitions around the core product areas will continue to be sought. In continental Europe, difficult trading conditions are expected to continue in Germany. However, in Poland and the Czech Republic, the prospect of EU entry is expected to lead to an improvement in demand. In Spain, while the Madrid operations may see weaker demand from the residential sector, public sector investment is expected to continue. In addition, the business is expected to benefit from the shortage of aggregates in the Madrid area. In contrast, France may see some further weakening.

The prospects for further growth in the fertilizer market in Brazil remain encouraging. The new plant at Goiás, which is in the country's interior and away from the threat of imports, gives Copebrás a strong position in this market.

### PAPER AND PACKAGING

\$ million	2003	2002
Total operating profit	656	649
Europe	471	434
South Africa	185	215
Headline earnings	368	376
Net operating assets	4,820	3,897
Capital expenditure	601	365
Share of Group headline earnings (%)	22	21
Share of Group net operating assets (%)	16	18

Headline earnings for 2003 were \$368 million, a 2% decrease on 2002. The decrease in headline earnings reflected the re-gearing of Mondi South Africa's balance sheet. Operating profit of \$656 million was marginally higher, the positive impact of a full year's earnings contribution from acquisitions having been offset by weaker global trading conditions.

### Operating performance

For Mondi Europe, 2003 was a year of consolidation. Operating profit increased by 9% to \$471 million, in spite of weaker market conditions in both the packaging and office communications sectors. The contribution of full year earnings from businesses acquired in 2002, combined with incremental cost savings from process efficiencies and integration synergies and additional production capacity, contributed to the improved results. Reported profits also enjoyed a conversion benefit into dollars due to the strength of the euro.

In Slovakia, the \$233 million expansion at the Ruzomberok pulp and paper mill, covering the rebuild of PM18 and the modernisation of the pulp mill, proceeded according to schedule, with paper production commencing in October. Total annual output will be increased by 100,000 tonnes of paper in 2004 and 105,000 tonnes of pulp by 2005.

The Russian pulp and paper group Syktyvkar and the La Rochette corrugated packaging plants in France and the UK have been fully integrated with the rest of the group and each made a positive full year's contribution to the results in 2003.

Despite weak market conditions for most of the year, the packaging business reported improved earnings in 2003. Further cost savings, business and product rationalisations and the benefit of the currency gains supported improved results. Strong volume growth was achieved early in the year. However, weak economic conditions led to some idling of capacity in the latter half of the year.

In the uncoated woodfree papers sector, weak consumer demand dominated the market with stronger pulp prices squeezing margins. Further cost savings and efficiency gains helped to partially compensate for market conditions.



## FINANCIAL REVIEW CONTINUED

In December, the group announced two further strategic acquisitions. Mondi Packaging Europe acquired 100% of the Bauernfeind corrugated paper and packaging business, including a combination of waste-based corrugated paper and converting assets in Germany, Belgium, Austria, Poland, Italy, Switzerland and China, thereby achieving a further step towards the strategy of attaining critical mass in European markets. Frantschach acquired, subject to competition approval, the sack business of Mexican paper and packaging group Copamex, the largest industrial sack producer in Mexico and the seventh largest sack producer worldwide, providing the opportunity to expand the group's presence in the North American market. As these acquisitions were not fully completed in 2003, they were not included in the 2003 results, though they are expected to be earnings-enhancing with effect from early 2004.

In South Africa, operating profits reduced by 14% to \$185 million. This represented a very satisfactory achievement under difficult external trading conditions.

The weaker dollar and stronger rand resulted in increasing pressure on domestic prices during the year and lower export margins. However, improved operating efficiencies and higher outputs, as well as marketing and service initiatives to sustain market share and grow volumes, compensated for much of the negative impact of prices.

All production units for woodchips, pulp and paper performed well during the year, with higher operating efficiencies contributing to an improved financial performance. Sales of corrugated packaging and office papers held up well, despite tough trading conditions.

Construction of the Richards Bay mill modernisation and expansion is progressing well, with the first phase of commissioning due for March 2004 and completion in April 2005. Approval was received to proceed with the conversion and upgrade of the PM1 machine at the Merebank mill, with the plan to produce 250,000 tonnes per year of uncoated woodfree papers from late 2005.

In the first significant South African paper and packaging industry empowerment transaction, Mondi South Africa agreed to dispose of 42% of its integrated pine forestry and newsprint business to MCI Resources, in a transaction which values the entire business at \$170 million. A further 8% share in this business has been earmarked for broader-based empowerment. In two additional smaller empowerment transactions, new partners have acquired meaningful interests in Mondi's hardwood sawmilling and mining timber businesses.

### Outlook

Looking forward, the Mondi group will continue to focus on operating efficiencies, capitalising on recent expansions and extracting synergistic benefits from the integration of recent acquisitions. General economic conditions are expected to remain weak, with the dollar's current low levels, and a buoyant euro, creating difficult trading conditions with margins flat at best.

## FERROUS METALS & INDUSTRIES

\$ million	2003	2002
Ferrous Metals	156	150
Industries	52	114
Total operating profit	208	264
Kumba	33	–
Highveld Steel	11	38
Scaw Metals	70	51
Samancor	41	48
Boart Longyear	33	31
Tongaat-Hulett	10	96
Terra	14	(3)
Other	(4)	3
Headline earnings	107	126
Net operating assets	4,629	1,696
Capital expenditure	195	85
Share of Group headline earnings (%)	6	7
Share of Group net operating assets (%)	16	8

Headline earnings for Ferrous Metals & Industries were \$107 million, a 15% decrease on 2002. Operating profit was \$56 million lower at \$208 million. The decrease was largely due to a sharp reduction in earnings from Tongaat-Hulett in a reporting period that was characterised by a strong South African rand.

### Operating performance

In December 2003, the business realised its strategic objective of securing a meaningful interest in the iron ore sector by acquiring control of Kumba, the world's fifth largest iron ore producer. To date, Anglo American has invested \$1.05 billion in acquiring 66.6% of the company. Kumba has a high quality iron ore portfolio with attractive growth prospects in South Africa and Australia. Anglo American is working with Kumba to take advantage of the opportunity presented by bullish markets for iron ore to expand Kumba's own production. In 2003, Kumba produced 30 million tonnes of iron ore, of which 21 million tonnes were exported, and contributed \$33 million to Ferrous Metals & Industries' operating profit.

Owing to the firmer local currency and high interest rates, South African steel distributors embarked on a stock-reduction campaign early in 2003. As a result, local despatches were dramatically down on 2002's record levels.

Scaw's operating profit was \$70 million, an increase of \$19 million, and included a \$21 million full year contribution from the Moly-Cop forged grinding media business. The stronger rand adversely affected export revenues and during the second six months margins were eroded, as a result of significantly higher raw material costs, particularly steel scrap. All capital projects were successfully commissioned towards the end of the year, both on time and within budget. These comprised a new high-chromium grinding media production plant, new wire-drawing equipment and a large steel-scrap shredder for total capital expenditure of \$34 million. Scaw continues to generate robust cash flows.

## FINANCIAL REVIEW CONTINUED

Highveld's operating profit decreased significantly by \$27 million to \$11 million. Earnings would have been almost at a break-even level but for the release of \$8 million of post-retirement medical aid and other provisions. Dollar export prices in 2003 improved but were more than offset by the negative impacts of the firmer rand as well as by a poor operating performance. Demand for vanadium was well supported during the year. Nevertheless, for most of the period, dollar prices for ferro-vanadium drifted in a range that was unprofitable at the exchange rate and prevailing rand costs.

Ferrous Metals & Industries' 40% share of Samancor's operating profit was \$41 million, \$7 million lower than in 2002. The chrome division's operating profit improved against the previous year. This was mainly due to higher selling prices and volumes following increased demand from the stainless steel industry and the depletion of the ferrochrome stock overhang that existed during 2002. The benchmark ferrochrome price rose from 34 US cents/lb to 50 US cents/lb during the period under review. The benefit of higher export prices was eroded, however, by the robustness of the rand, whilst higher winter electricity tariffs and maintenance charges further impacted earnings. The manganese division's operating profit decreased as a result of the effect of the firmer rand and Australian dollar, despite increased ore sales volumes and higher alloy sales prices. Ore sales benefited from increased Chinese demand. Alloy sales prices increased by 10% following shortages in the market.

Boart Longyear's operating profit was \$33 million against \$31 million in 2002. Increased worldwide mineral exploration activity benefited drilling services in the Americas and Asia/Pacific Rim region, as well as the Coring Tools & Equipment business. Profitability declined in Europe because of the generally weak economy, combined with restructuring costs. The buoyant rand adversely affected the South African operations.

Tongaat-Hulett's operating profit fell to \$10 million from \$96 million in 2002. The sugar division's profitability declined in the wake of lower world sugar prices and reduced production in South Africa following low rainfall. The aluminium division achieved a 40% increase in export volumes of rolled products in spite of a subdued international market. Profitability was, however, severely impacted by the rand's strength as well as low international prices. The starch and glucose division was impacted by substantially higher maize input costs coupled with significant product pricing pressures from its customers.

In the United States, Terra generated an attributable operating profit of \$14 million against an operating loss of \$3 million in 2002. The improvement arose from stronger second half earnings from Terra's nitrogen fertilizer products. Prices increased by approximately 50% owing to reduced global inventories as well as higher shipping costs on imported products. These price increases were partially offset by higher US natural gas costs. Headline earnings were boosted by an attributable \$12 million tax benefit arising primarily from the favourable settlement of prior year tax assessments.

In line with the strategy of selling non-core assets, the remaining shareholding in Li & Fung was sold for \$269 million, resulting in an exceptional gain of \$163 million. This has been an outstanding investment for Anglo American. The Group's original \$5 million investment for a 15.7% effective interest in Li & Fung has been sold over the past three years for a total cash consideration of \$604 million.

In November 2003, Anglo American Farms sold the Boschendal wine estate to a consortium of investors, including a 30% black economic empowerment stake, for \$48 million.

### Outlook

The outlook for 2004 is a cautiously optimistic one, with the possibility of higher ferrous metal prices. Scaw and Highveld will benefit from an improved domestic market resulting from higher commodity prices, low interest rates and a number of large capital projects currently under consideration. Boart Longyear should continue to benefit from an increase in worldwide mineral exploration activity as a result of stronger metal prices. Tongaat-Hulett's profitability should be restored on the back of increasing aluminium volumes and more stable maize procurement costs. Terra's prospects have improved with the recent strengthening of its nitrogen fertilizer product prices.

Ferrous Metals & Industries continues to focus on reorganising its portfolio to improve shareholder returns.

### EXPLORATION

In 2003, total Group cash expenditure on exploration was \$105 million, including \$50 million spent by Base Metals, \$11 million by Anglo Platinum and \$36 million by AngloGold.

Base Metals' exploration efforts focused on brownfields exploration around operations and high quality greenfield targets.

Drilling adjacent to the Chilean copper operations intersected several potential new resources. Copper was also targeted in Brazil, Mexico, Peru, Philippines and Sweden. A nickel sulphide programme in northern Canada had early success, with nickel-copper-platinum group elements drill intersections at West Raglan in northern Quebec. Zinc exploration continued in India and Australia and around the Black Mountain, Hudson Bay, Lisheen and Skorpion operations.

Anglo Platinum's exploration effort in South Africa was directly linked to its commitment to increase production. Internationally, Anglo Platinum's partners have progressed several programmes in Canada and Russia.

AngloGold's exploration was focused around operations in Argentina, Australia, Brazil, Tanzania, Mali, Namibia, South Africa and the USA. In addition, exploration was pursued in highly prospective areas in Canada and Peru.

### TREASURY MANAGEMENT AND HEDGING POLICY

The principal financial risks arising from the Group's activities are commodity price risk, currency risk, interest rate risk, counterparty risk and liquidity risk.

The Group's principal treasury policies are set by the board. The Group treasury acts as a service centre and operates within clearly defined guidelines approved by the board. Anglo American uses a number of derivative instruments to hedge these financial risk exposures. The Anglo American accounting department provides an independent control function to monitor and report on treasury activities, which are also subject to regular review by internal and external audit.

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

### Commodity risk

Anglo American is exposed to movements in the price of precious metals, base metals and other commodity products. Strategic hedging of the price risk is undertaken from time to time and derivatives are used to optimise the value of Anglo American's production of these commodities. Gold hedging is independently managed by AngloGold.

### Currency risk

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

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

In the consolidated financial statements the exchange differences arising on the translation of net assets of these non-dollar denominated subsidiaries, joint ventures and associates less any offsetting exchange differences on foreign currency financing of these assets, are dealt with in reserves in accordance with SSAP 20 'Foreign currency translation'. Accordingly, the currency translation differences of \$3,282 million recorded in note 25 have been reported through the consolidated statement of total recognised gains and losses on page 45 and appear as an increase in shareholders' funds. These differences do not affect the consolidated profit and loss account or the consolidated cash flow statement.

The currency translation differences which have arisen are mainly attributable to the appreciation of the South African rand against the US dollar since 1 January 2003, although the appreciation of the Australian dollar, euro and sterling against the dollar have also contributed.

The non-dollar denominated businesses actually derive the majority of their revenues in dollars, whilst the majority of their costs continue to be incurred in their local currency. To this extent, the currency appreciation does not impact on the real underlying value of the non-dollar denominated assets within these businesses. Furthermore, the cash generating ability of these assets is not affected by the currency adjustments described herein.

If the rand and other currencies appreciate or depreciate against the dollar in future reporting periods, currency translation differences will continue to appear as an increase or a reduction in shareholders' funds, respectively. However, to the extent that the non-dollar denominated assets continue to derive their revenues in dollars, these potential exchange differences are not expected to impact the profitability of the Group or to affect the ability of the Company to pay future dividends.

### Exchange rates against the US dollar

Average	2003	2002
South African rand	<b>7.55</b>	10.48
Pound sterling	<b>0.61</b>	0.67
Euro	<b>0.88</b>	1.06
Australian dollar	<b>1.53</b>	1.84
Year end		
South African rand	<b>6.67</b>	8.58
Pound sterling	<b>0.56</b>	0.62
Euro	<b>0.79</b>	0.95
Australian dollar	<b>1.33</b>	1.79

### Interest rate risk

The Group is exposed to interest rate risk, in particular to changes in dollar, rand, sterling and euro interest rates. Corporate policy is to maintain a high proportion of floating rate debt, although strategic hedging using fixed rate debt may be undertaken from time to time if considered appropriate. At 31 December 2003, the Group had fixed rate debt of \$2,455 million, representing 28.4% of net debt (2002: 29.3%). The policy is to invest cash at floating rates of interest and cash reserves are maintained in relatively short term investments in order to maintain liquidity whilst achieving a satisfactory return for shareholders.

### Counterparty risk

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

### Liquidity risk and financing

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

The following financing activities were undertaken during 2003:

- In May 2003, Anglo American Capital, a wholly-owned subsidiary of Anglo American plc, issued a €1,000 million five year bond (guaranteed by Anglo American plc). The inaugural Eurobond was issued under a \$2,000 million Euro Medium Term Note programme established in March 2003.
- In September 2003, under the same programme, Anglo American Capital issued a £300 million seven year bond (guaranteed by Anglo American plc).
- Anglo American Capital has also issued a number of bonds (guaranteed by Anglo American plc) as a result of reverse enquiries under the programme.

The issues were used to refinance bank debt and were all swapped to floating rate US dollars.

## FINANCIAL REVIEW CONTINUED

In addition to its capital market activities, Anglo American borrows using short term variable rate instruments such as commercial paper, bills and money market lines, as well as using committed medium and short term bank facilities. Anglo American maintains committed facilities as back up to its \$1.3 billion commercial paper programme. The \$2.25 billion revolving credit facility has a \$1,125 million 364 day tranche expiring November 2004 and a \$1,125 million five year tranche expiring November 2006. A further \$950 million facility expires February 2006.

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

It is believed that the Group's net cash flow from operations, its holdings of cash and cash equivalents and access to credit facilities will be sufficient to cover the likely short and long term cash requirements of the Group. At the end of 2003, net debt was \$8,633 million, being gross debt of \$10,759 million offset by \$2,126 million of cash and current asset investments. At 31 December 2003, the Group had available undrawn, committed borrowing facilities totalling \$5,021 million. The maturity profile for the Group's available undrawn, committed borrowing facilities is as follows:

### Committed bank facilities \$ million

Expiring	Facility amount	Drawn	Available
2004	4,134	1,560	2,574
2005	641	465	176
2006	2,484	430	2,054
2007	31	31	–
2008	1,367	1,150	217
2009	–	–	–
2010	48	48	–
After 2010	82	82	–
<b>Total</b>	<b>8,787</b>	<b>3,766</b>	<b>5,021</b>

The maturity profile of net debt is shown below:

### Debt and (cash) maturing \$ million

	Cumulative net debt	Gross cash	Debt	Net debt
2004	1,968	(2,126)	4,094	1,968
2005	2,871	–	903	903
2006	3,588	–	717	717
2007	6,004	–	2,416	2,416
2008	7,639	–	1,635	1,635
2009	7,681	–	42	42
2010	8,502	–	821	821
After 2010	8,633	–	131	131
<b>Total</b>	<b>8,633</b>	<b>(2,126)</b>	<b>10,759</b>	<b>8,633</b>

## OTHER RISK FACTORS

The risk factors set out below are further uncertainties that the Group considers could cause the Group's actual results to differ materially from expected and historical results.

### Economic and political risks

The Group is geographically diverse and encounters different legal and regulatory requirements in different jurisdictions. Businesses may be affected by any political, economic or regulatory developments in any of the countries in which it operates, including risks such as restrictions on the export of currency or expropriation of assets. The Group has no control over changes in local inflation rates or market interest rates.

### Acquisitions

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

### Health, Safety and Environment

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

### Natural risks

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

## CRITICAL ACCOUNTING POLICIES

The Group financial statements are prepared in accordance with UK GAAP. The Group's accounting policies are described on pages 46 to 48 of the financial statements. The application of certain of these policies requires assumptions or judgements by management. Actual results may differ from the estimates calculated using these assumptions and judgements. Management believes that the following are the critical policies where the assumptions and judgements made could have a significant impact on the consolidated financial statements.

### Pensions and post-retirement benefits

The expected costs of providing post-retirement benefits under defined benefit arrangements are charged against profits to spread the expected costs on a straight-line basis over the service lives of the employees entitled to those benefits. Assumptions in respect of the expected costs are set after consultation with qualified actuaries. Whilst management believes the assumptions used are appropriate, a change in the assumptions used would impact the earnings of the Group.

### Restoration, rehabilitation and environmental costs

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



## FINANCIAL REVIEW CONTINUED

### Mining reserves

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

### Exceptional items

Operating exceptional items are those that management considers, by virtue of their size or incidence, should be disclosed separately to ensure that headline earnings reflect the underlying performance of the business. The determination as to which items should be disclosed separately does require a degree of judgement.

### INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Council of the European Union announced in June 2002 that listed companies in Europe would adopt International Financial Reporting Standards (IFRS) for accounting periods beginning on or after 1 January 2005. The adoption of IFRS will be first reflected in the Group's financial statements for the half year ending 30 June 2005 and the year ending 31 December 2005.

In accordance with the Committee of European Securities Regulators (CESR) Guideline, we set out below how we are managing the convergence to IFRS and give a qualitative assessment of the impact of IFRS on financial reporting.

The Group has established a global project team to manage the convergence to IFRS. The scope of this project necessarily includes:

- An initial assessment of the impact from the conversion to IFRS on the Group's reported financial results;
- A continued assessment of the impact from proposed future developments to international accounting standards;
- Identification of required changes to the Group's existing accounting systems and procedures;
- Targeted training and education of all appropriate employees within our businesses; and
- The timely communication to internal and external stakeholders, of areas subject to significant change.

The accounting standards to be applied in the Group's first full IFRS financial statements may differ from those IFRS currently in effect. As such, our assessment of those areas of our financial statements that are likely to be impacted may change as a result of these new accounting developments. Some of the principal policy and disclosure changes required by all listed companies reporting under IFRS are set out below.

### Business combinations, intangible assets and goodwill

The more significant policy changes resulting from the transition to IFRS include:

- Replacement of goodwill amortisation with an annual impairment test;
- Treatment of goodwill and fair value adjustments arising on acquisition of foreign operations, as assets and liabilities of the acquiree, to be retranslated on consolidation in accordance with International Accounting Standard (IAS) 21 (revised);

- A broader definition of 'intangible assets' to be recognised at acquisition;
- Reclassification of minority interests from liabilities to equity.

### Financial instruments

The adoption of IAS 32 and 39 (revised) will require all derivatives to be recognised on the balance sheet at fair value. Subsequent changes in fair values are either taken to equity, if the criteria for hedge accounting are met, or to the income statement. Previously, derivatives qualifying as hedges in accordance with UK GAAP have been held off balance sheet and the fair value disclosed within a note to the financial statements. Any derivatives embedded within the terms of contractual commitments that are not considered closely related to the underlying host contract will also be separately identified and fair valued.

### Deferred tax

Deferred tax is to be recognised at acquisition as part of the fair value exercise and will be provided on some balances previously excluded from provision under UK rules such as revaluations and fair value adjustments.

### Employee benefit schemes: Post-retirement and share option remuneration

IAS 19 requires companies to recognise the full deficit (or surplus) of defined benefit pension schemes on the balance sheet, but permits a choice whereby companies can choose to either defer actuarial gains or losses within a defined range (the corridor approach) or, as expected in any revised IAS, can recognise all actuarial gains or losses directly through equity.

Under IFRS, options granted by the Group to employees, for example under Employee Share Option Schemes and Save As You Earn Schemes, are to be fair valued at grant date using an option pricing model and charged through the income statement over the vesting period of the options.

### Presentation and disclosure of financial information

The transition to an international accounting framework will give rise to an increase in certain disclosures to the financial statements. There will also be some presentational changes. Non-operating exceptional items previously disclosed below operating profit under UK GAAP will, under IFRS, be recorded within operating activities. Additionally, the existing international accounting framework has no direct equivalent of the UK GAAP performance statement 'statement of total recognised gains and losses'. Financial statements will disclose a detailed reconciliation of reserve movements for the current year, with comparatives.

## DIRECTORS' REPORT

The directors have pleasure in submitting the statutory financial statements of the Group for the year ended 31 December 2003.

This directors' report should be read in conjunction with the chairman's statement, chief executive's statement, operations review and social responsibility report contained in the Annual Review and the financial review and the remuneration report contained in this Annual Report. These include information on all the individual business sectors of the Group, its joint ventures and its associates, their performance and current and future developments.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Anglo American, with its subsidiaries, joint ventures and associates, is a global leader in the mining and natural resource sectors. It has significant and focused interests in platinum group metals, gold, diamonds, coal, base metals, industrial minerals, paper and packaging and ferrous metals as well as financial and technical strength.

The Group's business is a going concern as interpreted by the Guidance on Going Concern and Financial Reporting for directors of listed companies registered in the United Kingdom, published in November 1994. The net book value of the Group's tangible fixed assets is \$24,379 million.

### DIVIDENDS

An interim dividend of 15 US cents per ordinary share was paid on 15 September 2003. The directors recommend a final dividend of 39 US cents per ordinary share. This will make a total for the year to 31 December 2003 of 54 US cents per ordinary share. Subject to the approval of shareholders at the annual general meeting to be held on Wednesday, 21 April 2004, the final dividend will be payable on Thursday, 29 April 2004 to shareholders registered in the books of the Company at the close of business on Friday, 12 March 2004.

On 26 August 1999, Greenwood Nominees Limited, as nominee for Butterfield Trust (Guernsey) Limited, the trustee for the Anglo American employee share schemes, waived its right to all dividends (except for 1 pence), payable by the Company. The amount waived during the year, in respect of the interim dividend, was \$8,510,693.

### AUTHORISED SHARE CAPITAL

During the year there was no change to the authorised share capital of the Company of \$1,000,000,000 divided into 2,000,000 ordinary shares of \$0.50 each and £50,000 preference shares of £1 each.

### ISSUED SHARE CAPITAL

During the year a total of 7,133,375 ordinary shares were allotted in respect of employee share schemes. The undermentioned shares were allotted on the dates and at the prices shown to certain non-executive directors (or their nominees) by subscription of their after-tax directors' fees:

Date (2003)	Number of shares	Price per share
2 January	3,663	£9.01
1 April	3,991	£9.62
30 June	4,060	£9.48
10 October	3,366	£11.57

Consequently, at 31 December 2003, the issued ordinary share capital of the Company amounted to 1,476,304,626 ordinary shares of \$0.50 each. There was no change during the year to the issued preference share capital of the Company of 50,000 5% cumulative preference shares of £1 each. As at 24 February 2004, the issued ordinary share capital of the company was 1,482,674,513 ordinary shares.

The authorised and issued share capital of the Company is also set out in note 24 on pages 68 to 70.

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

### CORPORATE GOVERNANCE

A report on corporate governance and compliance with the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 is set out on pages 21 to 24. The directors' remuneration report as set out on pages 25 to 39 will be proposed for approval at the annual general meeting to be held on 21 April 2004. In accordance with the Directors' Remuneration Report Regulations 2003, the vote on such resolution is advisory and no director's remuneration is conditional upon the passing of the resolution.

### DIRECTORATE

The following directors held office during the year to 31 December 2003:

Sir Mark Moody-Stuart	non-executive chairman
A J Trahar	chief executive
A W Lea	finance director
B E Davison	executive director
W A Nairn	executive director
Sir David Scholey	non-executive director (until 25 April 2003 senior independent non-executive director)
D J Challen	non-executive director
Dr C E Fay	non-executive director
R M Godsell	non-executive director
G Lindahl	non-executive director
R J Margetts	senior independent non-executive director (from 25 April 2003)
N F Oppenheimer	non-executive director
F T M Phaswana	non-executive director
Prof K A L M Van Miert	non-executive director
Dr M S B Marques	non-executive director (appointed 9 December 2003)

Further details of the directors' qualifications, specific responsibilities and other directorships are set out on page 26 of the Annual Review.

Dr M S B Marques was appointed to the board since the last annual general meeting and, in accordance with the Company's Articles of Association, retires from the board at the forthcoming annual general meeting and offers herself for election. Following performance reviews and with the agreement of the board, Messrs Davison, Lea, Margetts, Nairn, Oppenheimer and Dr Fay retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Details of the directors' interests in any Group company can be found in the remuneration report on pages 37 to 39.



## DIRECTORS' REPORT CONTINUED

### SUSTAINABLE DEVELOPMENT

The 'Report to Society 2003' will be available from the Company in April. This report focuses on the safety, health and environmental performance of the Company's managed operations, their performance with regard to the Company's 'Good Citizenship' principles and the operational dimensions of their social programmes.

### PAYMENT OF SUPPLIERS

Anglo American plc is a holding company and, as such, had no trade creditors at the year end.

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

### POST-BALANCE SHEET EVENTS

As disclosed in note 38 to the financial statements, following the announcement on 10 December 2003 of the acquisition of the corrugated paper and packaging business of Roman Bauernfeind Holding AG, the directors allotted 5,309,286 ordinary shares of \$0.50 each on 12 February 2004 in consideration of the acquisition. The shares are listed on the London Stock Exchange and application has been made to list them on the Johannesburg, Swiss, Namibia and Botswana stock exchanges. The shares rank *pari passu* with the other ordinary shares in issue.

On 9 February 2004, an agreement was entered into to sell the Group's 25% interest in the Nkomati Nickel joint venture to Anglovaal Mining Limited for a cash consideration of R260 million (\$37 million).

### VALUE OF LAND

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

### EMPLOYMENT AND OTHER POLICIES

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

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

- adherence to national legal standards on employment and workplace rights at all times;
- adoption of fair labour practices;
- prohibition of child labour;

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

Copies of the *Good Citizenship: Our Business Principles* booklet which sets out standards of conduct on a range of ethical, human rights and social policy issues are available from the registered office of the Company and may be accessed on the Company's website – [www.angloamerican.co.uk](http://www.angloamerican.co.uk)

During 2003, numerous employee communication and education workshops took place. The aim, which included areas as diverse as 'Talent Management', 'Sustainable Development' and 'Group Strategy', was to provide employees with information on matters of concern to them, to regularly consult employees for views on matters affecting them and to make employees aware of financial and economic factors affecting the performance of the Company.

In addition, presentations by operating divisions took place and the results of a survey of employee communication were presented.

The Company regularly publishes *Optima* and *AngloWorld* which contain items of news, current affairs and information relevant to Group employees. A news clipping service is published on the Company's intranet, keeping employees up to date with developments in those business sectors in which the Group is active.

### DONATIONS

During the year Anglo American and its subsidiaries made donations for charitable purposes totalling \$38.3 million. Of that amount \$1.8 million was donated in the United Kingdom, consisting of payments in respect of community development initiatives – 26%; educational and youth charities – 24%; international development – 16%; health and HIV – 9%; arts, culture and heritage – 9% and other charities for the benefit of the community – 16%. A review of charitable donations and the contribution by Anglo American companies to local communities is contained in the Annual Review.

Although it is the policy of Anglo American plc not to give party political donations, a policy shared by many multi-national corporations, the Anglo American plc board has decided that it should make an exception at this juncture in South Africa's democratic transition.

Following debate during 2003, the board concluded in principle that its major South African operating company, Anglo Operations Limited (AOL), could set aside a sum of R6 million for donations to political parties contesting the 2004 South African general election. It further asked a sub-committee of the board headed by Sir Mark Moody-Stuart to consider an appropriate allocation of funds.

The sub-committee recommended that the African National Congress as the ruling party enjoying the majority electoral support in the country should receive R3 million of the donation; the Democratic Alliance, as the official opposition and second largest party, R1.5 million; the next three largest parties – the Inkatha Freedom Party, the New National Party and the United Democratic Movement – R480,000, R240,000 and R120,000 respectively; and R60,000 each to the other smaller parties with representation in the South African Parliament. These donations were made in February 2004.

The Anglo American Platinum board has decided to contribute R1 million to the total of R6 million proposed by AOL.

The Anglo American plc board has reaffirmed the policy of not making donations to, or incurring expenses for the benefit of, any UK political party or any other EU political organisation, as defined in the Political Parties, Elections and Referendums Act 2000.

In December 2003, AngloGold announced its policy on party political donations. The policy is open to public scrutiny ([www.anglogold.com](http://www.anglogold.com)) and provides that AngloGold shall distribute the equivalent of up to 10% of the amount transferred to the AngloGold Fund, its main vehicle for social investment.

In February 2004, the board of Tongaat-Hulett decided to make a donation of R500,000 in support of the democratic process in South Africa. The total grant will be divided between the six parties represented in Parliament in proportion to the number of seats which they hold.

#### **AUDITORS**

On 1 August 2003, Deloitte & Touche, the Company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

A resolution to reappoint the auditors, Deloitte & Touche LLP, will be proposed at the forthcoming annual general meeting in accordance with Section 384 of the Companies Act 1985.

#### **ANNUAL GENERAL MEETING**

The annual general meeting will be held at 11:00 am on Wednesday, 21 April 2004 at The Conference Centre, Church House, Dean's Yard, London SW1P 3NZ. The notice convening the meeting is set out in the separate booklet enclosed with this report. In addition to the ordinary business of the meeting (which includes a resolution to approve the directors' remuneration report), as special business, shareholder consent will be sought:

- (a) to approve a new Bonus Share Plan for executive directors and senior employees, details of which are set out in the separate booklet and referred to in the Remuneration Report on pages 27 and 28 of the Annual Report; and
- (b) to renew the directors' existing authorities to:
  - (i) allot relevant securities up to an aggregate nominal amount of \$246,500,000 (equivalent to 493 million ordinary shares of \$0.50 each). This authority, which the directors have no present intention of exercising (other than in relation to employee share schemes and for the allotment of ordinary shares to certain non-executive directors by subscription of their after-tax directors' fees) represented 33.3% of the ordinary issued share capital at 24 February 2004;

- (ii) allot equity securities for cash up to an aggregate nominal amount of \$31,750,000 (equivalent to 63.5 million ordinary shares of \$0.50 each), being 4.3 % of the ordinary issued share capital in issue at 24 February 2004; and
- (iii) make market purchases of up to a maximum of 148 million ordinary shares of \$0.50 each of the Company at a price not less than \$0.50 and not exceeding 105% of the average middle market closing price of such shares on the London Stock Exchange on the five dealing days prior to the date of repurchase. The directors have no present intention of exercising this authority and would only do so if they considered it were in the best interests of shareholders generally and if the purchase could be expected to result in an increase in earnings per share. In exercising this authority, the directors may treat the shares that have been bought back as either cancelled or held in treasury (or a combination of both), and to the extent that any such shares are held in treasury, earnings per share will only be increased or transferred until such time as the shares are re-sold out of treasury. Treating the bought-back shares as treasury shares gives the Company the ability to sell or transfer them quickly and cost-effectively and provides the Company with additional flexibility in the management of its capital base. Authorisation is also sought for the Company to use any shares repurchased and held in treasury for the purposes of its employee share schemes. If any such shares are used, the Company will, so long as required under the guidelines of the Association of British Insurers Investment Committee, count them towards the limits in the schemes as if they were newly issued shares. The total number of options to acquire shares outstanding at 24 February 2004 was 53,889,646 (excluding ordinary shares which could be issued on conversion of the 3.375% convertible bonds due April 2007), which represents 3.6% of the issued ordinary share capital at that date. If the Company were to buy back the maximum number of shares permitted pursuant to this resolution, then the total number of options to subscribe for shares outstanding would represent 4% of the reduced issued share capital.

A poll will be held at the annual general meeting on each of the resolutions set before the meeting.

By order of the board

**Nicholas Jordan**  
Company Secretary  
24 February 2004

## CORPORATE GOVERNANCE

### COMPLIANCE STATEMENT

The Anglo American Group is committed to the highest standards of business integrity, ethical values and professionalism in all its activities. As an essential part of this commitment, the board supports the highest standards of corporate governance and the directors are accountable to the shareholders for doing so. The key principles underpinning the governance of the Group are set out in this statement.

An effective system of control aimed at managing business risks is an integral component of the Group's governance practices, details of which are provided in the internal control section below.

Throughout the year ended 31 December 2003 the Company has been in compliance with the Principles of Good Governance and Code of Best Practice of the Combined Code on Corporate Governance issued by the Financial Services Authority in June 1998.

Since its issue in July 2003 the Company has also complied with the provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council. Details of the application of the principles of Section 1 of the Combined Code and of the previous code are set out below.

### BOARD OF DIRECTORS

The board of directors is responsible to the shareholders for setting the direction of Anglo American through the establishment of strategic objectives and key policies. The board meets on a regular basis, at least six times a year. The board considers issues of strategic direction, major acquisitions and disposals and approves major capital expenditure and other matters having a material effect on Anglo American. Presentations are made to the board by business management on the activities of operations and both executive and non-executive directors undertake regular visits to operations and projects. During 2003 directors visited the Kematen paper mill in Austria, the Skorpion zinc project in Namibia and the New Denmark colliery in South Africa.

The composition of the board, with a strong independent element, ensures that no one individual has unfettered powers of decision and authority. The board comprises four executive and eleven non-executive directors, eight of whom are independent according to the definition contained in the Higgs Report published in January 2003. The independent directors are Sir Mark Moody-Stuart, D J Challen, F T M Phaswana, Prof K A L M Van Miert, Dr C E Fay, G Lindahl, R J Margetts and Dr M S B Marques (appointed 9 December 2003). The other non-executive directors are R M Godsell, N F Oppenheimer and Sir David Scholey. The terms and conditions of appointment of non-executive directors are available for inspection upon request during normal business hours and at the annual general meeting (AGM) and are referred to in the Remuneration Report set out on page 31.

With effect from the 2003 AGM, R J Margetts was appointed as the senior independent non-executive director in place of Sir David Scholey.

The chairman is responsible for leading the board and for its effectiveness. He sets the agenda for meetings of the board in collaboration with the chief executive. The chairman, with the assistance of the company secretary, ensures that the directors receive timely, accurate and clear information before board meetings and updates of issues arising between meetings. The chief executive, together with the other members of the Executive Committee, is responsible for the overall day-to-day management of the Company.

With effect from April 2004, voting at the AGM will be conducted on a poll rather than by a show of hands. The voting and results of the poll will be announced to the press and on the Company's website.

In the year to 31 December 2003 the board met seven times, the Audit Committee three times, the Remuneration Committee five times and the Nomination Committee three times. The attendance at these meetings was as follows:

	Board (seven meetings)	Audit Committee (three meetings)	Remuneration Committee (five meetings)	Nomination Committee (three meetings)
Sir Mark Moody-Stuart	7	–	–	3
A J Trahar	7	–	–	–
D J Challen	7	3	5	–
B E Davison	7	–	–	–
Dr C E Fay	6	3	5	–
R M Godsell	7	–	–	–
A W Lea	7	–	–	–
G Lindahl	6	–	–	–
R J Margetts	7	2	5	2
Dr M S B Marques <sup>(1)</sup>	n/a	–	–	–
W A Nairn	7	–	–	–
N F Oppenheimer	7	–	–	3
F T M Phaswana	7	3	5	3
Sir David Scholey	7	–	–	2
Prof K A L M Van Miert	6	3	–	3

(1) Appointed 9 December 2003.

Anglo American's directors have a wide range of expertise as well as significant experience in financial, commercial and mining activities. As recommended by the Combined Code, all directors have full access to internal and external auditors, and are encouraged to stay fully abreast of the Group's business through site visits and meetings with senior management. Training and briefings are available to all directors on appointment and subsequently, as necessary, taking into account existing qualifications and experience.

In 2003, a formal evaluation of the performance of the board and its committees was carried out, which confirmed that the directors' contributions remain valid. The results of the evaluation were discussed at a meeting of the board held in October. The evaluation process included a review chaired by the senior independent non-executive director (without the chairman present) of the performance of the chairman. Areas identified for further discussion during this process are being monitored on an ongoing basis.

All directors have access to management, including the company secretary, and to such information as is needed to carry out their duties and responsibilities fully and effectively. Furthermore, all directors are entitled to seek independent professional advice concerning the affairs of Anglo American at its expense. All directors are subject to election by shareholders at the first opportunity following their appointment. In addition, directors will retire by rotation and stand for re-election by shareholders at least once every three years in accordance with Anglo American's articles of association.

## CORPORATE GOVERNANCE CONTINUED

Subject to specific fundamental, strategic and formal matters reserved for its decision, the board delegates certain responsibilities to a number of standing committees, which operate within defined terms of reference laid down by the board, as referred to below. The terms of reference for the Audit, Remuneration, Nomination and Safety, Health and Environment Committees of the board are published on the Company's website.

### EXECUTIVE MANAGEMENT

#### EXECUTIVE COMMITTEE

The chief executive, A J Trahar, chairs the Executive Committee, the membership of which comprises all of the executive directors of the Company, the chief executive officers of Anglo Base and Mondri and the executive vice president responsible for Group human resources and business development. The Committee is empowered and responsible for implementing the strategies and policies determined by the board, managing the business and affairs of the Company, prioritising the allocation of capital, technical and human resources and establishing best management practices. The Committee is also responsible for senior management appointments and monitoring their performance and acts as the Anglo American risk committee for the purpose of reviewing and monitoring Anglo American's systems of internal control.

The Executive Committee presently comprises: A J Trahar (chairman), B E Davison, D A Hathorn, R J King, A W Lea, W A Nairn and S R Thompson.

#### INVESTMENT COMMITTEE

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

The Investment Committee presently comprises: A W Lea (chairman), W A Nairn and P G Whitcutt (Head of Finance).

### COMMITTEES OF THE BOARD

#### REMUNERATION COMMITTEE

The Remuneration Committee, comprising solely independent non-executive directors, is responsible for establishing and developing Anglo American's general policy on executive and senior management remuneration and determining specific remuneration packages for executive directors.

The Remuneration Committee presently comprises: R J Margetts (chairman), D J Challen, Dr C E Fay and F T M Phaswana.

#### SAFETY, HEALTH AND ENVIRONMENT (SHE) COMMITTEE

The SHE Committee is responsible for developing framework policies and guidelines for safety, health and environment management and ensuring the progressive implementation of same throughout the Group. The Committee normally meets four times each year, including a visit to an operation. A separate *Report to Society 2003* will be published in April. This report focuses on the safety, health and environmental performance of the Company's managed operations, their performance with regard to the Company's 'Good Citizenship' principles and the operational dimensions of their social programmes.

The SHE Committee presently comprises: Dr C E Fay (chairman), B E Davison, R M Godsell, G Lindahl, Dr M S B Marques, Sir Mark Moody-Stuart, W A Nairn, Sir David Scholey and A J Trahar.

#### NOMINATION COMMITTEE

The Nomination Committee makes recommendations to the board on the appointment of new executive and non-executive directors, including making recommendations as to the composition of the board generally and the balance between executive and non-executive directors. The Nomination Committee meets as and when required and engages external consultants to identify appropriate candidates for further consideration.

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

During the year the Nomination Committee managed the process of the selection and appointment of a new non-executive director, Dr M S B Marques, who was appointed to the board on 9 December 2003. External consultants were engaged in this process. A full biography of Dr Marques is contained in the Annual Review.

In accordance with the provisions of the Combined Code, the Nomination Committee has adopted the terms of reference promulgated by the Institute of Chartered Secretaries and Administrators. This document is available upon request and is published on the Company's website.

The Nomination Committee presently comprises: F T M Phaswana (chairman), R J Margetts, Sir Mark Moody-Stuart, N F Oppenheimer, Sir David Scholey and Prof K A L M Van Miert.

#### AUDIT COMMITTEE

##### Role and responsibilities

The primary role of the Audit Committee is to ensure the integrity of financial reporting and the audit process, and that a sound risk management and internal control system is maintained. In pursuing these objectives the Audit Committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function.

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

The chief financial officers of all operations have provided confirmation, on a six-monthly basis, that financial and accounting control frameworks operate satisfactorily. The Audit Committee considered summaries of the significant risk and control issues arising from these reports. The Audit Committee also received regular internal and external audit reports on the results of audits. Further information on risk management processes is provided in the internal control disclosure statement on page 24.

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

For the purpose of reviewing the actual fees for audit and non-audit work for the Group during 2003, the Audit Committee considered information pertaining to non-audit work and has concluded that the nature and extent of non-audit fees do not present a threat to the external auditors' independence.



## CORPORATE GOVERNANCE CONTINUED

After reviewing a report presented by the external auditors on all relationships between the external auditors and Anglo American that may reasonably have a bearing on the external auditors' independence and the audit engagement partner and staff's objectivity, and the related safeguards and procedures, the Audit Committee has concluded that the external auditors' independence was not impaired.

The Audit Committee approved the external auditors' terms of engagement, scope of work, the process for the 2003 interim review, audit and the applicable levels of materiality. Based on written reports submitted, the Audit Committee reviewed, with the external auditors, the findings of their work and confirmed that all significant matters have been satisfactorily resolved.

The Audit Committee's assessment of the external auditors' performance and independence underpins its recommendation to the board to propose to shareholders the re-appointment of Deloitte & Touche LLP as auditors until the conclusion of the AGM in 2005.

Each internal audit function reports directly to an audit committee at business or listed company level and is accountable for maintaining Group auditing standards, including risk reporting. Internal audit functions' mandates and annual audit coverage plans were approved by the relevant audit committees, which have considered reports on the results of internal audit work. A summary of audit results and risk management information was presented, at regular intervals throughout the year, to the Anglo American Audit Committee. Also tabled were reports submitted by the Group's head of internal audit on internal audit functions' performance against Group standards.

### Composition of the Audit Committee

The Committee comprises solely independent non-executive directors. The dates of appointment and names of those who were members during the year and who currently remain members are:

D J Challen (chairman)	9 September 2002 appointed chairman 24 April 2003
R J Margetts	19 March 1999
Dr C E Fay	4 June 2001
F T M Phaswana	2 September 2002
Prof K A L M Van Miert	10 May 2002

The board, in consultation with the Audit Committee chairman, makes appointments to the Audit Committee.

As required by the Audit Committee's terms of reference, the Committee met three times during 2003 to coincide with key dates within the financial reporting and auditing cycle. The majority of members were present at these meetings, which in respect of two meetings were followed by discussions, independent of management, with the external audit partners and the head of internal audit.

Details of remuneration paid to members of the Audit Committee, including the additional fee paid to the chairman of the Audit Committee, are set out on page 33.

### Policy on external auditors' independence

Anglo American's policy on auditors' independence, which came into effect on 1 January 2003, is consistent with the recommendations of the Co-ordinating Group on Audit and Accounting Issues (United Kingdom), published on 29 January 2003.

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

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

Anglo American has elected to address this issue through two primary measures, namely disclosure of the extent and nature of non-audit services and the prohibition of selected services. Disclosure entails reporting non-audit services to all meetings of the Group's audit committees and inclusion, as from next year, of prescribed detail in the Annual Reports of listed entities. The policy's definition of prohibited non-audit services corresponds with the European Commission's recommendations on auditors' independence.

Other safeguards encapsulated in the policy include:

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

### DIRECTORS' REMUNERATION

The directors' remuneration report, setting out Anglo American's policy on executive directors' remuneration, benefits, share options, long term incentive plan and pension entitlements, is set out on pages 25 to 39 of this Annual Report. A resolution to approve the remuneration report will be proposed at the forthcoming AGM.

### RELATIONS WITH SHAREHOLDERS

The Company maintains an active dialogue with its key financial audiences, including institutional shareholders, sell-side analysts and relationship banks. The Investor and Corporate Affairs department manages the ongoing dialogue with these audiences and regular presentations take place at the time of interim and final results as well as during the rest of the year. An active programme with potential shareholders is also maintained. Any concerns raised by a shareholder in relation to the Company and its affairs are communicated to the board as a whole. The board is briefed on a regular basis by the Investor and Corporate Affairs department and analyst reports are circulated to the directors.

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

Shareholders will have the opportunity at the forthcoming AGM, notice of which is contained in the booklet enclosed herewith, to put questions to the board, including the chairmen of the various committees. Facilities have been put in place to enable shareholders to receive company communications electronically rather than by mail and to cast their AGM votes by telephone or by electronic means.

#### **ACCOUNTABILITY AND AUDIT**

The board is required to present a balanced and understandable assessment of Anglo American's financial position and prospects. Such assessment is provided in the chairman's and chief executive's statements set out on pages 2 to 5 and the financial review set out on pages 6 to 17 of this Annual Report. The respective responsibilities of the directors and external auditors are set out on pages 40 and 41. As referred to in the directors' report on page 18, the directors have expressed their view that Anglo American's business is a going concern.

#### **INTERNAL CONTROL DISCLOSURE**

The Executive Committee, as mandated by the board, has established a Group-wide system of internal control to manage significant Group risks. This system supports the board in discharging its responsibility for ensuring that the wide range of risks, associated with the Group's diverse international operations, is effectively managed in support of the creation and preservation of shareholder wealth. The board's policy on risk management encompasses all significant business risks to the Group, including financial, operational and compliance risk, which could undermine the achievement of business objectives. This system of risk management is designed so that the different businesses are able to tailor and adapt their risk management processes to suit their specific circumstances. This flexible approach has the commitment of the Group's senior management. There is clear accountability for risk management, which is a key performance area of line managers throughout the Group. The requisite risk and control capability is assured through board challenge and appropriate management selection and skills development. Managers are supported in giving effect to their risk responsibilities through policies and guidelines on risk and control management. Continuous monitoring of risk and control processes, across 13 significant Group-wide risk areas and other business-specific risk areas, provides the basis for regular and exception reporting to business management and boards, the Executive Committee and the board.

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

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

is responsible for providing independent assurance to the Executive Committee and the board on the effectiveness of the risk management process throughout the Group.

Anglo American seeks to have a sound system of internal control, based on the Group's policies and guidelines, in all material associates and joint ventures. Where this is not possible, the directors who are represented on these organisations' boards seek assurance that significant risks are being managed.

In terms of a policy on whistleblowing approved by the Executive Committee, Anglo American has commenced implementation of a whistleblowing programme throughout its managed operations. The programme provides the communication means to enable our employees, suppliers, business partners and other stakeholders to raise concerns about conduct contrary to our values and to make a contribution in those areas of our business activities where ethical behaviour is particularly important. Conduct which is contrary to our values includes:

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

This programme makes available a selection of telephonic, email, web-based and surface mail communication channels to any person in the world who has information about unethical practice in Anglo American plc and its subsidiaries. The communication facilities are managed and operated by an independent company to enable employees, service providers and suppliers to raise any concerns in confidence.

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

During the course of the year the board considered the Group's responsiveness to changes within its business environment. The board is satisfied that there is an ongoing process, which has been operational during the year, and up to the date of approval of the Annual Report, for identifying, evaluating and managing the significant risks faced by the Group in accordance with the Turnbull guidelines. This includes social, environmental and ethical risks as highlighted in the Disclosure Guidelines on Socially Responsible Investment issued by the Association of British Insurers. A detailed report on social, environmental and ethical issues will be included in the Anglo American plc *Report to Society 2003*.



## REMUNERATION REPORT

### REMUNERATION COMMITTEE

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

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

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

The full terms of reference of the Committee can be found on the Anglo American website and copies are available on request. The Committee met five times during 2003.

#### Membership of the Committee

The Committee comprised the following independent non-executive directors during the year ended 31 December 2003:

- R J Margetts (chairman);
- D J Challen;
- Dr C E Fay; and
- F T M Phaswana.

The Company's chairman and the chief executive attend the Committee meetings by invitation and assist the Committee in its considerations, except when issues relating to their own compensation are discussed. No directors are involved in deciding their own remuneration. In 2003 the Committee was advised by R J King and C B Corrin (Group Human Resources), the Company's Finance function and the following external advisors:

- Ernst & Young LLP – appointed by the Committee as independent advisors to the Committee to carry out a review of the Company's long term incentive schemes;
- Monks Partnership (a subsidiary of PricewaterhouseCoopers LLP) – appointed by the Company, with the agreement of the Committee, to provide market remuneration information throughout the year;
- PricewaterhouseCoopers LLP – appointed by the Company, with the agreement of the Committee, to provide specialist valuation services.

Mercer Human Resource Consulting Limited (Mercer) is engaged by the Committee to review the Committee's processes on an annual basis in order to provide shareholders with assurance that the remuneration processes that the Company and the Committee have followed are in line with the stated policy as set out below, and that the Committee has operated within its Terms of Reference. A summary of the letter from Mercer containing the conclusions of their review of the Committee's executive remuneration processes for 2003 can be found on page 39, whilst the full letter can be found on the Company's website.

In 2003 the advisors to the Committee provided other services to the Company in the UK on the following basis:

Advisors	Nature of other services
Ernst & Young LLP	General tax advice
PricewaterhouseCoopers LLP	Taxation and payroll advice; investment advisors and actuaries for various UK pension schemes; advisors on internal audit projects
Mercer group companies	Investment advisors and actuaries for various UK and overseas pension schemes

Certain overseas operations within the Group are provided with audit and non-audit related services from Ernst & Young's, PricewaterhouseCoopers' and Mercer's worldwide member firms. The Company's auditors, Deloitte & Touche LLP, have not provided advice to the Committee; however, in their capacity as group auditors, they do undertake an audit of all remuneration elements.

## REMUNERATION POLICY

### Principles of executive remuneration

Anglo American's remuneration policy is formulated to attract and retain high calibre executives and motivate them to develop and implement the Company's business strategy in order to optimise long term shareholder value creation. It is the intention that this policy should conform to best practice standards and that it will apply for 2004 and subsequent years, subject to ongoing review as appropriate. The policy is framed around the following key principles:

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

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

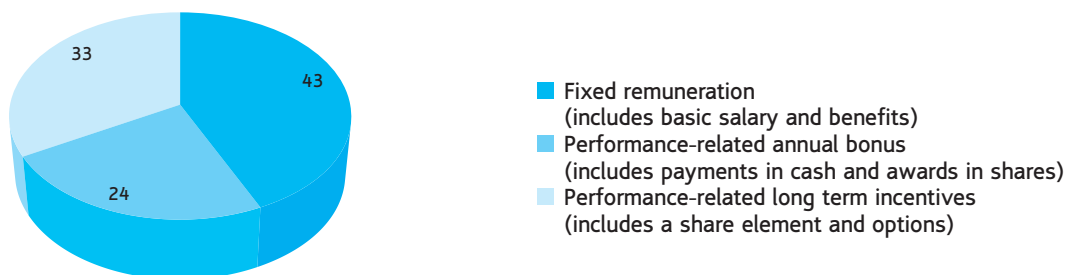
### Elements of executive director remuneration

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

Assuming on-target performance, the Committee's policy is that around 50% (around 60% for the chief executive) or more of total executive director remuneration is performance-related. In 2003, on average, 57%<sup>(1)</sup> of executive directors' actual remuneration was performance-related (see illustrative chart below).

### EXECUTIVE DIRECTORS

%



During 2003 the Committee reviewed the effectiveness and overall balance of the Company's incentive plans. The Committee found that the significant impact of both foreign exchange rates and commodity price cycles on the Company's share price resulted in share option payouts that were influenced more by the phasing of the business cycle than by the management performance of option plan participants. This meant that the Company's Executive Share Option Scheme was, from time to time, not always acting as an effective incentive. In addition, the Committee was concerned that some features of the existing arrangements were not aligned with institutional shareholders' guidelines on executive remuneration.

As a result of this review, and subject to shareholder approval, the Committee will amend the remuneration arrangements for executive directors and certain other executives from 2004 onwards. The new proposals involve reshaping the annual bonus plan to create better linkage between short and long term performance and discontinuing future grants under the Company's Executive Share Option Scheme (ESOS), other than for use in recruitment or other exceptional circumstances. The Committee believes that the proposed amendments to the remuneration arrangements will better enable the Company to retain key talent, ensure the competitiveness of the remuneration packages offered to executives and more clearly underpin the Company's existing performance culture by creating a better linkage between shareholder value creation and executive reward realisation. The level of share-based remuneration within the reward mix will ensure that executive directors and other levels of management have an enhanced level of exposure to the Company's share performance.

<sup>(1)</sup> Based on expected values of share- and option-based awards.

## REMUNERATION REPORT CONTINUED

### Basic salary

The basic salary of the executive directors is reviewed annually and is targeted at the median of companies of comparable size, market sector, business complexity and international scope. Company performance, individual performance and changes in responsibilities are also taken into consideration in setting salary levels each year. The Company's policy with regard to basic salaries for executive directors remains unchanged by the Committee's remuneration review.

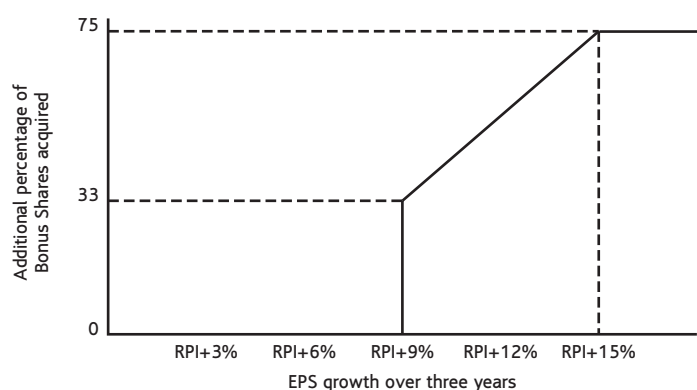
### Annual bonus plan

Subject to shareholder approval, in 2004 (in respect of the 2003 bonus award) all executive directors will be eligible to participate in a new annual bonus plan, the Bonus Share Plan (BSP), which will replace the Deferred Bonus Plan and the ESOS. The use of this plan will strengthen the linkage of rewards to performance; the new plan will also require executive directors to invest a greater proportion of their remuneration in shares, thereby more closely aligning their interests with those of shareholders, and will encourage management at all levels to build up a personal stake in the Company. Awards under the BSP will be made annually and will consist of three elements: a performance-related cash element, a Bonus Share element and an Enhancement Share element. These bonus awards will not be pensionable. In summary, the BSP will operate as follows:

- The value of the bonus will be calculated by reference to achievement against annual performance targets. The performance measures for the BSP will include measures of corporate (and, where applicable, business unit) performance as well as the achievement of specific individual objectives. The corporate element is based on stretching Earnings Per Share (EPS) targets. EPS is calculated in accordance with Financial Reporting Standard (FRS) 14, using the headline earnings measure, the definition of which can be found in note 12 of the financial statements. The Committee will review measures annually to ensure they remain appropriate, given the economic context and performance expectations for the Company and its operating businesses, and are sufficiently stretching. It is the Committee's usual policy to base 70% of each annual bonus award on the corporate or business measure and the remaining 30% on key personal performance measures. The level of bonuses payable will be reduced if certain overall safety improvement targets are not met. Bonus potentials will be set on an individual basis.
- In the case of the directors and top tier of management, half of the bonus will be paid in cash. In 2004, it is the intention of the Committee that the cash element will not exceed 75% of basic salary for the chief executive and 60% of basic salary for the other executive directors. The other half of the bonus will take the form of a conditional award of Bonus Shares equal in value to the cash element, which will be made at the same time as the annual cash bonus. These Bonus Shares will only vest if the participant remains in employment with the Group until the end of a three year holding period.
- An additional performance related incentive will be provided in the form of an award of conditional Enhancement Shares at the same time as the award of Bonus Shares. The maximum potential at face value of the Enhancement Shares is 75% of the face value of the Bonus Shares. Awards of Enhancement Shares will vest after three years only to the extent that a challenging performance condition, based on earnings per share growth against the UK Retail Price Index (RPI), is met, as shown below:

### VESTING OF ENHANCEMENT SHARES

%



Real EPS (calculated in accordance with FRS 14) was selected as the most appropriate performance measure for this plan because it is a fundamental financial performance indicator, both internally and externally, and links directly to Anglo American's long term objectives of maintaining and improving earnings. At the end of each performance period, the level of performance achieved and the proportion of awards vesting will be published in the subsequent remuneration report.

## REMUNERATION REPORT CONTINUED

In 2004, only executive directors and top management (circa 50 individuals) will participate in the BSP. In 2005, it is intended that participation in the BSP will be extended to other tiers of management globally (circa 1,300 individuals), who will thereafter cease to receive grants under the ESOS.

The performance conditions attaching to awards under the plan may be amended by the Committee only to the extent that they are a fairer measure of performance, consistent with the original performance conditions and no less demanding.

### Share option schemes

Subject to shareholder approval of the BSP, it is the current intention that no further share option grants will be made to executive directors under the ESOS, other than for specific recruitment purposes and in other exceptional circumstances.

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

### Long term incentive plan (LTIP)

#### Grant levels

Under the Committee's proposed new executive incentive arrangements, conditional LTIP awards will continue to be made annually to executive directors. Following the review of the Company's incentive plans and in light of the replacement of the Deferred Bonus Plan and the ESOS, primarily with the BSP, it is proposed that awards under the LTIP are increased to provide market competitive total remuneration levels with appropriate gearing to long term performance. Subject to shareholder approval of the BSP, awards under the LTIP will be increased to 160% from 120% of basic salary for the chief executive and to 130% from 100% of basic salary for the other executive directors. These awards are discretionary and are considered on a case-by-case basis. In exceptional circumstances and in order to accommodate changing market conditions, awards may be made to each executive director of up to a maximum of two times' basic salary per annum.

As in previous years, vesting of LTIP awards is subject to the achievement of stretching performance measures, relating to Total Shareholder Return (TSR) and to an operating measure, currently Return On Capital Employed (ROCE), over a fixed three year period. For awards made in 2004 and thereafter, half of each award made to a director will be subject to a Group TSR measure while the other half of each award will be subject to a Group ROCE measure. There will be no retesting of performance. These performance measures are selected on the basis that they clearly foster the creation of shareholder value. At the end of each performance period, the level of ROCE performance achieved and the level of award earned will be verified by the Company's auditors and published in the subsequent remuneration report.

Although there is currently no expectation of any change, the Committee may amend the performance conditions applying to any award, provided that the amended conditions are no less demanding, are a fairer measure of performance or provide a more effective incentive to the participant and that circumstances merit such a change.

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

#### Detailed structure of the LTIP

In previous years, executive directors with direct divisional responsibility were measured partially on divisional ROCE as well as Group ROCE. However, for awards made in 2004 and thereafter, the Committee has decided that the ROCE target applicable to all directors will be a Group one alone, which will remove an area of unnecessary complexity from the LTIP arrangements.

#### Total Shareholder Return (TSR)

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

The vesting of that part of the LTIP award contingent upon TSR performance varies according to the Company's TSR over the performance period, relative to a weighted basket of international natural resource companies (the Index). The Index comprises three categories: the first consists of a minimum of five international diversified mining companies, the second a minimum of five international paper and packaging companies and the third a minimum of four international industrial minerals companies. Each category is weighted to reflect Anglo American's business mix. The Committee may amend the list of comparator companies in the Index, and the relative weightings, if circumstances make this necessary (for example, as a result of takeovers or mergers of comparator companies in the Index). In calculating TSR, it is assumed that all dividends are reinvested.



**REMUNERATION REPORT  
CONTINUED**

For awards made in 2003, the companies constituting the Index were as follows and no material change is envisaged in 2004:

	Mining	Paper and Packaging	Industrial Minerals
Category weighting	71%	17%	12%
Comparator companies	BHP Billiton plc Companhia Vale do Rio Doce Freeport McMoRan Copper & Gold Inc Kumba Resources Limited Noranda Inc Rio Tinto plc Teck Cominco Limited WMC Resources Limited Xstrata plc	M-real Corporation Sappi Limited SCA David S. Smith (Holdings) plc Stora Enso Oyj UPM-Kymmene Group	Aggregate Industries plc CRH plc Hanson plc RMC Group plc

Shares contingent on TSR performance will vest as follows:

Anglo American's relative TSR	Proportion of TSR element vesting
Below the weighted average TSR of the Index	0%
Equal to the weighted average TSR of the Index	50%
Equal to the weighted average TSR of the top two companies in each category	100%
Equal to or greater than the weighted average TSR of the top company in each category	150%

Shares will vest on a straight-line basis for performance between 50% and 100% and between 100% and 150% as described above.

A graph showing the Company's TSR performance against the weighted average of the Index as shown above for the period from 24 May 1999, when the Company was first listed, to 31 December 2003 can be found on page 32; for the purposes of drawing this graph Companhia Vale do Rio Doce and Xstrata plc were excluded as they were not listed at the beginning of the period depicted by the graph.

**Return On Capital Employed (ROCE)**

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

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

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

The targets for each element of the 2003 LTIP are shown below. These are adjusted for movements in commodity prices, certain foreign exchange rate effects, capital in progress and for relevant changes in the composition of the Group.

	Existing capital employed	Incremental capital employed
Minimum ROCE Target	20.4%	13.0%
Maximum ROCE Target	22.4%	13.0%

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

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

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

## REMUNERATION REPORT CONTINUED

### Pensions

Pension and life insurance benefits for executive directors reflect practice in the countries in which they perform their principal duties. Pension arrangements are tailored to take account of historic obligations and, insofar as agreed by the Committee, the personal circumstances of each executive. Details of individual pension arrangements are set out on pages 36 and 37.

### Other benefits

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

### Executive shareholding targets

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

### External appointments

Executive directors are not permitted to hold external directorships or offices without the approval of the board; if approved, they may retain the fees payable from one such appointment.

### Policy on non-executive directors' remuneration

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

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

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

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

### Chairman's fees

The chairman's fees are approved by the board (in the absence of the chairman) on the recommendation of the Committee and chief executive, who take external advice on market comparators.

## REMUNERATION REPORT CONTINUED

### Directors' service contracts

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

In order properly to reflect their spread of responsibilities, all the executive directors, with the exception of A W Lea, who is employed by Anglo American International (BVI) Limited, have contracts with Anglo American International (IOM) Limited and with Anglo Operations Limited. The salaries under these contracts are payable in sterling and/or South African rand as appropriate. The employment contracts of all executive directors are terminable at 12 months' notice by either party.

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

Executive directors	Notice period	Date of appointment	AGM re-election
A J Trahar (chief executive)	12 months	19 April 1999	10 May 2002
B E Davison	12 months	15 May 2001	–
A W Lea	12 months	19 April 1999	15 May 2001
W A Nairn	12 months	15 May 2001	–

Non-executive directors <sup>(1)(2)</sup>	Date of letter of appointment	AGM re-election
Sir Mark Moody-Stuart (chairman)	19 July 2002	–
D J Challen	20 September 2002	–
Dr C E Fay	15 April 1999	15 May 2001
R M Godsell	15 April 1999	10 May 2002
G Lindahl	27 September 2001	–
R J Margetts	15 April 1999	15 May 2001
Dr M S B Marques	11 December 2003	–
N F Oppenheimer	15 April 1999	15 May 2001
F T M Phaswana	21 June 2002	–
Sir David Scholey	6 December 1999	25 April 2003
Prof K A L M Van Miert	25 March 2002	–

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

(2) There is no fixed notice period; however, the Company may in accordance with, and subject to, the provisions of the Companies Act 1985, by Ordinary Resolution of which special notice has been given, remove any director from office.

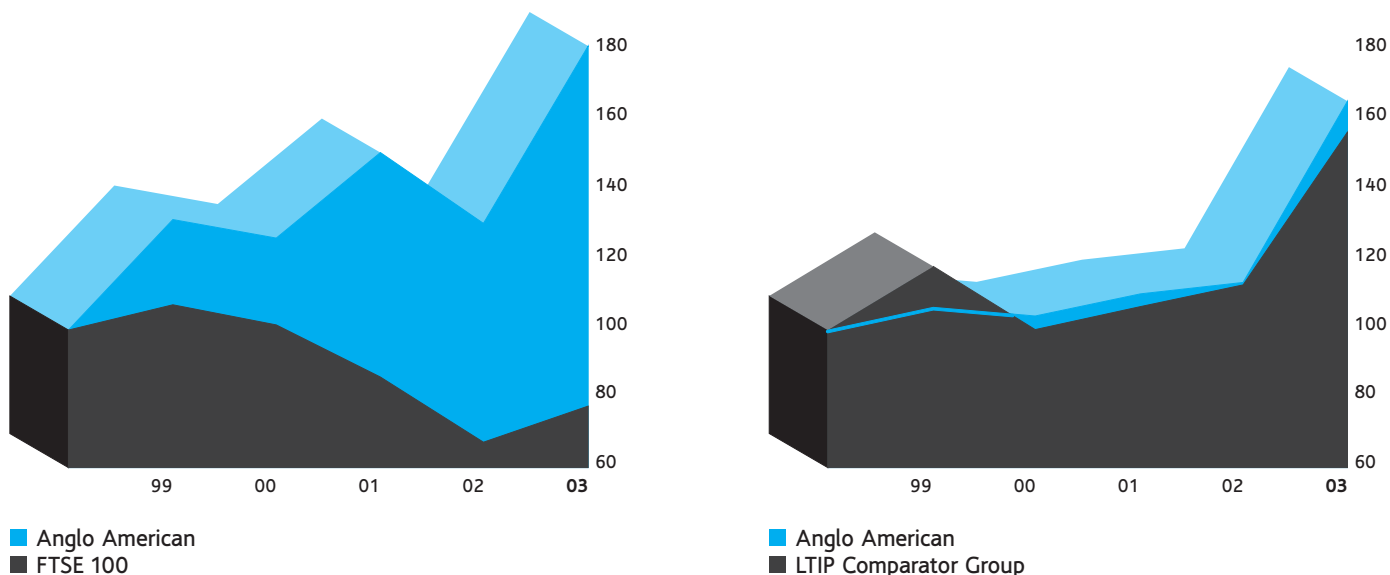
The contracts of executive directors contain a provision that sets out the compensation payable in lieu of notice if the Company terminates the contract (other than for cause) or if the executive director resigns in circumstances where there has been a material adverse change in role, responsibilities or remuneration. Compensation is based on the value of 12 months' basic salary, target annual bonus for 12 months and the annual value of benefits. The Company may choose whether to continue to provide other benefits during the notice period or to pay an amount equal to the gross value of these benefits over the period. Although the Committee notes that this policy is not in complete compliance with the very latest ABI guidelines, it enables the Company to remain market competitive. Should market practice move away from the inclusion of liquidated damages in service contracts, the Committee will review this policy in 2004 for new appointments to the board.

Vesting of share options on termination of an executive director's contract is dependent upon the reasons the contract is terminated. Performance conditions fall away in the event of redundancy. However, if the executive resigns voluntarily, then all options lapse unless the Committee determines otherwise. In the case of LTIP interests, if a director resigns voluntarily, then his interests lapse. If he is made redundant, vesting at the end of the performance period is based on the normal performance criteria and then pro rated for the proportion of the performance period for which the director served. In the case of the proposed Bonus Share Plan, no share awards would vest should a director resign before the end of the three year vesting period, unless the Committee determines otherwise. If a director is made redundant, his/her share awards would vest pro rata for the proportion of the vesting period for which he/she served.

## REMUNERATION REPORT CONTINUED

### Historic comparative TSR performance graphs

The graphs below represent the comparative TSR performance of the Company from 24 May 1999 to 31 December 2003. In drawing these graphs it has been assumed that all dividends paid have been reinvested.



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

The second graph shows the Company's performance against the weighted comparator group used to measure company performance for the purposes of the vesting of LTIP interests granted in 2001. This graph gives an indication of how Anglo American is performing against the targets in place for LTIP interests already granted, although the specifics of the comparator companies for each year's interests may vary to reflect changes such as mergers and acquisitions amongst the Company's competitors or changes to the Company's business mix.

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

### REMUNERATION OUTCOMES DURING 2003

The information set out in the sections one to six below has been subject to audit.

#### 1 Directors' emoluments

The following tables set out an analysis of the pre-tax remuneration during the years ended 31 December 2003 and 2002, including bonuses but excluding pensions, for individual directors who held office in the Company during the year ended 31 December 2003.

	Basic salary <sup>(1)</sup>		Basic salary sacrificed into international Approved Pension Scheme <sup>(1)</sup>		Annual performance bonus		Benefits in kind <sup>(2)</sup>		Total	
	2003 £000	2002 £000	2003 £000	2002 £000	2003 £000	2002 £000	2003 £000	2002 £000	2003 £000	2002 £000
Executive directors <sup>(3)</sup>										
A J Trahar	729	675	81	75	563	499	51	43	1,424	1,292
B E Davison	392	360	43	40	144	163	24	16	603	579
A W Lea	475	445	—	—	192	198	22	20	689	663
W A Nairn	342	320	38	35	156	161	31	21	567	537

<sup>(1)</sup> In view of A J Trahar, B E Davison and W A Nairn having no provision for past service in respect of their sterling denominated pension fund, their employing company has contractually agreed that supplementary pension contributions should be made to the Anglo American plc International Approved Pension Scheme in return for these executives having given up their right to part of their future basic salary. The table above includes these amounts, which are £81,000, £43,000 and £38,000 respectively.

## REMUNERATION REPORT CONTINUED

(2) Each director receives a car allowance or a fully expensed car and a limited amount of personal taxation advice. All directors receive death and disability insurance and, with the exception of W A Nairn, also receive medical insurance. A J Trahar, A W Lea and W A Nairn receive club membership; in addition, A J Trahar receives a housing loan subsidy.

(3) Subsequent to their retirement from the board in 2001, L Boyd and M W King have provided consultancy services to the Group and hold non-executive directorships with certain listed subsidiaries of the Group. They received fees of £29,000 and £26,000, respectively, for the provision of these services during 2003.

	Fees		Other emoluments		Total	
	2003 £000	2002 £000	2003 £000	2002 £000	2003 £000	2002 £000
Non-executive directors <sup>(1)</sup>						
Sir Mark Moody-Stuart	300	42	–	–	300	42
J Ogilvie Thompson (retired 30 November 2002) <sup>(2)</sup>	–	298	–	53	–	351
D J Challen	52	14	–	–	52	14
Viscount Davignon (retired 10 May 2002)	–	20	–	–	–	20
Dr C E Fay	55	55	–	–	55	55
R M Godsell <sup>(3)(4)</sup>	47	47	583	448	630	495
G Lindahl	45	56	–	–	45	56
R J Margetts	65	61	–	–	65	61
Dr M S B Marques (appointed 9 December 2003)	3	–	–	–	3	–
N F Oppenheimer <sup>(3)</sup>	58	54	–	–	58	54
F T M Phaswana <sup>(3)</sup>	54	25	–	–	54	25
Sir David Scholey	48	55	–	–	48	55
Prof K A L M Van Miert	45	36	–	–	45	36
P S Wilmot-Sitwell (retired 10 May 2002)	–	16	–	–	–	16

(1) Each non-executive director, with the exception of Sir Mark Moody-Stuart, is paid a fee of £45,000 per annum, and those non-executive directors who act as chairmen of the Audit Committee, SHE Committee and Remuneration Committee are paid an additional sum of £10,000 per annum. The chairman of the Nomination Committee is paid an additional sum of £5,000 per annum. R J Margetts received additional fees of £10,000 in his capacity as senior independent director.

(2) Subsequent to his retirement from the board in 2002, J Ogilvie Thompson has provided consultancy services to the Group and held a non-executive directorship with a listed subsidiary of the Group. He received fees of £21,000 for the provision of these services in 2003.

(3) R M Godsell, N F Oppenheimer and F T M Phaswana received fees for their services as non-executive directors of Anglo American Corporation of South Africa Limited amounting to £2,000, £2,000 and £6,000 respectively. N F Oppenheimer also received fees of £11,000 from AngloGold as a non-executive director of that company.

(4) Under R M Godsell's service contract with AngloGold, his basic salary was equivalent to £435,000 per annum (2002: £280,000) and he was awarded a performance bonus equivalent to £133,000 (2002: £156,000). R M Godsell is also entitled to the provision of a car allowance, medical insurance and death and disability insurance. The total value of these benefits was equivalent to £15,000 (2002: £12,000).

## 2 Directors' share options Anglo American plc

Roll-over options <sup>(1)</sup>	Beneficial holding at 1 January 2003	Granted <sup>(4)</sup>	Exercised	Lapsed	Beneficial holding at 31 December 2003 <sup>(5)</sup>	Weighted average exercise price rand	Earliest date from which exercisable	Latest expiry date
A J Trahar	88,000	–	(83,000)	–	5,000	51.25	1/3/2001	16/2/2008
W A Nairn	102,000	–	(20,000)	–	82,000	51.25	11/8/2001	16/2/2008
Anglo American options <sup>(2)(3)</sup>						£		
A J Trahar	373,512	230,000	–	–	603,512	9.35	24/6/2002	4/3/2013
B E Davison	149,000	90,000	–	–	239,000	9.30	24/6/2002	4/3/2013
A W Lea	313,608	98,000	(100,000)	–	311,608	9.05	24/6/2002	4/3/2013
W A Nairn	136,029	60,000	–	–	196,029	9.30	24/6/2002	4/3/2013

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

(2) Share options in respect of shares, the market price for which as at 31 December 2003 is equal to, or exceeds, the option exercise price. As at 31 December 2003, there were no share options with an exercise price above the market price.



**REMUNERATION REPORT**  
**CONTINUED**

- (3) Options were granted having UK Inland Revenue approval (Approved Options) and without such approval (Unapproved Options). The exercise of the options is subject to Anglo American's EPS (calculated in accordance with FRS 14, based on the Company's headline earnings measure) increasing by at least 6% above the UK Retail Price Index over a three year period. The EPS growth requirement takes account of the cyclical nature of the natural resources business. If the performance condition is not met at the end of the first three year period, then performance is retested each year over the ten year life of the option on a rolling three year basis. Options are normally exercisable, subject to satisfaction of the performance condition, between three and ten years from the date of grant.
- (4) The options awarded in March 2003 in respect of the Executive Share Option Scheme were granted at an exercise price of £9.28, which reflected the price ruling at the date of grant. These share options are exercisable between 5 March 2006 and 4 March 2013. In the light of management's very successful performance in 2002, and mindful of the need to keep long term incentives competitive in the context of the share price performance in 2002, the Committee decided, within the rules of the Executive Share Option Scheme approved by the Shareholders, to make a larger than normal, one-off, grant to the directors in 2003. Certain of the directors have also been granted additional options in order to meet the national insurance contribution liability payable on the exercise of their options. The directors do not derive any benefit from this arrangement, which acts as a hedge against the future uncapped national insurance contributions liability, which the Company would otherwise have had to bear and hence these additional options have not been included in the table.
- (5) Beneficial holdings include SAYE options held by A J Trahar, A W Lea and W A Nairn of 3,792, 3,480 and 1,029 options respectively, with option prices of £4.85, £4.85 and £9.28 respectively. There are no performance conditions attached to these options.

Details of the share options exercised by the executive directors in 2003 are as follows:

	Number exercised	Option price	Market price at date of exercise	Gain
A J Trahar	30,000	R51.25	R132.09	R2,425,200
	53,000	R51.25	R138.67	R4,633,260
W A Nairn	20,000	R51.25	R137.93	R1,733,600
A W Lea	100,000	£6.975	£12.12	£514,500

The highest and lowest mid-market prices of the Company's shares during the period 1 January 2003 to 31 December 2003 were £12.79 and £8.31 respectively. The mid-market price of the Company's shares at 31 December 2003 was £12.07.

**AngloGold Limited (AngloGold)**

R M Godsell has share options in AngloGold, an independently managed subsidiary of the Company; details of these share options are as follows:

AngloGold options	Options held at 1 January 2003	Granted <sup>(1)</sup>	Exercised	Lapsed	Holding at 31 December 2003	Weighted average exercise price rand	Earliest date from which exercisable	Latest expiry date
R M Godsell <sup>(2)</sup>	194,300	16,000	–	–	210,300	131.27	1/3/1998	2/5/2013

(1) The exercise of AngloGold options granted in 2002 and 2003 are subject to performance conditions, requiring a 7.5% and a 6% real increase in EPS, year-on-year for three consecutive years. The previous existing options vest over a five year period from the date of grant with no attached performance criteria. The exercise price of the 16,000 options awarded in 2003 was R221.90.

(2) AngloGold options in respect of shares, the market price of which as at 31 December 2003 is equal to, or exceeds, the option exercise price. As at 31 December 2003, there were no options with an exercise price above the market price.

The highest and lowest mid-market prices of AngloGold's shares during the period 1 January 2003 to 31 December 2003 were R339.00 and R191.00 per share respectively. The mid-market price of an AngloGold share at 31 December 2003 was R313.99.

**Anglo American Platinum Corporation Limited (Anglo Platinum)**

B E Davison has share options in Anglo Platinum, a listed subsidiary of the Company; details of these share options are as follows:

Anglo Platinum options <sup>(1)</sup>	Options held at 1 January 2003	Granted	Exercised	Lapsed	Holding at 31 December 2003	Weighted average exercise price rand	Earliest date from which exercisable	Latest expiry date
B E Davison <sup>(2)</sup>	38,325	–	–	–	38,325	70.60	23/6/2001	22/6/2009

(1) There are no performance criteria attached to any of these options.

(2) Anglo Platinum options in respect of shares, the market price of which as at 31 December 2003 is equal to, or exceeds, the option exercise price. As at 31 December 2003, there were no options with an exercise price above the market price.

## REMUNERATION REPORT CONTINUED

The highest and lowest mid-market prices of Anglo Platinum's shares during the period 1 January 2003 to 31 December 2003 were R354.63 and R201.20 per share respectively. The mid-market price of an Anglo Platinum share at 31 December 2003 was R292.67.

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

### 3 Long term incentive plan (LTIP)

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

LTIP interests <sup>(1)</sup>	Total beneficial interest in LTIP at 1 January 2003	Number of shares conditionally awarded during the year <sup>(2)</sup>	Total beneficial interest in LTIP at 31 December 2003	Latest performance period end date <sup>(3)</sup>
A J Trahar	154,657	103,404	258,061	31/12/2005
B E Davison	69,064	46,277	115,341	31/12/2005
A W Lea	80,212	50,532	130,744	31/12/2005
W A Nairn	63,146	40,426	103,572	31/12/2005

(1) The LTIP award made in 2003 is conditional on two performance conditions: the first based on the Company's TSR relative to a weighted group of international natural resource companies, and the second based on an underlying operating measure which focuses on raising Anglo American's/Anglo Platinum's ROCE in the medium term. As shown on page 29, if the Company's TSR is equal to or greater than the weighted average TSR of the top performing company in each category, the proportion of the TSR element vesting would be 150%; in this event, therefore, the LTIP awards shown above would be 1.25 times greater upon vesting. Further details on the structure of the LTIP, the required level of performance for the 2003 award and how performance against targets is measured can be found on pages 28 and 29. The market price of the shares at the date of award was £9.30.

(2) Certain of the executive directors have also been granted additional unconditional shares in order to meet the national insurance contribution liability on both the TSR and operating measure elements of awards under the LTIP. The executive directors do not benefit from such an arrangement, which operates as a hedge against the future uncapped national insurance contributions liability, which the Company would otherwise have had to bear, and hence these shares have not been included in this table.

(3) The performance period applicable to each award is three years. The performance period relating to the first LTIP ended on 31 December 2003.

No LTIP interests vested during 2003.

### 4 Deferred bonus plan

In order to encourage directors to build up a significant personal stake in the Company, under the Deferred Bonus Plan executive directors were required to defer 50% of their annual bonus and could, at the discretion of the Committee on a year-by-year basis, defer all of their bonus (net of tax) to acquire shares in the Company. If these shares are held for three years, they will be matched by the Company on a one-for-one basis, conditional upon the executive director's continued employment.

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

Deferred bonus share matching interests	Total interest at 1 January 2003	Number of shares conditionally awarded during the year <sup>(1)</sup>	Number of shares vested during the year	Total interest at 31 December 2003	Latest vesting period end date
A J Trahar	43,585	32,219	(5,116)	70,688	31/12/2005
B E Davison	7,928	5,267	(2,112)	11,083	31/12/2005
A W Lea	26,378	12,803	(6,216)	32,965	31/12/2005
W A Nairn	7,586	10,429	(1,900)	16,115	31/12/2005

(1) The market price of the shares at the date of award was £9.28.

Details of the deferred bonus matching shares vested in 2003 are as follows:

Number of shares vested	Number of shares vested	Date of conditional award	Market price at date of award	Market price at date of vesting	Money value at date of vesting
A J Trahar	5,116	5/4/2000	£7.66	£9.39	£48,039
B E Davison	696	5/4/2000	£7.66	£9.39	£6,535
A W Lea	1,416	5/4/2000	R79.50	R127.00	R179,832
W A Nairn	6,216	5/4/2000	£7.66	£9.39	£58,368
	1,900	5/4/2000	R79.50	R127.00	R241,300

## REMUNERATION REPORT CONTINUED

A J Trahar, A W Lea and W A Nairn each purchased 147 shares under the SIP scheme during the year in addition to the 58 shares held by each of them at the beginning of the year. If these shares are held for three years, they will be matched by the Company on a one-for-one basis, conditional upon the director's continued employment. Participants in the SIP scheme are entitled to receive dividends from these matching shares upon vesting. No SIP matching shares have vested during 2003.

### 5 Pensions

#### Directors' pension arrangements

Each executive director, other than A W Lea, is a member of the Anglo American plc International Approved Pension Scheme, which is a defined contribution pension scheme.

A J Trahar participates in the Anglo American plc International Approved Pension Scheme in terms of his contract with Anglo American International (IOM) Limited; normal contributions are made on his behalf at the rate of 35% of basic salary payable under this contract. He also participates in the Anglo American Corporation Pension Fund, whereby he accrues benefits at the rate of 2.2% of pensionable salary (as defined in the rules of that scheme) for each year of pensionable service, in terms of his South African contract. This scheme provides spouse's benefits of two-thirds of the member's pension on the death of a member. It does not have provision for guaranteed pension increases.

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

B E Davison participates in the Anglo American plc International Approved Pension Scheme in terms of his contract with Anglo American International (IOM) Limited; normal contributions are made on his behalf at the rate of 25% of basic salary. He also participates in the Anglo American Corporation Retirement Fund, whereby contributions are made at the rate of 15% of basic salary (plus car allowance), under his South African contract. He elected to join this scheme when it was established in September 1998 and transferred his accrued benefits from the Anglo American Corporation Pension Fund, of which he was previously a member.

W A Nairn participates in the Anglo American plc International Approved Pension Scheme in terms of his contract with Anglo American International (IOM) Limited; normal contributions are made on his behalf at the rate of 25% of basic salary. He is also entitled to contributions at the rate of 14% of basic salary (plus car allowance) to an independent personal retirement plan located in South Africa, under his South African contract.

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

#### Defined contribution pension schemes

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

Directors	Normal contributions <sup>(1)</sup>	
	2003 £000	2002 £000
A J Trahar	142	144
B E Davison	90	82
A W Lea	166	156
W A Nairn	81	75

<sup>(1)</sup> In view of Messrs Trahar, Davison and Nairn having no provision for past service in respect of their sterling denominated pension fund, their employing company has contractually agreed that supplementary pension contributions should be made to the Anglo American plc International Approved Pension Scheme in return for these executives having given up their right to part of their future basic salary. These supplementary contributions, of £81,000 (2002: £75,000), £43,000 (2002: £40,000) and £38,000 (2002: £35,000) respectively, are disclosed in the directors' emoluments table on page 32.

## REMUNERATION REPORT CONTINUED

### Defined benefit pension schemes

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

	Additional benefit earned (excluding inflation) during the year ended 31 December 2003 £000	Accrued entitlement as at 31 December 2003 £000	Transfer value of accrued benefits as at 31 December		Increase in transfer value in the year less any personal contributions <sup>(1)</sup> £000
			2003 £000	2002 £000	
Executive directors					
A J Trahar	(6)	269	3,173	2,699	31
A W Lea	3	43	515	398	55
Non-executive director					
R M Godsell <sup>(2)</sup>	69	239	2,411	1,441	950

(1) The transfer value, less any personal contributions, of the increase in additional benefits earned during 2003 amounted for A W Lea and R M Godsell to £37,000 and £679,000 respectively. In respect of A J Trahar, this transfer value was reduced by £87,000 due to the reduction in the value of the rand portion of his salary.

(2) In his capacity as chief executive of AngloGold, R M Godsell is entitled to membership of the AngloGold Pension Fund.

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

### Excess retirement benefits

No person who served as a director of the Company during or before 2003 has been paid or received retirement benefits in excess of the retirement benefits to which he was entitled on the date on which benefits first became payable (or 31 March 1997, whichever is later).

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

No consideration was paid to or became receivable by third parties for making available the services of any person: as a director of the Company, or whilst a director of the Company, as a director of any of the Company's subsidiary undertakings, or as a director of any other undertaking of which he was (whilst a director of the Company) a director by virtue of the Company's nomination, or otherwise in connection with the management of the Company or any such other undertaking during the year to 31 December 2003.

### 7 Directors' share interests

The interests of directors who held office at 31 December 2003 in Ordinary Shares (Shares) of the Company and its subsidiaries were as follows:

#### Shares in Anglo American plc

Directors	As at 31 December 2003				As at 1 January 2003 (or if later, date of appointment)					
	Beneficial	Conditional			Non-beneficial	Beneficial	Conditional			Non-beneficial
		SIP <sup>(1)</sup>	Deferred bonus share match <sup>(2)</sup>	LTIP <sup>(3)</sup>			SIP <sup>(1)</sup>	Deferred bonus share match <sup>(2)</sup>	LTIP <sup>(3)</sup>	
A J Trahar	152,094	205	70,688	258,061	–	43,719	58	43,585	154,657	–
B E Davison	26,390	–	11,083	115,341	–	7,928	–	7,928	69,064	–
A W Lea <sup>(4)</sup>	84,777	205	32,965	130,744	–	34,928	58	26,378	80,212	–
W A Nairn	35,680	205	16,115	103,572	–	7,644	58	7,586	63,146	–
Sir Mark Moody-Stuart <sup>(5)</sup>	15,780	–	–	–	–	12,653	–	–	–	–
D J Challen	2,000	–	–	–	–	2,000	–	–	–	–
Dr C E Fay	3,487	–	–	–	–	1,600	–	–	–	–
R M Godsell	92	–	–	–	–	92	–	–	–	–
G Lindahl	7,792	–	–	–	–	4,507	–	–	–	–
R J Margetts <sup>(6)</sup>	6,297	–	–	–	–	3,874	–	–	–	–
Dr M S B Marques	–	–	–	–	–	–	–	–	–	–
N F Oppenheimer <sup>(7)</sup>	65,996,788	–	–	–	917,778	65,996,388	–	–	–	917,778
F T M Phaswana	4,692	–	–	–	–	1,059	–	–	–	–
Sir David Scholey	10,537	–	–	–	–	9,569	–	–	–	–
Prof K A L M Van Miert	500	–	–	–	–	–	–	–	–	–

**REMUNERATION REPORT  
CONTINUED**

- (1) The award of these Shares is conditional upon the participant's continued employment by the Group until three years after the conditional grant date.
- (2) The award of these Shares is conditional upon the participant's continued employment by the Group until three years after the allotment date.
- (3) The award of Shares under the LTIP is conditional upon the satisfaction of the performance conditions set out on pages 28 and 29.
- (4) A W Lea's beneficial interest includes 200 Shares arising as a result of his son's interest in these Shares.
- (5) Sir Mark Moody-Stuart's beneficial interest includes 12,500 Shares arising as a result of his interest in a family trust.
- (6) R J Margetts' beneficial interest in 6,297 Shares arises as a result of his wife's interest in these Shares.
- (7) N F Oppenheimer's beneficial interest in 65,996,696 of these Shares arises as a result of his interest in discretionary trusts which are treated as interested in 52,250,206 Shares in which E Oppenheimer & Son Holdings Limited is treated as interested and 13,741,490 Shares in which Central Holdings Limited is treated as interested. The 13,741,490 Shares referred to above are Shares held by Debswana Diamond Company (Pty) Limited, in which N F Oppenheimer and Central Holdings Limited have no economic interest. His interest in 5,000 of these Shares arises as a result of his wife's interest in a trust which has an indirect economic interest in those Shares. In addition, N F Oppenheimer has a non-beneficial interest in 917,778 Shares arising as a result of his position as a trustee of a charitable trust.

The following changes in the above interests occurred between 1 January 2003 and the date of this report:

**Shares in Anglo American plc**

Directors	As at 25 February 2004					As at 1 January 2004				
	Beneficial	Conditional			Non-beneficial	Beneficial	Conditional			Non-beneficial
		SIP <sup>(1)</sup>	Deferred bonus share match <sup>(2)</sup>	LTIP <sup>(3)</sup>			SIP <sup>(1)</sup>	Deferred bonus share match <sup>(2)</sup>	LTIP <sup>(3)</sup>	
A J Trahar	148,088	225	61,030	258,061	–	152,094	205	70,688	258,061	–
B E Davison	25,400	–	9,269	115,341	–	26,390	–	11,083	115,341	–
A W Lea <sup>(4)</sup>	80,483	225	26,727	130,744	–	84,777	205	32,965	130,744	–
W A Nairn	35,117	225	14,514	103,572	–	35,680	205	16,115	103,572	–
Sir Mark Moody-Stuart <sup>(5)</sup>	16,556	–	–	–	–	15,780	–	–	–	–
Dr C E Fay	3,894	–	–	–	–	3,487	–	–	–	–
G Lindahl	8,439	–	–	–	–	7,792	–	–	–	–
R J Margetts <sup>(6)</sup>	6,837	–	–	–	–	6,297	–	–	–	–
F T M Phaswana	5,482	–	–	–	–	4,692	–	–	–	–
Sir David Scholey	10,718	–	–	–	–	10,537	–	–	–	–

- (1) The award of these Shares is conditional upon the participant's continued employment by the Group until three years after the conditional grant date.
- (2) The award of these Shares is conditional upon the participant's continued employment by the Group until three years after the allotment date.
- (3) The award of Shares under the LTIP is conditional upon the satisfaction of the performance conditions set out on pages 28 and 29.
- (4) A W Lea's beneficial interest includes 200 Shares arising as a result of his son's interest in these Shares.
- (5) Sir Mark Moody-Stuart's beneficial interest includes 12,500 Shares arising as a result of his interest in a family trust.
- (6) R J Margetts' beneficial interest in 6,837 Shares arises as a result of his wife's interest in these Shares.



## REMUNERATION REPORT CONTINUED

### Shares in subsidiaries of Anglo American plc

	As at 31 December 2003		As at 1 January 2003 (or if later, date of appointment)	
	Beneficial	Non- beneficial	Beneficial	Non- beneficial
AngloGold Limited				
R M Godsell	460	–	460	–
N F Oppenheimer	–	8,726 <sup>(1)</sup>	–	6,426 <sup>(1)</sup>
Anglo American Platinum Corporation Limited				
B E Davison	22,067 <sup>(2)</sup>	–	22,067 <sup>(2)</sup>	–
W A Nairn	759	–	759	–
Highveld Steel and Vanadium Corporation Limited				
A J Trahar	–	–	–	100

(1) Shares held by N F Oppenheimer in his capacity as trustee of various trusts.

(2) 20,067 of these shares are held through a family trust.

### APPROVAL

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

Signed on behalf of the board of directors



**R J Margetts**  
24 February 2004

### INDEPENDENT REMUNERATION REPORT REVIEW

This letter reports on the results of the review carried out by Mercer Human Resource Consulting Limited of the processes followed by the Anglo American plc Remuneration Committee (the Committee) that support the Remuneration Report for the financial year 2003. Mercer undertook the review at the request of the Chairman of the Committee in order to provide shareholders with assurance that the remuneration processes followed are appropriate and that the Committee has complied with the policies set out in the Remuneration Report.

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

Based on our review, Mercer is of the opinion that the process followed by the Committee during 2003 was fully consistent with its Terms of Reference and that the decisions taken by the Committee were in line with the principles set out in the Remuneration Report. It continues to be our view that the Committee takes a suitably robust approach to its work. We would note in particular the changes to long term incentive arrangements which have been proposed in response to dialogue held with institutional investors.

The Committee has implemented changes as a result of our 2002 review. The members of the Committee have received training and are regularly updated on executive compensation and corporate governance matters.

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

Mark Hoble  
Mercer Human Resource Consulting Limited  
Dexter House  
2 Royal Mint Court  
London EC3N 4NA

13 February 2004

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGLO AMERICAN PLC

We have audited the financial statements of Anglo American plc for the year ended 31 December 2003 which comprise the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the Company balance sheet and the related notes 1 to 38. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information specified by the Directors' Remuneration Report Regulations 2002 to be audited which is set out in sections 1 to 6 of the remuneration report.

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

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

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

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

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

### OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

### Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
London

24 February 2004

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**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

US\$ million	Note	Before exceptional items 2003	Exceptional items (note 7) 2003	2003	Before exceptional items 2002	Exceptional items (note 7) 2002	2002
<b>Group turnover including share of joint ventures and associates</b>	2	<b>24,909</b>	–	<b>24,909</b>	20,497	–	20,497
Less: Share of joint ventures' turnover	2	(1,060)	–	(1,060)	(1,066)	–	(1,066)
Share of associates' turnover	2	(5,212)	–	(5,212)	(4,286)	–	(4,286)
Group turnover – subsidiaries	2	18,637	–	18,637	15,145	–	15,145
Operating costs	4	(16,740)	(286)	(17,026)	(12,757)	(47)	(12,804)
Group operating profit – subsidiaries	4	1,897	(286)	1,611	2,388	(47)	2,341
Share of operating profit of joint ventures	2	247	–	247	219	(34)	185
Share of operating profit of associates	2	748	–	748	725	–	725
<b>Total operating profit</b>	2	<b>2,892</b>	<b>(286)</b>	<b>2,606</b>	3,332	(81)	3,251
Profit on disposal of fixed assets	7	–	386	386	–	98	98
Loss on termination of operations	7	–	–	–	–	(34)	(34)
<b>Profit on ordinary activities before interest</b>	3	<b>2,892</b>	<b>100</b>	<b>2,992</b>	3,332	(17)	3,315
Investment income	8	308	–	308	304	–	304
Interest payable	9	(614)	(13)	(627)	(483)	–	(483)
<b>Profit on ordinary activities before taxation</b>		<b>2,586</b>	<b>87</b>	<b>2,673</b>	3,153	(17)	3,136
Tax on profit on ordinary activities	10	(749)	13	(736)	(1,042)	(3)	(1,045)
<b>Profit on ordinary activities after taxation</b>		<b>1,837</b>	<b>100</b>	<b>1,937</b>	2,111	(20)	2,091
Equity minority interests	3	(339)	(6)	(345)	(528)	–	(528)
<b>Profit for the financial year</b>	3	<b>1,498</b>	<b>94</b>	<b>1,592</b>	1,583	(20)	1,563
Equity dividends to shareholders	11	(766)	–	(766)	(720)	–	(720)
<b>Retained profit for the financial year</b>		<b>732</b>	<b>94</b>	<b>826</b>	863	(20)	843
<b>Headline earnings for the financial year</b>	12			<b>1,694</b>			1,759
<b>Basic earnings per share (US\$):</b>							
Profit for the financial year	12			1.13			1.11
Headline earnings for the financial year	12			1.20			1.25
<b>Diluted earnings per share (US\$):</b>							
Profit for the financial year	12			1.10			1.10
Headline earnings for the financial year	12			1.17			1.23
<b>Dividend per share (US cents)</b>				<b>54.0</b>			51.0
Basic number of shares outstanding <sup>(1)</sup> (million)	12			1,415			1,411
Diluted number of shares outstanding <sup>(1)</sup> (million)	12			1,478			1,426

<sup>(1)</sup> Basic and diluted number of shares outstanding represent the weighted average for the year.

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



**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2003**

US\$ million	Note	2003	2002
<b>Fixed assets</b>			
Intangible assets	13	2,267	2,310
Tangible assets	14	24,379	16,531
Investments in joint ventures:	15	1,630	1,544
Share of gross assets		2,483	2,763
Share of gross liabilities		(853)	(1,219)
Investments in associates	15	4,804	4,119
Other investments	15	1,394	1,713
		<b>34,474</b>	<b>26,217</b>
<b>Current assets</b>			
Stocks	17	2,744	1,814
Debtors	18	4,383	3,337
Current asset investments	19	1,032	1,143
Cash at bank and in hand		1,094	1,070
		<b>9,253</b>	<b>7,364</b>
<b>Liabilities due within one year</b>			
Short term borrowings	21	(4,094)	(1,918)
Other current liabilities	20	(5,224)	(4,329)
<b>Net current (liabilities)/assets</b>		<b>(65)</b>	<b>1,117</b>
<b>Total assets less current liabilities</b>		<b>34,409</b>	<b>27,334</b>
<b>Liabilities due after one year</b>			
Long term borrowings:	21	(6,665)	(5,873)
Convertible debt		(1,088)	(1,084)
Other long term liabilities		(5,577)	(4,789)
Provisions for liabilities and charges	23	(3,954)	(2,896)
Equity minority interests		(3,396)	(2,304)
<b>Net assets</b>		<b>20,394</b>	<b>16,261</b>
<b>Capital and reserves</b>			
Called-up share capital	24	738	735
Share premium account	25	1,284	1,216
Merger reserve	25	460	636
Other reserves	25	716	716
Profit and loss account	25	17,196	12,958
<b>Total shareholders' funds (equity)</b>		<b>20,394</b>	<b>16,261</b>

The financial statements were approved by the board of directors on 24 February 2004.

The balance sheet of the Company is presented in note 36 to the accounts.



A J Trahar  
Chief executive



A W Lea  
Finance director

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

US\$ million	Note	2003	2002
Net cash inflow from operating activities	26	3,184	3,618
Dividends from joint ventures and associates		426	258
Returns on investments and servicing of finance			
Interest received and other financial income		201	309
Interest paid		(452)	(281)
Dividends received from other fixed asset investments		42	49
Dividends paid to minority shareholders		(349)	(375)
Net cash outflow from returns on investments and servicing of finance		(558)	(298)
Taxation			
UK corporation tax		(6)	(10)
Overseas tax		(701)	(712)
Net cash outflow from taxation		(707)	(722)
Capital expenditure and financial investment			
Payments for tangible fixed assets		(3,025)	(2,139)
Proceeds from the sale of tangible fixed assets		117	313
Exit funding for Konkola Copper Mines (KCM)		–	(182)
Payments for other investments <sup>(1)</sup>		(46)	(351)
Proceeds from the sale of other investments <sup>(1)</sup>		617	217
Net cash outflow from capital expenditure and financial investment		(2,337)	(2,142)
Acquisitions and disposals			
Acquisition of subsidiaries <sup>(2)(3)</sup>	28	(1,469)	(2,911)
Disposal of subsidiaries	29	3	24
Investment in joint ventures		(1)	(34)
Sale of interests in joint ventures		–	122
Investment in proportionally consolidated joint arrangements		–	(13)
Investment in associates <sup>(3)</sup>		(78)	(613)
Sale of interests in associates		260	24
Net cash outflow from acquisitions and disposals		(1,285)	(3,401)
Equity dividends paid to Anglo American shareholders		(741)	(732)
Cash outflow before management of liquid resources and financing		(2,018)	(3,419)
Management of liquid resources		182	1,021
Financing	26	1,785	2,458
(Decrease)/increase in cash in the year	27	(51)	60

(1) Disposal and acquisition of other investments included in fixed assets.

(2) Net of cash acquired within subsidiaries of \$214 million (2002: \$157 million).

(3) All amounts paid in 2003 in respect of the acquisition of Kumba are included within acquisition of subsidiaries.

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2003**

US\$ million	Note	2003	2002
Profit for the financial year	3	1,592	1,563
Joint ventures		190	83
Associates		479	384
Unrealised gain arising on exchange of business		13	39
Less: Related overseas current tax charge		–	(22)
Currency translation differences on foreign currency net investments		3,282	2,531
Less: Related tax charge		(59)	–
Total recognised gains for the financial year		4,828	4,111

## NOTES TO FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES

#### Basis of preparation

The financial statements have been prepared according to the historical cost convention and in accordance with accounting standards applicable in the United Kingdom.

The accounting policies applied in preparing the financial statements are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2002.

#### Basis of consolidation

The financial statements comprise a consolidation of the financial statements of the Company and all its subsidiaries and incorporate the results of its share of joint ventures and associates on a gross equity and equity basis respectively. The financial statements also include the Group's share of the results of joint arrangements that are not entities as set out below.

#### Revenue recognition

Turnover amounts are measured at the fair value of consideration received or receivable, after deducting trade discounts, volume rebates, value added tax and other sales taxes. Turnover from metal mining activities is based on the contained metal sold. Revenues from the sale of by-products are credited against the cost of production of the main products.

#### Acquisitions and goodwill arising thereon

Where an investment in a subsidiary, joint venture or an associate is made, any difference between the purchase price and the fair value of the attributable net assets is recognised as goodwill. Goodwill is amortised over its estimated useful life up to a maximum of 20 years. Goodwill in respect of subsidiaries is included within intangible fixed assets. Goodwill relating to joint ventures and associates is included within the carrying value of the joint venture or associate. The unamortised balance is reviewed on a regular basis and, if an impairment in value has occurred, it is written off in the period in which the circumstances are identified.

#### Joint ventures

A joint venture is an entity in which the Group holds a long term interest and which is jointly controlled by the Group and one or more other partner under a contractual arrangement. The Group's share of the results of joint ventures is accounted for using the gross equity method of accounting.

#### Associates

The equity method of accounting is used for investments over which the Group exercises significant influence and normally owns between 20% and 50% of the voting equity.

Results of associates are equity accounted from their most recent audited financial statements or unaudited interim statements. Any losses of associates are accounted for in the consolidated financial statements.

The carrying values of investments in associates represent the cost of each investment including unamortised goodwill, the share of post-acquisition retained earnings and any other movements in reserves. The carrying value of associates is reviewed on a regular basis and if an impairment in value has occurred, it is written off in the period in which those circumstances are identified.

#### Joint arrangements

The Group has contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade of its own. The Group includes its share of the assets, liabilities, income, expenditure and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro rata to the Group's interest in the joint arrangement.

#### Investments

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

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 1 ACCOUNTING POLICIES *continued*

#### Tangible fixed assets

Mining properties and leases include the cost of acquiring and developing mining properties, mineral rights and investments in and loans to companies holding mineral rights. Mining properties are depreciated using the unit of production method based on proven and probable reserves. Depreciation is charged on new mining ventures from the date when the mining property is capable of commercial production. When there is little likelihood of a mineral right being exploited, or the value of the exploitable mineral right has diminished below cost, a write-down is charged against profits. Stripping costs incurred during the production phase to remove additional overburden or waste ore are deferred and charged to operating costs on the basis of the average life of mine.

Interest on borrowings relating to the financing of major capital projects under construction is charged during the construction phase as part of the cost of the project. 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 the Group's general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to general borrowings of the Group during the period.

Land and properties in the course of construction are not depreciated. Buildings, plant and equipment are depreciated at varying rates, on the straight-line basis over their estimated useful lives. Estimated useful lives normally vary up to 20 years for items of plant and equipment and up to a maximum of 50 years for buildings.

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

#### Impairments

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable. Any provision for impairment is charged against profit in the year concerned. In addition, first year impairment reviews are conducted for acquired goodwill. Impairment is determined by reference to the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. The discount rate applied is based upon the Group's weighted average cost of capital, with appropriate adjustment made for local conditions.

#### Research and exploration expenditure

Research and exploration expenditure is written off in the year in which it is incurred. When a decision is taken that a mining property becomes viable for commercial production, all further pre-production expenditure is capitalised. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

#### Stocks

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

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

#### Current asset investments

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

#### Retirement benefits

The Group operates both defined benefit and defined contribution schemes for its employees. For defined contribution schemes the amount charged to the profit and loss account is the contributions paid during the year.

The expected costs of providing post-retirement benefits under defined benefit arrangements are charged against profits to spread the expected costs on a straight-line basis over the service lives of employees entitled to those benefits. Costs are assessed in accordance with the advice of qualified actuaries using the projected unit method. Experience adjustments and prior service costs resulting from plan amendments are amortised over the expected average remaining service lives of relevant current employees. The difference between pension cost and funding is treated as a provision or prepayment.

The Group continues to account for post-retirement benefits under the transitional arrangements for FRS 17 'Retirement Benefits'.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 1 ACCOUNTING POLICIES *continued*

#### Restoration, rehabilitation and environmental costs

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

#### Deferred taxation

Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, subject to the recoverability of deferred tax assets. Deferred tax assets and liabilities are not discounted.

#### Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the lease term.

Finance lease obligations are recorded at the inception of the lease as the present value of the minimum lease payments, derived by discounting at the interest rate implicit in the lease. The interest element of the rental is charged against profit.

#### Foreign currency translation

Foreign currency transactions by Group companies are booked in local currency at the exchange rate ruling on the date of transaction, or at the forward rate if hedged by a forward contract. The profit and loss account of foreign subsidiaries, joint ventures and associates as well as the cash flow statements of foreign subsidiaries are translated at weighted average rates of exchange, other than material exceptional items which are translated at the rate on the date of the transaction. Assets and liabilities are translated at the exchange rate prevailing at the balance sheet date, or at the forward rate if hedged by a forward contract.

Exchange differences on the translation of the net assets of subsidiaries less offsetting exchange differences on foreign currency loans financing these assets, are recorded as a movement in reserves and in the consolidated statement of total recognised gains and losses.

All other exchange gains or losses on settlement of foreign currency transactions translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at year end exchange rates, are recorded in the profit and loss account.

#### Hedging transactions

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

#### Employee share awards

The estimated cost of awards made by the Group is charged to profit over the performance period, as appropriate. Where shares are held by an employee benefit trust the carrying value of these shares is included within other fixed asset investments, less amounts charged to profit relating to those shares. The estimated cost of awards is the market value of shares awarded or the intrinsic value of the awards (being the difference between the exercise price of the award and the market price at the date of grant) adjusted to reflect performance conditions where applicable. The Group has taken advantage of the exemption given in Urgent Issues Task Force Abstract 17 'Employee share schemes' in respect of Save As You Earn schemes.

#### Reporting currency

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



**NOTES TO FINANCIAL STATEMENTS  
CONTINUED**

**2 SEGMENTAL INFORMATION**

US\$ million	Turnover		Operating profit <sup>(1)</sup>				Net operating assets <sup>(2)</sup>	
	2003	2002	Before exceptional items 2003	Exceptional items (note 7) 2003	2003	2002	2003	2002
<b>By business segment</b>								
<b>Group subsidiaries</b>								
Platinum	2,232	1,964	442	(14)	428	784	6,119	3,580
Gold	1,718	1,450	269	(43)	226	351	3,302	2,511
Coal	1,556	1,463	260	–	260	379	2,152	1,658
Base Metals	1,720	907	172	(208)	(36)	30	4,087	3,617
Industrial Minerals	3,196	2,811	308	–	308	264	4,304	3,848
Paper and Packaging	5,352	4,529	638	–	638	624	4,820	3,897
Ferrous Metals	1,198	780	86	–	86	83	3,030	461
Industries	1,665	1,241	44	–	44	121	1,599	1,235
Exploration	–	–	(105)	(20)	(125)	(93)	–	–
Corporate Activities	–	–	(217)	(1)	(218)	(202)	296	315
	<b>18,637</b>	<b>15,145</b>	<b>1,897</b>	<b>(286)</b>	<b>1,611</b>	<b>2,341</b>	<b>29,709</b>	<b>21,122</b>
<b>Joint ventures<sup>(3)</sup></b>								
Gold	312	312	99	–	99	108		
Base Metals	346	413	114	–	114	41		
Industrial Minerals	100	76	14	–	14	9		
Paper and Packaging	274	252	18	–	18	25		
Ferrous Metals	28	13	2	–	2	2		
	<b>1,060</b>	<b>1,066</b>	<b>247</b>	<b>–</b>	<b>247</b>	<b>185</b>		
<b>Associates<sup>(3)</sup></b>								
Platinum	46	40	5	–	5	18		
Gold	11	7	1	–	1	4		
Diamonds	2,967	2,746	562	–	562	541		
Coal	295	247	73	–	73	48		
Base Metals	60	58	–	–	–	11		
Industrial Minerals	22	25	3	–	3	4		
Paper and Packaging	2	24	–	–	–	–		
Ferrous Metals	813	457	68	–	68	65		
Industries	663	516	8	–	8	(7)		
Corporate Activities	333	166	28	–	28	41		
	<b>5,212</b>	<b>4,286</b>	<b>748</b>	<b>–</b>	<b>748</b>	<b>725</b>		
	<b>24,909</b>	<b>20,497</b>	<b>2,892</b>	<b>(286)</b>	<b>2,606</b>	<b>3,251</b>		

(1) Comparative figures for operating profit for 2002 are stated after deducting the following exceptional items:

US\$ million	
Operating profit before exceptional items	3,332
Less Group subsidiaries' exceptional items:	
Base Metals	(17)
Corporate Activities	(30)
Less share of joint ventures exceptional items – Base Metals	(34)
Operating profit after exceptional items	3,251

Further details of these exceptional items are given in note 7.

(2) Net operating assets consist of tangible and intangible assets, stocks and operating debtors less non-interest bearing current liabilities. See note 35 for the reconciliation of net operating assets to net assets.

(3) Net assets for joint ventures and associates are disclosed in note 16.

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**2 SEGMENTAL INFORMATION** continued

US\$ million	Turnover		Operating profit				Net operating assets <sup>(1)</sup>	
	2003	2002	Before exceptional items 2003	Exceptional items (note 7) 2003	2003	2002	2003	2002
<b>By geographical segment (by origin)</b>								
<b>Group subsidiaries</b>								
South Africa	7,308	5,863	886	(49)	837	1,587	14,148	7,712
Rest of Africa	44	67	(4)	–	(4)	21	873	555
Europe	7,721	6,545	592	–	592	509	8,086	7,001
North America	708	634	(71)	(208)	(279)	(41)	868	934
South America	1,675	908	361	(1)	360	151	3,168	3,196
Australia and Asia	1,181	1,128	133	(28)	105	114	2,566	1,724
<b>Joint ventures<sup>(2)</sup></b>								
South Africa	17	12	9	–	9	5		
Rest of Africa	312	330	98	–	98	106		
Europe	372	398	31	–	31	(50)		
North America	28	13	2	–	2	1		
South America	323	313	105	–	105	123		
Australia and Asia	8	–	2	–	2	–		
<b>Associates<sup>(2)</sup></b>								
South Africa	1,302	1,068	135	–	135	198		
Rest of Africa	2,157	1,582	398	–	398	312		
Europe	640	733	116	–	116	124		
North America	504	527	(4)	–	(4)	21		
South America	280	238	61	–	61	46		
Australia and Asia	329	138	42	–	42	24		
	<b>24,909</b>	<b>20,497</b>	<b>2,892</b>	<b>(286)</b>	<b>2,606</b>	<b>3,251</b>	<b>29,709</b>	<b>21,122</b>
<b>By geographical segment (by destination)</b>								
<b>Group subsidiaries</b>								
South Africa	3,503	2,566						
Rest of Africa	295	302						
Europe	9,726	8,295						
North America	1,607	1,144						
South America	859	436						
Australia and Asia	2,647	2,402						
<b>Joint ventures</b>								
South Africa	7	3						
Rest of Africa	11	35						
Europe	787	803						
North America	91	99						
South America	45	19						
Australia and Asia	119	107						
<b>Associates</b>								
South Africa	399	309						
Rest of Africa	34	40						
Europe	1,287	947						
North America	2,157	1,901						
South America	41	23						
Australia and Asia	1,294	1,066						
	<b>24,909</b>	<b>20,497</b>						

<sup>(1)</sup> Net operating assets consist of tangible and intangible assets, stocks and operating debtors less non-interest bearing current liabilities. See note 35 for the reconciliation of net operating assets to net assets.

<sup>(2)</sup> Net assets for joint ventures and associates are disclosed in note 16.

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**3 PROFIT FOR THE FINANCIAL YEAR**

The table below analyses the contribution of each business segment to the Group's profit for the financial year and its headline earnings:

2003													
US\$ million	Operating profit	Operating exceptional items	Non-operating exceptional items	Goodwill amortisation	Profit before interest	Interest income	Dividend income	Other financial income	Interest expense	Net investment income/(expense)	Tax	Equity minority interests	Total
<b>By business segment</b>													
Platinum	433	14	–	17	464	14	–	21	(47)	(12)	(152)	(95)	205
Gold	326	43	–	41	410	42	–	51	(44)	49	(122)	(170)	167
Diamonds	562	–	–	32	594	10	–	–	(59)	(49)	(153)	(6)	386
Coal	333	–	–	8	341	13	2	(31)	(7)	(23)	(86)	–	232
Base Metals	78	208	–	1	287	6	–	(12)	(38)	(44)	(32)	(5)	206
Industrial Minerals	325	–	–	53	378	7	1	(4)	(15)	(11)	(81)	(16)	270
Paper and Packaging	656	–	–	18	674	27	5	31	(126)	(63)	(172)	(71)	368
Ferrous Metals	156	–	–	9	165	14	2	3	(50)	(31)	(41)	(4)	89
Industries	52	–	–	4	56	44	9	(11)	(104)	(62)	21	3	18
Exploration	(125)	20	–	–	(105)	–	–	1	–	1	–	21	(83)
Corporate Activities	(190)	1	–	20	(169)	23	17	23	(124)	(61)	69	(3)	(164)
Headline earnings for the financial year	2,606	286	–	203	3,095	200	36	72	(614)	(306)	(749)	(346)	1,694
Headline earnings adjustments	–	(286)	386	(203)	(103)	–	–	–	(13)	(13)	13	1	(102)
Profit for the financial year	2,606	–	386	–	2,992	200	36	72	(627)	(319)	(736)	(345)	1,592

2002													
US\$ million	Operating profit	Operating exceptional items	Non-operating exceptional items	Goodwill amortisation	Profit before interest	Interest income	Dividend income	Other financial income	Interest expense	Net investment income/(expense)	Tax	Equity minority interests	Total
<b>By business segment</b>													
Platinum	802	–	–	17	819	17	–	–	(5)	12	(265)	(215)	351
Gold	463	–	–	39	502	39	–	75	(47)	67	(157)	(207)	205
Diamonds	541	–	–	29	570	16	–	–	(95)	(79)	(159)	(8)	324
Coal	427	–	–	7	434	8	1	(65)	(5)	(61)	(107)	–	266
Base Metals	82	51	–	1	134	4	–	(2)	(43)	(41)	(22)	(2)	69
Industrial Minerals	277	–	–	46	323	6	–	7	(3)	10	(86)	(16)	231
Paper and Packaging	649	–	–	15	664	12	9	18	(84)	(45)	(173)	(70)	376
Ferrous Metals	150	–	–	5	155	16	3	2	(23)	(2)	(53)	(12)	88
Industries	114	–	–	3	117	32	9	(17)	(66)	(42)	(10)	(27)	38
Exploration	(93)	–	–	–	(93)	–	–	(1)	–	(1)	–	17	(77)
Corporate Activities	(161)	30	–	27	(104)	95	28	(8)	(112)	3	(10)	(1)	(112)
Headline earnings for the financial year	3,251	81	–	189	3,521	245	50	9	(483)	(179)	(1,042)	(541)	1,759
Headline earnings adjustments	–	(81)	64	(189)	(206)	–	–	–	–	–	(3)	13	(196)
Profit for the financial year	3,251	–	64	–	3,315	245	50	9	(483)	(179)	(1,045)	(528)	1,563

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**4 GROUP OPERATING PROFIT**

US\$ million	2003	2002
Group turnover	18,637	15,145
Cost of sales <sup>(1)</sup>	(14,010)	(10,228)
Gross profit	4,627	4,917
Selling and distribution costs	(1,258)	(971)
Administrative expenses	(1,651)	(1,550)
Other operating income	18	38
Exploration expenditure <sup>(5)</sup> (see note 5)	(125)	(93)
<b>Group operating profit</b>	<b>1,611</b>	<b>2,341</b>

(1) Includes Group operating exceptional charges of \$266 million in continuing operations (2002: \$47 million). See note 7.

US\$ million	2003	2002
<b>Operating profit is after charging:</b>		
Depreciation of tangible assets	1,310	962
Goodwill amortisation – subsidiaries	153	139
– joint ventures and associates	50	50
Rentals under operating leases:		
Hire of plant and machinery	72	60
Other operating leases	57	49
Research and development expenditure	39	29
Auditors' remuneration <sup>(2)</sup> :		
Audit:		
United Kingdom	3	2
Overseas	8	8
Other services provided by Deloitte:		
United Kingdom	1	3
Overseas	11 <sup>(3)</sup>	5
Operating exceptional items (see note 7)	286	47

(2) A more detailed analysis of auditors' remuneration for the year ended 31 December 2003 is provided below:

US\$ million (unless otherwise stated)	Payable to Deloitte		Payable to auditor (if not Deloitte)	
	United Kingdom	Overseas	United Kingdom	Overseas
<b>Audit services:</b>				
Statutory audit fees	2.5	7.8	–	3.0
Interim review	0.5	0.2	–	0.1
Audit-related regulatory reporting	–	0.1	–	–
	3.0	8.1	–	3.1
<b>Further assurance services:</b>				
Corporate finance	0.1	0.7	–	0.3
Tax compliance	0.1	1.1	–	0.1
Other	0.2	0.8	–	0.2
Tax advisory services	0.7	2.4	–	0.3
<b>Other non-audit services:</b>				
Information technology	–	1.6	–	–
Internal audit	–	0.3	–	0.2
Consultancy services	–	4.7 <sup>(4)</sup>	–	–
Other	–	0.3	–	0.2
	1.1	11.9	–	1.3

(3) A further \$1 million has been capitalised in fixed assets relating to consultancy services provided by Deloitte. The full \$11.9 million is analysed above.

(4) Consultancy services are of a non-financial nature and do not involve the design or implementation of financial systems.

(5) Exploration expenditure includes a \$20 million exceptional charge (see note 7).

**NOTES TO FINANCIAL STATEMENTS  
CONTINUED**

**5 EXPLORATION EXPENDITURE**

US\$ million	2003	2002
<b>By business segment</b>		
Platinum	11	13
Gold	36	27
Base Metals	50	47
Impairment of Boyongan (see note 7)	20	–
Other	8	6
	<b>125</b>	<b>93</b>

**6 EMPLOYEE NUMBERS AND COSTS**

The average number of employees, excluding joint ventures' and associates' employees, was:

Thousands	2003	2002
Platinum	46	45
Gold	46	45
Coal	9	9
Base Metals	8	6
Industrial Minerals	12	12
Paper and Packaging	37	26 <sup>(1)</sup>
Ferrous Metals	12	11
Industries	22	22
Corporate Activities	1	1
	<b>193</b>	<b>177</b>

(1) The average employee number for Paper and Packaging in 2002 does not include employees of a number of small operations which became subsidiaries in 2003 when the shareholding increased above 50%. If included in 2002, average employees would have been 30,000.

The principal locations of employment were:

Thousands	2003	2002
South Africa	122	122
Rest of Africa	12	10
Europe	42	30
North America	4	4
South America	8	7
Australia and Asia	5	4
	<b>193</b>	<b>177</b>

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

US\$ million	2003	2002
Wages and salaries	3,311	2,421
Social security costs	271	204
Post-retirement healthcare costs	108	17
Defined contribution pension plan costs	131	99
Defined benefit pension plan costs	108	55
	<b>3,929</b>	<b>2,796</b>

Disclosures on directors' emoluments, pension entitlements, share options and long term incentive plan awards required by the Companies Act 1985 and those specified for audit by the Directors Remuneration Report Regulations 2002 are included in sections 1 to 6 of the remuneration report and form part of these financial statements.



**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**7 EXCEPTIONAL ITEMS**

Operating exceptional items

US\$ million	2003	2002
Impairment of Hudson Bay Mining and Smelting Co Ltd	(208)	–
Impairment of Boyongan	(20)	–
Impairment of Savuka	(34)	–
Disposal of Salobo Metais SA – reversal of previous impairment	–	46
Write-down of investments	–	(30)
Other impairments	(24)	(97)
<b>Total operating exceptional items</b>	<b>(286)</b>	<b>(81)</b>
Taxation	22	–
Minority interests	23	–
	<b>(241)</b>	<b>(81)</b>

Exceptional finance charge

Share of associate's charge on early redemption of debt	(13)	–
<b>Total exceptional finance charge</b>	<b>(13)</b>	<b>–</b>

Non-operating exceptional items

Disposal of interest in Li & Fung	163	–
Further disposal of interests in FirstRand Limited	117	7
Disposal of interest in Avgold	51	–
Disposal of interest in East Africa Gold Mines	25	–
Disposal of interest in Randgold Resources	17	–
Disposal of interest in JCI	(20)	–
Disposal of Anglovaal Mining Limited	(13)	–
Disposal of Tati Nickel Mining Company (Pty) Limited	–	53
Disposal of Salobo Metais SA	–	5
Disposal of other fixed assets and investments	21	14
Share of associates' exceptional items	25	19
Profit on disposal of fixed assets	386	98
KCM exit costs	–	(34)
<b>Total non-operating exceptional items</b>	<b>386</b>	<b>64</b>
Taxation	(9)	(3)
Minority interests	(29)	–
	<b>348</b>	<b>61</b>
<b>Total exceptional items (net of tax and minority interests)</b>	<b>94</b>	<b>(20)</b>

Operating exceptional items

A review of the carrying value of the Hudson Bay assets has resulted in a \$208 million exceptional charge to operating profit, attributable to Base Metals. The review was based on estimated value in use.

During the year Exploration has made an exceptional charge of \$20 million against the Boyongan project in the Philippines.

AngloGold impaired the mining assets of Savuka in South Africa with a charge of \$34 million.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 7 EXCEPTIONAL ITEMS *continued*

#### Exceptional finance charge

The exceptional finance charge of \$13 million relates to the Group's share of De Beers' costs on the early redemption of debt, being facility fees not yet amortised.

#### Non-operating exceptional items

During the year, Ferrous Metals & Industries disposed of their remaining shareholding in Li & Fung for \$269 million, leading to an exceptional gain of \$163 million. The Group made further sales of its interest in FirstRand Limited during the year for a total consideration of \$176 million, leading to an exceptional gain of \$117 million attributable to Corporate Activities.

The Group also disposed of its remaining stake in Avgold in November 2003 resulting in an exceptional gain of \$51 million attributable to Corporate Activities.

### 8 INVESTMENT INCOME

US\$ million	2003	2002
Interest and other financial income	227	226
Share of investment income of joint ventures	2	5
Share of investment income of associates	43	23
Dividend income from other financial assets	36	50
	<b>308</b>	<b>304</b>

Other financial income in the table above includes \$70 million net exchange losses arising from net foreign currency borrowings less deposits (2002: net losses of \$77 million).

### 9 INTEREST PAYABLE

US\$ million	2003	2002
Bank loans and overdrafts	375	215
Other loans	119	117
Unwinding of discount on rehabilitation provisions	8	8
Share of interest payable of joint ventures	26	33
Share of interest payable of associates	127	142
Share of associates' charge on early redemption of debt (see note 7)	13	–
	<b>668</b>	<b>515</b>
Capitalised	(41)	(32)
	<b>627</b>	<b>483</b>

## 10 TAX ON PROFIT ON ORDINARY ACTIVITIES

### a) Analysis of charge for the year

US\$ million	2003		2002	
	Excluding exceptional items	Including exceptional items	Excluding exceptional items	Including exceptional items
United Kingdom corporation tax at 30%	26	26	(4)	(4)
South Africa corporation tax at 30%	74	74	435	435
Other overseas taxation	240	240	187	187
Share of taxation charge of joint ventures	15	15	29	29
Share of taxation charge of associates	200	200	216	216
Current tax on exceptional items	–	9	–	3
<b>Total current tax</b>	<b>555</b>	<b>564</b>	<b>863</b>	<b>866</b>
Deferred taxation – subsidiaries	193	193	160	160
Deferred taxation – joint ventures	17	17	14	14
Deferred taxation – associates	(16)	(16)	5	5
Deferred tax on exceptional items	–	(22)	–	–
<b>Total deferred tax</b>	<b>194</b>	<b>172</b>	<b>179</b>	<b>179</b>
<b>Total tax charge</b>	<b>749</b>	<b>736</b>	<b>1,042</b>	<b>1,045</b>

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

The current tax charge assessed for the year is lower than the standard rate of corporation tax in the United Kingdom and South Africa (30%). The differences are explained below:

US\$ million	2003 Including exceptional items	2002 Including exceptional items
Profit on ordinary activities before tax	2,673	3,136
Tax on profit on ordinary activities at 30% (2002: 30%)	802	941
Tax effects of:		
Expenses not deductible for tax purposes:		
Operating exceptional items	86	24
Goodwill amortisation	61	41
Exploration costs	32	28
Other permanent items	–	10
Non-taxable income:		
Dividends receivable	(11)	(15)
Non-operating exceptional items	(103)	(19)
Tax allowances for capital expenditure in excess of depreciation	(207)	(175)
Movement in tax losses	15	37
South African secondary tax on companies	45	53
Effect of differences between local and UK rates	(66)	– <sup>(1)</sup>
Other differences	(90)	(59)
<b>Current tax charge for the year</b>	<b>564</b>	<b>866</b>

(1) The prior year comparative is included within other differences.

### c) Factors that may affect future tax charges

The Group anticipates that its effective rate will move above the statutory rate of 30% as the Group operates in certain countries where tax rates are higher than the UK rate, including South Africa (effective rate of 37.8% assuming distribution of profits).

Details of the deferred tax provision are given in note 23. In addition to the amounts provided in deferred tax, unrecognised assets exist in respect of taxable losses. No asset has been recognised in respect of these losses as it is not regarded as more likely than not that there will be suitable taxable profits against which to offset these losses. Any utilisation of these losses in the future may lead to a reduction in effective tax rates.

No deferred tax has been provided in respect of accumulated reserves of overseas subsidiaries, associates or joint ventures as no dividends have been declared. Overseas earnings have not been remitted to the UK in such a way as to incur a UK tax charge.

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**11 DIVIDENDS**

US\$ million	2003	2002
Interim paid – 15 US cents per ordinary share (2002: 15 US cents)	212	211
Final proposed – 39 US cents per ordinary share (2002: 36 US cents)	554	509
	<b>766</b>	720

As stated in note 24, the shares held by the employee benefit trust have waived the right to receive dividends.

**12 EARNINGS PER SHARE**

	2003	2002
Basic number of ordinary shares outstanding (million) <sup>(1)</sup>	1,415	1,411
Potentially dilutive ordinary shares (million)	63	15
Diluted number of ordinary shares outstanding (million) <sup>(1)</sup>	1,478	1,426
Profit for the financial year:		
Basic earnings per share (US\$) <sup>(2)</sup>	1.13	1.11
Diluted earnings per share (US\$) <sup>(3)</sup>	1.10	1.10
Headline earnings for the financial year <sup>(4)</sup> :		
Basic earnings per share (US\$)	1.20	1.25
Diluted earnings per share (US\$)	1.17	1.23

(1) Basic and diluted number of shares outstanding represent the weighted average for the year.

(2) Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The average number of shares in issue excludes the shares held by the employee benefit trust.

(3) 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.

(4) Basic and diluted earnings per share are also shown based on headline earnings, which the directors believe to be a useful additional measure of the Group's performance. Headline earnings per share is calculated in accordance with the definition issued by the Institute of Investment Management and Research (now Society of Investment Professionals), in Statement of Investment Practice No. 1, 'The Definition of Headline Earnings'.

US\$ million (unless otherwise stated)	2003		2002	
	Earnings	Basic earnings per share US\$	Earnings	Basic earnings per share US\$
Profit for the financial year	1,592	1.13	1,563	1.11
Operating exceptional items	286	0.20	81	0.06
Exceptional finance charge	13	0.01	–	–
Non-operating exceptional items	(386)	(0.27)	(64)	(0.05)
Amortisation of goodwill:				
Subsidiaries	153	0.11	139	0.10
Joint ventures and associates	50	0.04	50	0.04
Related tax	(13)	(0.01)	3	–
Related minority interest	(1)	(0.01)	(13)	(0.01)
Headline earnings for the financial year	1,694	1.20	1,759	1.25

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**13 INTANGIBLE FIXED ASSETS**

US\$ million	Goodwill
<b>Cost</b>	
At 1 January 2003	2,881
Acquisition of subsidiaries	50
Currency movements	62
<b>At 31 December 2003</b>	<b>2,993</b>
<b>Accumulated amortisation</b>	
At 1 January 2003	(571)
Charge for the year	(153)
Currency movements	(2)
<b>At 31 December 2003</b>	<b>(726)</b>
<b>Net book value</b>	
<b>At 31 December 2003</b>	<b>2,267</b>
At 31 December 2002	2,310

The increase in goodwill relating to acquisition of subsidiaries represents the excess of fair value of the purchase price over the provisional fair value of the net assets of businesses acquired. Further detail is given in note 28.

**14 TANGIBLE FIXED ASSETS**

US\$ million	Mining properties and leases	Land and buildings	Plant and equipment	Other <sup>(1)</sup>	Total
<b>Cost</b>					
At 1 January 2003	8,833	1,841	9,193	1,782	21,649
Additions	544	39	602	2,113	3,298
Acquired with subsidiaries <sup>(2)</sup>	1,707	229	695	212	2,843
Disposal of assets	(87)	(41)	(198)	(69)	(395)
Disposed with subsidiaries	(147)	(6)	(21)	–	(174)
Reclassifications	218	146	789	(1,076)	77
Currency movements	2,162	297	2,135	326	4,920
<b>At 31 December 2003</b>	<b>13,230</b>	<b>2,505</b>	<b>13,195</b>	<b>3,288</b>	<b>32,218</b>
<b>Accumulated depreciation</b>					
At 1 January 2003	2,153	176	2,695	94	5,118
Charge for the year	398	69	811	32	1,310
Impairment	81	4	174	7	266
Disposal of assets	(10)	(15)	(164)	(13)	(202)
Disposed with subsidiaries	(121)	(2)	(17)	–	(140)
Reclassifications	51	6	11	(6)	62
Currency movements	481	39	884	21	1,425
<b>At 31 December 2003</b>	<b>3,033</b>	<b>277</b>	<b>4,394</b>	<b>135</b>	<b>7,839</b>
<b>Net book value</b>					
<b>At 31 December 2003<sup>(3)</sup></b>	<b>10,197</b>	<b>2,228</b>	<b>8,801</b>	<b>3,153</b>	<b>24,379</b>
At 31 December 2002	6,680	1,665	6,498	1,688	16,531

<sup>(1)</sup> Other tangible fixed assets include properties in the course of construction and afforestation.

<sup>(2)</sup> Acquired with subsidiaries includes \$9 million relating to the reassessment of the fair value of assets of Minera Sur Andes (see note 28).

<sup>(3)</sup> Net book value of assets held under finance leases amounts to \$165 million (2002: \$125 million).



## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 14 TANGIBLE FIXED ASSETS *continued*

Included in the cost of tangible fixed assets is \$41 million of interest (2002: \$32 million) which has been capitalised during the year. Aggregate interest capitalised at 31 December 2003 totals \$141 million (2002: \$100 million). Tax relief on interest capitalised is based on the tax rates prevailing in the jurisdiction in which the interest is incurred.

The impairment charge for the year includes \$208 million against the assets at Hudson Bay in Base Metals. Further detail regarding this impairment is given in note 7.

Nominal pre-tax discount rates based on real post-tax discount rates of between 6-9% were used in the performance of impairment reviews.

Included in tangible fixed assets are properties in the course of construction and land and buildings amounting to \$2,413 million (2002: \$1,276 million) which are not depreciated.

The net book value of land and buildings comprises:

US\$ million	2003	2002
Freehold	2,114	1,560
Leasehold – long	98	92
Leasehold – short (less than 50 years)	16	13
	<b>2,228</b>	<b>1,665</b>

### 15 FIXED ASSET INVESTMENTS

US\$ million	Interest in joint ventures		Interest in associates <sup>(1)</sup>		Other investments <sup>(2)</sup>			Total
	Loans	Equity	Loans	Equity	Loans	Equity	Own shares	
<b>Cost</b>								
At 1 January 2003		1,156	86	4,431	246	1,098	685	8,263
Group's share of profits less losses <sup>(3)</sup>		174		143				317
Additions				7		66		73
Acquired with subsidiaries		2		14		31		47
Disposals		(1)		(230)		(317)		(548)
Reclassifications	(295)	93	(6)	7	2	(350)		(549)
(Repayments)/advances	(6)	(91)	29	183	64	(7)		172
Currency movements		37	9	541	41	106	8	742
<b>At 31 December 2003</b>	<b>260</b>	<b>1,370</b>	<b>118</b>	<b>5,096</b>	<b>353</b>	<b>627</b>	<b>693</b>	<b>8,517</b>
<b>Provisions for impairment</b>								
At 1 January 2003		(173)		(398)	(49)	(212)	(55)	(887)
(Charge)/utilisation for the year				(12)		2	(16)	(26)
Disposals						85		85
Reclassifications		173			(12)			161
Currency movements					(10)	(12)		(22)
<b>At 31 December 2003</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(410)</b>	<b>(71)</b>	<b>(137)</b>	<b>(71)</b>	<b>(689)</b>
<b>Net book value</b>								
<b>At 31 December 2003<sup>(4)</sup></b>	<b>260</b>	<b>1,370</b>	<b>118</b>	<b>4,686</b>	<b>282</b>	<b>490</b>	<b>622</b>	<b>7,828</b>
At 31 December 2002	561	983	86	4,033	197	886	630	7,376

(1) Interest in associates at 31 December 2003 includes \$359 million of goodwill (2002: \$441 million, restated for amounts reclassified to mining reserves).

(2) Other investments in the table above include listed investments of \$52 million (2002: \$323 million). The market value of these listed investments, \$166 million (2002: \$602 million), exceeded the carrying value at 31 December 2003 by \$114 million (2002: \$279 million).

(3) Net of goodwill amortisation of \$42 million (2002: \$42 million) in associates and \$8 million (2002: \$8 million) in joint ventures.

(4)

US\$ million	Loans	Equity	Own shares	Total
31 December 2003				
Joint ventures	260	1,370	–	1,630
Associates	118	4,686	–	4,804
Other investments	282	490	622	1,394

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**16 JOINT VENTURES AND ASSOCIATES**

US\$ million	2003			2002		
	Joint ventures	Associates	Total	Joint ventures	Associates	Total
Fixed assets	2,001	5,755	7,756	2,207	4,186	6,393
Current assets	482	2,269	2,751	556	2,263	2,819
Liabilities due within one year	(355)	(856)	(1,211)	(302)	(664)	(966)
Liabilities due after more than one year	(498)	(2,364)	(2,862)	(917)	(1,666)	(2,583)
Net assets	1,630	4,804	6,434	1,544	4,119	5,663

US\$ million	2003	2002
Platinum	73	65
Gold	1,219	1,077
Diamonds	2,886	2,329
Coal	504	553
Base Metals	963	829
Industrial Minerals	60	53
Paper and Packaging	178	161
Ferrous Metals	445	505
Industries	50	45
Corporate Activities	56	46
	6,434	5,663
South Africa	1,751	1,483
Rest of Africa	1,960	1,637
Europe	686	738
North America	316	170
South America	1,301	1,286
Australia and Asia	420	349
	6,434	5,663

**17 STOCKS**

US\$ million	2003	2002
Raw materials and consumables	956	668
Work in progress	633	352
Finished products	1,155	794
	2,744	1,814

The difference between the replacement cost and the values included in the financial statements is not material.

**NOTES TO FINANCIAL STATEMENTS  
CONTINUED**

**18 DEBTORS**

US\$ million	2003			2002		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Trade debtors	3,061	19	3,080	2,232	3	2,235
Amounts owed by joint ventures	60	–	60	49	2	51
Other debtors	819	83	902	649	62	711
Prepayments and accrued income <sup>(1)</sup>	165	176	341	169	171	340
	<b>4,105</b>	<b>278</b>	<b>4,383</b>	<b>3,099</b>	<b>238</b>	<b>3,337</b>

<sup>(1)</sup> Includes \$170 million in relation to prepaid pension contributions (2002: \$168 million).

**19 CURRENT ASSET INVESTMENTS**

US\$ million	2003		2002	
	Market value	Group carrying value	Market value	Group carrying value
Bank term deposits	312	312	923	923
Quoted fixed and floating rate debt securities	502	502	3	3
Unquoted fixed and floating rate debt securities	218	218	217	217
	<b>1,032</b>	<b>1,032</b>	<b>1,143</b>	<b>1,143</b>

**20 OTHER CURRENT LIABILITIES**

US\$ million	2003	2002
Trade creditors	2,528	1,541
Amounts owed to associates	3	–
Taxation and social security	579	772
Other creditors	1,127	1,128
Accruals and deferred income	433	379
Proposed dividend (see note 11)	554	509
	<b>5,224</b>	<b>4,329</b>

21 SHORT TERM BORROWINGS AND LIABILITIES DUE AFTER ONE YEAR

US\$ million	2003			2002		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Convertible debt	–	1,088	1,088	–	1,084	1,084
Other long term liabilities:						
Bonds issued under EMTN programme	52	1,750	1,802	–	–	–
Bank loans and overdrafts	2,633	3,309	5,942	1,715	3,996	5,711
Obligations under finance leases	21	119	140	13	63	76
Other loans	1,380	354	1,734	190	697	887
Other creditors	8	45	53	–	33	33
	4,094	5,577	9,671	1,918	4,789	6,707
<b>Total</b>	<b>4,094</b>	<b>6,665</b>	<b>10,759</b>	<b>1,918</b>	<b>5,873</b>	<b>7,791</b>

In April 2002, Anglo American issued \$1.1 billion 3<sup>3</sup>/<sub>8</sub> per cent convertible bonds, due 17 April 2007, convertible into ordinary shares of Anglo American. The bonds were issued at par and bear a coupon of 3<sup>3</sup>/<sub>8</sub> per cent per annum, payable semi-annually. The conversion price is £16.13 which represents a premium of 35% over the closing price of the shares in London at the date of offer. The bonds can be converted by the holder at any time between 28 May 2002 and up to 14 business days prior to 17 April 2007. The total number of ordinary shares of 50 US cents each which could be issued on conversion is 47,589,607. The bonds can be redeemed by Anglo American at their principal amount at any time after 9 May 2005, if the share price is at least 130% of the conversion price for 20 dealing days within a 30 day dealing period. The bonds can also be redeemed by Anglo American at their principal amount once conversion rights have been exercised in respect of 85% of the principal amount of the bonds. If not converted or previously redeemed the bonds will be redeemed at par on 17 April 2007. The market value of the convertible debt at 31 December 2003 was \$1,261 million (2002: \$1,088 million).

In May 2003, Anglo American Capital, a fully owned subsidiary of Anglo American, issued a euro 1 billion five year 3.625% bond (guaranteed by Anglo American plc). The inaugural Eurobond was issued under a \$2 billion Euro Medium Term Note programme (EMTN) established in March 2003. In September 2003, under the same programme, Anglo American Capital issued a £300 million seven year 5.125% bond (guaranteed by Anglo American plc). Anglo American Capital has also issued a number of bonds (guaranteed by Anglo American plc) as a result of reverse enquiries under the programme. The issues were used to refinance bank debt and were all swapped to floating rate US dollars.

Group financial liabilities (consisting of short term borrowings and long term liabilities – see note 22) have the following maturity profile:

US\$ million	Within 1 year or on demand	Between 1-2 years	Between 2-5 years	After 5 years	Total
<b>At 31 December 2003</b>					
Convertible debt <sup>(1)</sup>	–	–	1,088	–	1,088
Bonds issued under EMTN programme	52	33	1,223	494	1,802
Bank loans and overdrafts	2,633	738	2,306	265	5,942
Obligations under finance leases	21	35	20	64	140
Other financial liabilities	1,388	97	173	129	1,787
<b>Total at 31 December 2003</b>	<b>4,094</b>	<b>903</b>	<b>4,810</b>	<b>952</b>	<b>10,759</b>
<b>At 31 December 2002</b>					
Convertible debt	–	–	1,084	–	1,084
Bank loans and overdrafts	1,715	1,277	2,398	321	5,711
Obligations under finance leases	13	16	27	20	76
Other financial liabilities	190	233	422	75	920
<b>Total at 31 December 2002</b>	<b>1,918</b>	<b>1,526</b>	<b>3,931</b>	<b>416</b>	<b>7,791</b>

(1) Relates to Anglo American plc.

At 31 December 2003, loans of \$212 million (2002: \$160 million) and \$546 million (2002: \$399 million) due within and after more than one year respectively were secured on the assets of the Group.

Loans repayable after more than five years bear interest at rates which are either fixed or fluctuate in line with market rates. At 31 December 2003, the rates of interest charged on these loans ranged from 1.5% to 17%.

Loans repayable after more than five years included in the above table as at 31 December 2003 include amounts of \$120 million payable by instalments (2002: \$178 million). The aggregate amount of loans, any instalment of which falls due after more than five years, is \$184 million (2002: \$355 million).

## **22 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS**

### **Treasury and risk management**

A discussion of the objectives, policies and strategies of Group Treasury and Risk Management is given in the financial review on pages 14 to 16.

### **Summary of the use of derivative instruments by the Group**

The Group utilises derivative and equity instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The use of derivative instruments can give rise to credit and market risk. The Group controls credit risk by entering into derivative contracts only with counterparties who are rated A1/P1, A or better by external rating agencies, or who have received specific internal corporate credit approval. The use of derivative instruments is subject to limits and the positions are regularly monitored and reported on to senior management. Market risk is the possibility that future changes in foreign currency exchange rates, interest rates and commodity prices may make a derivative instrument more or less valuable. Since the Group utilises derivative instruments for risk management, market risk relating to derivative instruments will principally be offset by changes in the valuation of the underlying assets, liabilities or transactions being hedged.

### **Foreign exchange risk**

The Group uses forward exchange contracts, currency swaps and option contracts to limit the effects of movements in exchange rates on foreign currency denominated assets and liabilities. The Group also uses these instruments to hedge future transactions and cash flows. As at 31 December 2003 the net amount of unrecognised hedging gains on all foreign exchange risk-related instruments, which had been deferred to a period in respect of which an exposure has been hedged, was \$79 million (2002: losses \$25 million). Any ultimate gain or loss resulting from these contracts will be recognised when the instruments expire.

### **Interest rate risk**

The Group uses interest rate swap and option contracts to manage its exposure to interest rate movements on a portion of its existing debt and short term investments. The effect of these derivatives is reflected, as appropriate, in interest expense or interest income. As at 31 December 2003 the net amount of unrecognised hedging losses on all interest rate risk related instruments, which had been deferred to a period in respect of which an exposure has been hedged, was \$30 million (2002: gains \$4 million).

### **Commodity price risk**

The Group uses forward, spot deferred and option contracts to hedge the price risk of certain commodities that it produces, including gold and copper, and in respect of heating oil purchases. Gains or losses resulting from these activities are recognised concurrently with gains and losses associated with underlying transactions. The majority of the deferred gains or losses are unrecognised and the ultimate amount of gains or losses to be realised will depend on commodity price movements until the end of the hedged contracts concerned.

The net forward position of AngloGold was 8.6 million ounces priced forward at 31 December 2003, covering periods up to December 2013, with a marked to market value of negative \$664 million at 31 December 2003. The value was based on a gold price of \$416/oz, exchange rates of \$/ZAR6.64 and \$/AU\$1.33 and the prevailing market interest rates and volatilities at the time. As at 28 January 2004, the marked to market value of the hedge book was a negative \$578 million, based on a gold price of \$409/oz, exchange rates of \$/ZAR7.04 and \$/AU\$1.29 and the prevailing market interest rates and volatilities at the time. Other companies undertake gold hedging which is not material to the Group.

### **Concentration of credit risk**

The Group is exposed to credit risk in respect of current asset investments, debtors and derivative financial instruments. Given the geographical and business diversity of the Group's debtors, the concentration of credit risk is limited. In respect of current asset investments and derivative financial instruments, procedures and policies are in place to limit the amount of credit exposure to any one counterparty. The maximum credit risk exposure is limited to fair value (see note 22(b)).

### **Numerical disclosures**

The disclosures present information regarding the Group as a whole and therefore exclude any intra group loan balances. The disclosure of financial assets and financial liabilities which follows (other than the currency disclosures in note 22(e)) excludes debtors and other current liabilities, as permitted under FRS 13, 'Derivatives and other financial instruments: disclosures'.



**NOTES TO FINANCIAL STATEMENTS**  
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**22(a) INTEREST RATE AND CURRENCY PROFILE**

The following interest rate and currency profile of the Group's financial liabilities and assets is after taking into account interest rate swaps entered into by the Group:

**Financial liabilities**

US\$ million Currency	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Fixed rate financial liabilities		Non-interest bearing financial liabilities
					Weighted average interest rate %	Weighted average period for which the rate is fixed (Years)	Weighted average period until maturity (Years)
<b>At 31 December 2003</b>							
US\$	5,724	4,363	1,349	12	4.0	4.1	1.1
SA rand	3,832	2,854	890	88	13.2	3.4	4.4
Sterling	62	56	1	5	5.9	0.9	2.1
Euro	825	643	163	19	3.5	2.2	0.5
Canadian \$	20	–	5	15	1.4	5.0	5.0
Australian \$	28	10	6	12	2.4	2.0	1.3
Other currencies	268	216	41	11	7.2	10.1	2.9
<b>Gross financial liabilities</b>	<b>10,759</b>	<b>8,142</b>	<b>2,455</b>	<b>162</b>	<b>7.3</b>	<b>3.8</b>	<b>2.3</b>
<b>At 31 December 2002</b>							
US\$	5,776	4,599	1,157	20	3.2	4.0	0.8
SA rand	713	447	256	10	16.3	1.4	1.0
Sterling	145	138	2	5	7.0	1.2	2.4
Euro	790	571	186	33	3.8	2.4	2.3
Canadian \$	14	–	–	14	–	–	5.0
Australian \$	23	16	–	7	–	–	8.0
Other currencies	330	286	31	13	9.8	10.3	0.8
<b>Gross financial liabilities</b>	<b>7,791</b>	<b>6,057</b>	<b>1,632</b>	<b>102</b>	<b>5.5</b>	<b>3.5</b>	<b>2.5</b>

Interest on floating rate liabilities is based on the relevant national inter-bank rates.

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**22(a) INTEREST RATE AND CURRENCY PROFILE** continued

Financial assets

US\$ million Currency	Total	Floating rate financial assets	Fixed rate financial assets	Non-interest bearing financial assets		Fixed rate financial assets	
				Equity investments	Other non-interest bearing financial assets	Weighted average interest rate %	Weighted average period for which the rate is fixed (Years)
<b>At 31 December 2003</b>							
US\$	1,108	954	88	34	32	2.6	0.5
SA rand	1,013	347	346	213	107	11.1	6.4
Sterling	234	164	3	22	45	1.4	1.4
Euro	249	115	2	125	7	2.4	0.1
Canadian \$	15	5	–	–	10	–	–
Australian \$	90	73	–	16	1	–	–
Other currencies	189	156	8	14	11	1.4	0.2
<b>Gross financial assets</b>	<b>2,898</b>	<b>1,814</b>	<b>447</b>	<b>424</b>	<b>213</b>	<b>9.1</b>	<b>5.1</b>
<b>At 31 December 2002</b>							
US\$	1,165	1,071	–	77	17	–	–
SA rand	1,398	594	147	627	30	14.0	1.9
Sterling	220	174	–	20	26	–	–
Euro	184	129	3	29	23	3.0	1.0
Canadian \$	15	5	–	–	10	–	–
Australian \$	31	12	–	19	–	–	–
Other currencies	283	115	42	114	12	17.6	1.0
<b>Gross financial assets</b>	<b>3,296</b>	<b>2,100</b>	<b>192</b>	<b>886</b>	<b>118</b>	<b>14.6</b>	<b>1.5</b>

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

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**22(b) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

The estimated fair value of financial instruments at 31 December is shown in the following tables:

**Primary financial instruments held or issued to finance the Group's operations**

US\$ million	2003		2002	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
Cash at bank and in hand	1,094	1,094	1,070	1,070
Current asset investments	1,032	1,032	1,143	1,143
Long term investments (excluding own shares)	886	772	1,362	1,083
<b>Gross financial assets</b>	<b>3,012</b>	<b>2,898</b>	<b>3,575</b>	<b>3,296</b>
Short term borrowings	4,165	4,094	1,896	1,918
Convertible debt	1,261	1,088	1,088	1,084
Long term borrowings	5,577	5,500	4,476	4,756
Other financial liabilities	77	77	33	33
<b>Gross financial liabilities</b>	<b>11,080</b>	<b>10,759</b>	<b>7,493</b>	<b>7,791</b>

**Derivative instruments**

US\$ million	2003			2002		
	Estimated fair value asset	Estimated fair value liability	Carrying value	Estimated fair value asset	Estimated fair value liability	Carrying value
Foreign exchange risk	509	258	172	107	125	7
Interest rate risk	10	18	22	7	2	1
Commodity price risk:						
Gold	498	1,170	–	315	746	–
Other commodity derivatives	–	37	–	18	5	–
Other	–	–	–	–	1	–
	<b>1,017</b>	<b>1,483</b>	<b>194</b>	<b>447</b>	<b>879</b>	<b>8</b>

The following methods were used to estimate the fair value of the financial assets and liabilities:

**Long term investments** – fair value represents the market value of quoted investments and directors' valuation of other investments;

**Current asset investments** – fair value is based on market prices for quoted short term investments. For non-quoted investments fair value is based on market prices of similar investments;

**Convertible debt** – fair value is based on the quoted market value of the convertible bonds;

**Short and long term debt** – fair value is determined by reference to quoted market prices for similar issues, where applicable, otherwise carrying value is used as an approximation to fair value; and

**Derivative instruments** – fair value is determined by reference to market prices where available, otherwise pricing or valuation models are applied to current market information to estimate their value.

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**22(c) UNDRAWN BORROWING FACILITIES**

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

US\$ million	2003	2002
Expiry date:		
In one year or less	2,574	2,972
In more than one year but not more than two years	176	234
In more than two years	2,271	784
	<b>5,021</b>	<b>3,990</b>

**22(d) HEDGING**

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging at 31 December 2003 are as follows:

**Unrecognised gains and losses on hedges at 31 December 2003**

US\$ million	Gains	Losses	Total net losses
Unrecognised gains and losses on hedges at 1 January 2003	393	(833)	(440)
Less: Gains and losses arising in previous years that were recognised in 2003	(149)	277	128
Add: Gains and losses arising in 2003 that were not recognised during the year	368	(705)	(337)
Currency movements	(7)	(9)	(16)
<b>Unrecognised gains and losses on hedges at 31 December 2003</b>	<b>605</b>	<b>(1,270)</b>	<b>(665)</b>
Of which:			
Gains and losses expected to be recognised during the year 2004	443	(585)	(142)
Gains and losses expected to be recognised after 2004	162	(685)	(523)

**22(e) CURRENCY PROFILE**

The main functional currencies of the Group include the US dollar, South African rand, sterling, euro, Canadian dollar and Australian dollar. The following analysis of net monetary assets and liabilities shows the Group's currency exposures after the effects of forward contracts and other derivatives used to manage currency exposure. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or functional) currency of the operating unit involved and represent the transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account, other than certain non-functional currency borrowings which are treated as hedges of net investments in overseas operations.

US\$ million	Net foreign currency monetary assets/(liabilities)							Total
	US\$	SA rand	Sterling	Euro	Canadian \$	Australian \$	Other currencies	
<b>At 31 December 2003</b>								
Functional currency of Group operations:								
US\$	N/A	(236)	72	(11)	–	(37)	19	(193)
SA rand	(113)	N/A	106	20	28	70	46	157
Sterling	8	–	N/A	14	–	–	21	43
Euro	(29)	–	44	N/A	–	–	(149)	(134)
Canadian \$	4	–	–	–	N/A	–	–	4
Australian \$	16	–	–	–	–	N/A	–	16
<b>Total at 31 December 2003</b>	<b>(114)</b>	<b>(236)</b>	<b>222</b>	<b>23</b>	<b>28</b>	<b>33</b>	<b>(63)</b>	<b>(107)</b>
<b>At 31 December 2002</b>								
Functional currency of Group operations:								
US\$	N/A	(24)	98	(91)	–	(13)	(53)	(83)
SA rand	(363)	N/A	93	16	20	8	14	(212)
Sterling	1	–	N/A	12	–	–	15	28
Euro	25	–	(11)	N/A	–	2	(210)	(194)
Canadian \$	(284)	–	–	–	N/A	–	–	(284)
Australian \$	29	–	–	–	–	N/A	–	29
<b>Total at 31 December 2002</b>	<b>(592)</b>	<b>(24)</b>	<b>180</b>	<b>(63)</b>	<b>20</b>	<b>(3)</b>	<b>(234)</b>	<b>(716)</b>

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**23 PROVISIONS FOR LIABILITIES AND CHARGES**

US\$ million	Post-retirement medical funding	Pensions and similar obligations	Deferred taxation	Restoration, rehabilitation and environmental	Other	Total
At 1 January 2003	363	180	1,582	491	280	2,896
Acquired with subsidiaries <sup>(1)</sup>	–	(6)	152	77	7	230
Disposed with subsidiaries	–	–	–	(25)	–	(25)
Charged to profit and loss	54	98	172	50	33	407
Charged to reserves	–	–	21	–	–	21
Reclassifications	(10)	(1)	–	(2)	(24)	(37)
Unwinding of discount	–	–	–	8	–	8
Unused amounts reversed to profit and loss	(4)	(4)	–	(6)	(12)	(26)
Amounts applied	(47)	(76)	(1)	(14)	(34)	(172)
Currency movements	109	25	404	73	41	652
<b>At 31 December 2003</b>	<b>465</b>	<b>216</b>	<b>2,330</b>	<b>652</b>	<b>291</b>	<b>3,954</b>

<sup>(1)</sup> Acquired with subsidiaries includes \$5 million relating to the reassessment of the fair value of assets of Minera Sur Andes (see note 28).

The amounts of deferred taxation provided in the accounts are as follows:

US\$ million	2003	2002
Capital allowances in excess of depreciation	2,709	1,765
Other timing differences	(379)	(183)
	<b>2,330</b>	<b>1,582</b>

The potential impact of unprovided deferred tax assets on the future effective tax rate of the Group is discussed in note 10 (c).

The restoration, rehabilitation and environmental provision represents the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by mining operations. These costs are expected to be incurred over a period in excess of 20 years.

Other provisions mainly consist of provisions for restructuring and reorganisation costs and for other obligations existing at 31 December 2003, which are expected to be utilised during 2004.

**24 CALLED-UP SHARE CAPITAL**

	2003		2002	
	Number of shares	US\$ million	Number of shares	US\$ million
Authorised:				
5% cumulative preference shares of £1 each	50,000	–	50,000	–
Ordinary shares of 50 US cents each	2,000,000,000	1,000	2,000,000,000	1,000
		<b>1,000</b>		<b>1,000</b>
Called up, allotted and fully paid:				
5% cumulative preference shares of £1 each	50,000	–	50,000	–
Ordinary shares of 50 US cents each	1,476,304,626	738	1,469,156,171	735
		<b>738</b>		<b>735</b>

At general meetings, every member who is present in person has one vote on a show of hands and on a poll every member who is present in person or by proxy has one vote for every ordinary share held.

In the event of winding up, the holders of the cumulative preference shares will be entitled to the repayment of a sum equal to the nominal capital paid up, or credited as paid up, on the cumulative preference shares held by them and any accrued dividend, whether such dividend has been earned or declared or not, calculated up to the date of the winding up.

During 2003, 15,080 ordinary shares of 50 US cents each were allotted in respect of certain non-executive directors by subscription of their after tax directors' fees. A further 7,133,375 ordinary shares of 50 US cents were allotted on exercise of employee share option plans.

During 2002, 9,490 ordinary shares of 50 US cents each were allotted in respect of certain non-executive directors by subscription of their after tax directors' fees. A further 1,711,833 ordinary shares of 50 US cents were allotted on exercise of employee share option plans.

**NOTES TO FINANCIAL STATEMENTS**  
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**24 CALLED-UP SHARE CAPITAL** continued

**Former AAC Executive Share Incentive Scheme<sup>(1)</sup>**

Options to acquire ordinary shares of 50 US cents were outstanding under the terms of this scheme as follows:

Year of grant	Date exercisable	Option price per share £	Options outstanding 1 Jan 2003	Options exercised in year	Options lapsed in year	Options outstanding 31 Dec 2003
1990-1997	1 January 1999 to 15 December 2007	4.74	686,800	183,300	–	503,500
1998	1 January 2000 to 4 December 2008	4.14	11,894,300	1,782,100	2,500	10,109,700
1999	4 January 2001 to 4 January 2009	3.47	492,800	101,900	–	390,900
			13,073,900	2,067,300	2,500	11,004,100

The above share option prices have been calculated using a weighted average option price based on the shares outstanding at 31 December 2003 and converted to sterling using an exchange rate of £1.00 = R11.9345.

**Executive Share Option Scheme<sup>(1)</sup>**

Options to acquire ordinary shares of 50 US cents were outstanding under the terms of this scheme as follows:

Year of grant	Date exercisable	Option price per share £	Options outstanding 1 Jan 2003	Options granted during the year	Options exercised in year	Options lapsed in year	Options outstanding 31 Dec 2003
1999	24 June 2002 to 23 June 2009	6.98	5,043,520	–	1,589,950	42,000	3,411,570
1999	19 October 2002 to 18 October 2009	8.00	467,748	–	190,744	–	277,004
2000	23 March 2003 to 22 March 2010	7.66	6,234,248	–	1,757,276	65,000	4,411,972
2000	26 June 2003 to 25 June 2010	7.66	147,816	–	58,000	–	89,816
2000	12 September 2003 to 11 September 2010	10.19	255,000	–	80,832	–	174,168
2001	2 April 2004 to 1 April 2011	10.03	7,565,517	–	195,100	157,600	7,212,817
2001	13 September 2004 to 12 September 2011	8.00	135,200	–	20,000	–	115,200
2002	18 March 2005 to 17 March 2012	11.50	7,522,216	–	10,000	131,333	7,380,883
2002	13 September 2005 to 12 September 2012	8.05	122,892	–	5,000	–	117,892
2003	5 March 2006 to 4 March 2013	9.28	–	12,794,504	7,500	111,000	12,676,004
2003	13 August 2006 to 12 August 2013	11.41	–	242,398	–	–	242,398
2003	1 October 2006 to 30 September 2013	10.81	–	70,000	–	–	70,000
			27,494,157	13,106,902	3,914,402	506,933	36,179,724

**SAYE Share Option Scheme<sup>(1)</sup>**

Options to acquire ordinary shares of 50 US cents were outstanding under the terms of this scheme as follows:

Year of grant	Date exercisable	Option price per share £	Options outstanding 1 Jan 2003	Options granted during the year	Options exercised in year	Options lapsed in year	Options outstanding 31 Dec 2003
1999	1 September 2002 to 28 February 2003	6.38	20,804	–	11,936	8,868	–
1999	1 September 2004 to 28 February 2005	6.38	156,988	–	1,261	2,319	153,408
1999	1 September 2006 to 28 February 2007	6.38	36,328	–	938	958	34,432
2000	1 July 2003 to 31 December 2003 <sup>(2)</sup>	4.85	984,361	–	949,336	10,700	24,325
2000	1 July 2005 to 31 December 2005	4.85	1,426,268	–	16,046	73,462	1,336,760
2000	1 July 2007 to 31 December 2007	4.85	445,600	–	8,986	33,550	403,064
2001	1 July 2004 to 31 December 2004	8.45	303,298	–	1,981	33,585	267,732
2001	1 July 2006 to 31 December 2006	8.45	254,281	–	2,381	33,023	218,877
2001	1 July 2008 to 31 December 2008	8.45	76,972	–	359	12,838	63,775
2002	1 September 2005 to 28 February 2006	9.23	293,762	–	555	64,864	228,343
2002	1 September 2007 to 28 February 2008	9.23	197,422	–	37	45,065	152,320
2002	1 September 2009 to 28 February 2010	9.23	70,397	–	10	18,980	51,407
2003	1 September 2006 to 28 February 2007	7.52	–	601,164	65	23,090	578,009
2003	1 September 2008 to 28 February 2009	7.52	–	246,566	–	4,713	241,853
2003	1 September 2010 to 28 February 2011	7.52	–	84,040	–	2,360	81,680
			4,266,481	931,770	993,891	368,375	3,835,985



**NOTES TO FINANCIAL STATEMENTS**  
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**24 CALLED-UP SHARE CAPITAL** *continued*

**Other share incentive schemes**

During the year the Company operated a number of other share schemes under which ordinary shares of 50 US cents may be awarded for no consideration.

	Awards outstanding at 31 Dec 2003	Latest performance period end/ latest release date <sup>(4)</sup>
Deferred bonus matching <sup>(1)</sup>	283,642	1 January 2006
Share incentive plan <sup>(1)</sup>	265,229	5 December 2006
Long term incentive plan <sup>(3)</sup>	4,691,559	31 December 2005

<sup>(1)</sup> The early exercise of share options is permitted upon the termination of employment, ill-health or death.

<sup>(2)</sup> Outstanding options relate to those individuals whose maturity period has been extended due to missed payments in terms of the scheme rules.

<sup>(3)</sup> The long term incentive awards are contingent on pre-established performance criteria being met.

<sup>(4)</sup> Latest performance period relates only to the long term incentive plan. For the deferred bonus matching plan and share incentive plan, the dates given are the latest release dates.

**Employee benefit trust**

The provision of shares to certain of the Company's share option and share incentive schemes is facilitated by an employee benefit trust. During 2003, 253,363 (2002: 1,842,226) shares were sold to employees on exercise of their options and provisional allocations were made to options already awarded. The shares held by the trust have waived the right to receive dividends.

The market value of the 56.7 million shares held by the trust at 31 December 2003 was \$1,225 million. At 31 December 2002 the market value of the 56.9 million shares held by the trust was \$846 million.

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

**25 COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS AND MOVEMENT IN RESERVES**

US\$ million	Issued share capital	Share premium	Merger reserves	Other reserves	Profit and loss account <sup>(1)</sup>	Total
Balance at 1 January 2003	735	1,216	636	716	12,958	16,261
Profit for the financial period	–	–	–	–	1,592	1,592
Dividends paid and proposed	–	–	–	–	(766)	(766)
Shares issued	3	68	–	–	–	71
Realisation of merger reserve	–	–	(176)	–	176	–
Unrealised profit on deemed disposal	–	–	–	–	13	13
Currency translation differences <sup>(2)</sup>	–	–	–	–	3,282	3,282
Less: related tax charge	–	–	–	–	(59)	(59)
<b>Balance at 31 December 2003</b>	<b>738</b>	<b>1,284</b>	<b>460</b>	<b>716</b>	<b>17,196</b>	<b>20,394</b>

<sup>(1)</sup> Certain of the Group's subsidiaries operate in South Africa, where significant exchange control restrictions on distributions limit the Group's access to distributable profits and cash balances.

<sup>(2)</sup> An explanation of the currency translation differences included in the profit and loss reserve above is included in the financial review on page 15.

**NOTES TO FINANCIAL STATEMENTS**  
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**26 CONSOLIDATED CASH FLOW STATEMENT ANALYSIS**

a) Reconciliation of Group operating profit to net cash inflow from operating activities

US\$ million	2003	2002
Group operating profit – subsidiaries	1,611	2,341
Exceptional charges (all non cash items)	286	47
Group operating profit before exceptionals	1,897	2,388
Depreciation and amortisation charges	1,463	1,101
Increase in stocks	(302)	(117)
(Increase)/decrease in debtors	(246)	67
Increase in creditors	348	48
Increase in provisions	38	115
Other items	(14)	16
<b>Net cash inflow from operating activities</b>	<b>3,184</b>	<b>3,618</b>

b) Financing

US\$ million	2003	2002
Increase/(decrease) in short term borrowings	875	(514)
Increase in long term borrowings	531	2,932
Net movement in minorities' shares and loans	3	(1)
Exercise of share options	71	41
Issue of shares in subsidiaries	305	–
<b>Financing</b>	<b>1,785</b>	<b>2,458</b>

c) Reconciliation of net cash flow to movement in net debt

US\$ million	2003	2002
(Decrease)/increase in cash in the year	(51)	60
Cash inflow from debt financing	(1,406)	(2,418)
Cash inflow from management of liquid resources	(182)	(1,021)
Change in net debt resulting from cash flows	(1,639)	(3,379)
Loans and current asset investments acquired with subsidiaries	(746)	(212)
Loans and current asset investments disposed with subsidiaries	5	4
Cessation of consolidation of KCM <sup>(1)</sup>	–	148
Exchange adjustments	(675)	(121)
<b>Movement in net debt</b>	<b>(3,055)</b>	<b>(3,560)</b>
Net debt at start of year	(5,578)	(2,018)
<b>Net debt at end of year</b>	<b>(8,633)</b>	<b>(5,578)</b>

<sup>(1)</sup> KCM ceased to be consolidated by the Group during 2002 (see note 29).

**NOTES TO FINANCIAL STATEMENTS**  
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**27 MOVEMENT IN NET DEBT**

US\$ million	2002	Cash flow	Acquisitions excluding cash and overdrafts	Disposals excluding cash and overdrafts	Overdrafts included in debt	Other non-cash movements	Exchange movements	2003
Cash at bank and in hand <sup>(1)</sup>	1,040	(51)	–	–	30	–	75	<b>1,094</b>
Debt due after one year	(5,873)	(531)	(537)	2	–	453	(179)	<b>(6,665)</b>
Debt due within one year	(1,888)	(875)	(209)	3	(30)	(453)	(642)	<b>(4,094)</b>
	(7,761)	(1,406)	(746)	5	(30)	–	(821)	<b>(10,759)</b>
Current asset investments	1,143	(182)	–	–	–	–	71	<b>1,032</b>
Total	(5,578)	(1,639)	(746)	5	–	–	(675)	<b>(8,633)</b>

<sup>(1)</sup> Net of bank overdrafts in 2002.

**28 ACQUISITION OF SUBSIDIARIES**

The following were the principal acquisitions made during the year to 31 December 2003, accounted for under the acquisition method:

Name of company acquired	Percentage acquired	Date of acquisition
Kumba Resources Limited	57%	December 2003 <sup>(1)</sup>
Lisheen	41%	January 2003
AngloGold Limited	3.1%	Piecemeal
Anglo American Platinum Corporation Limited	6.5%	Piecemeal

<sup>(1)</sup> Date of acquisition of controlling interest.

The fair values of the acquired assets and liabilities in the table on page 73 are provisional and will be finalised in the 2004 financial statements when the final values arising from the fair value exercises are confirmed.

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**28 ACQUISITION OF SUBSIDIARIES** continued

Analysis of fair value of identifiable net assets of subsidiaries acquired

US\$ million	2003					2002	
	Kumba	Lisheen	AngloGold	Anglo Platinum	Other acquisitions	Total	Total
Net assets acquired:							
Tangible fixed assets	1,959	86	234	424	131	2,834	2,849
Investments in joint ventures	2	–	–	–	–	2	8
Investments in associates	14	–	–	–	–	14	10
Other financial assets	27	–	–	–	4	31	8
Stocks	228	7	–	–	42	277	153
Debtors	193	11	–	–	42	246	189
Cash at bank and in hand	190	7	–	–	17	214	157
Short term borrowings	(127)	(73)	–	–	(9)	(209)	(103)
Other current liabilities	(155)	(24)	–	–	(60)	(239)	(186)
Long term borrowings	(487)	–	–	–	(50)	(537)	(109)
Provisions for liabilities and charges	(208)	(7)	–	–	(10)	(225)	(136)
Equity minority interests	(670)	–	67	109	(32)	(526)	55
<b>Net tangible assets acquired</b>	<b>966</b>	<b>7</b>	<b>301</b>	<b>533</b>	<b>75</b>	<b>1,882</b>	<b>2,895</b>
Goodwill arising on acquisition	–	–	–	–	50	50	246
<b>Total cost of acquisition</b>	<b>966</b>	<b>7</b>	<b>301</b>	<b>533</b>	<b>125</b>	<b>1,932</b>	<b>3,141</b>
Satisfied by:							
Net cash acquired	190	7	–	–	17	214	157
Expenses payable	–	–	–	–	–	–	21
Deferred consideration	–	–	–	–	6	6	1
Forgiveness of receivable due from other JV partner	–	36	–	–	–	36	–
Transfer from joint ventures to subsidiaries	–	(33)	–	–	–	(33)	51
Amounts paid in prior years	240	–	–	–	–	240	–
<b>Net cash paid/(received)</b>	<b>536</b>	<b>(3)</b>	<b>301</b>	<b>533</b>	<b>102</b>	<b>1,469</b>	<b>2,911</b>

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**28 ACQUISITION OF SUBSIDIARIES** continued

**Kumba**

On 7 February 2003 the Group implemented its option to acquire a further 10.5% of Kumba Resources Limited (Kumba) through Stimela Mining Limited for \$112 million. This increased the Group's total holding in Kumba to 20.1% and the Group accounted for Kumba as an associate from this date.

The Group further increased its stake to 35.3%, resulting in a mandatory purchase offer to Kumba's shareholders on 31 October 2003. Acceptances of this offer raised the Group's total shareholding to 66.6% at a cost of \$539 million with effect from 5 December 2003. Accordingly, the Group has accounted for Kumba as a subsidiary from this date.

The acquisition of Kumba as a subsidiary has been accounted for in accordance with the Companies Act. A provisional fair value table of Kumba's assets and liabilities for this transaction is set out below.

The preliminary fair value exercise has indicated that the fair value adjustments shown below would not have been materially different on any of the dates of acquisition during 2003, and accordingly separate fair value tables are not presented.

Profit after tax of Kumba for the period from 1 July 2003 to 31 December 2003 was R240 million, as reported in their interim accounts to 31 December 2003. Kumba's profit after tax as reported in its statutory accounts for the year ended 30 June 2003 was R718 million.

The assets and liabilities as at 5 December 2003 and the total consideration paid are set out in the following table:

US\$ million	Book amount	Revaluations	Accounting policy alignments	Provisional fair values
Net assets acquired:				
Intangible fixed assets	4	–	(4)	–
Tangible fixed assets	1,304	602	53	1,959
Investments in joint ventures	2	–	–	2
Investments in associates	14	–	–	14
Other financial assets	27	–	–	27
Stocks	228	–	–	228
Debtors	193	–	–	193
Cash at bank and in hand	190	–	–	190
Short term borrowings	(127)	–	–	(127)
Other current liabilities	(155)	–	–	(155)
Long term borrowings	(552)	65	–	(487)
Provisions for liabilities and charges	(192)	–	(16)	(208)
Equity minority interests	(437)	(222)	(11)	(670)
Net tangible assets acquired	499	445	22	966
Goodwill arising on acquisition				–
Total cost of acquisition				966
Satisfied by:				
Net cash acquired				190
Amounts paid in prior years				240
Net cash paid				536

The provisional fair value adjustments in the above table represent the following:

- Revaluations of reserves and resources, land and buildings and plant and equipment to fair value; and
- Accounting policy adjustments for differences between local and UK GAAP.

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**28 ACQUISITION OF SUBSIDIARIES** continued

**Lisheen**

Due to the financial relationship between the Group and Ivernia West ('Ivernia'), the Group has participated fully in the earnings of Lisheen throughout the year.

On 17 February 2003, the Group acquired the \$146 million debt owed by Lisheen to a consortium of banks. As part of this agreement, the banks forgave 50% of this debt.

On 26 September 2003, the Group completed the acquisition of the remaining 40.6% of the issued share capital of Lisheen from Ivernia. Consideration comprised \$1.8 million in cash and the forgiveness of an outstanding debtor balance of \$36 million owed by Ivernia to the Group.

In order to give a true and fair view, the piecemeal approach to calculating goodwill has been adopted for this transaction in accordance with FRS 2 'Accounting for Subsidiary Undertakings'. This represents a departure from the statutory method, under which goodwill would be calculated as the difference between cost and fair value on the date that Lisheen became a subsidiary. Adopting the statutory method would not give a true and fair view because it would result in the Group's share of historical losses and impairment write downs, during the time Lisheen was a joint venture, being recharacterised as goodwill. The effect of this departure is to decrease retained profits and purchased goodwill arising on acquisition by \$326 million (as set out below).

The profit after tax of Lisheen for the year ended 31 December 2003 was \$4 million.

US\$ million	Book value	Revaluation	Provisional fair values
Net assets acquired:			
Tangible fixed assets	91	(5)	86
Cash at bank and in hand	7	–	7
Other working capital	(6)	–	(6)
Borrowings	(146)	73	(73)
Provisions	(7)	–	(7)
Net tangible assets acquired	(61)	68	7
Goodwill arising on acquisition			–
Total cost of acquisition			7
Satisfied by:			
Net cash acquired			7
Forgiveness of receivable due from other joint venture partner			36
Share of net liabilities previously held as investments in joint ventures			(33)
Net cash received			(3)
Under the statutory method:			
Net assets acquired			7
Consideration <sup>(1)</sup>			333
Goodwill arising under statutory method			326
Goodwill arising on acquisition			–
Difference			326

The provisional fair value adjustments in the above table represent revaluations, reflecting the revaluation of reserves and resources, land and buildings and plant and equipment to fair value.

(1) \$293 million of cash contributed since the commencement of the joint venture and \$40 million of cash, expenses and debt forgiven.



**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**28 ACQUISITION OF SUBSIDIARIES** continued

**AngloGold and Anglo Platinum**

During the year the Group acquired a further 3.1% interest in AngloGold in piecemeal acquisitions and a further 6.5% interest in Anglo Platinum. The profit after tax of AngloGold for 2003 was \$330 million (2002: \$347 million) and Anglo Platinum was \$297.2 million (2002: \$548.1 million) as reported in their statutory accounts.

The assets and liabilities acquired are set out in the following table:

US\$ million	AngloGold			Anglo Platinum		
	Book amount	Revaluations	Provisional fair value	Book amount	Revaluations	Provisional fair value
Tangible fixed assets	–	234	234	–	424	424
Equity minority interests	67	–	67	109	–	109
	67	234	301	109	424	533
Goodwill arising on acquisition			–			–
Total cost of acquisition			301			533
Satisfied by:						
Net cash paid			301			533

Revaluations in the above table represent the revaluation of reserves and resources to fair value.

**Other acquisitions**

The assets and liabilities acquired in other acquisitions during the year are set out in the following table:

US\$ million	Book amount	Revaluations	Accounting policy alignments	Provisional fair value
Net assets acquired:				
Tangible fixed assets	134	(4)	1	131
Other financial assets	4	–	–	4
Stocks	42	–	–	42
Debtors	42	–	–	42
Cash at bank and in hand	17	–	–	17
Short term borrowings	(9)	–	–	(9)
Other current liabilities	(59)	–	(1)	(60)
Long term liabilities	(50)	–	–	(50)
Provisions for liabilities and charges	(9)	(1)	–	(10)
Equity minority interests	(30)	(2)	–	(32)
Net tangible assets acquired	82	(7)	–	75
Goodwill arising on acquisition				50
Total cost of acquisition				125
Satisfied by:				
Net cash acquired				17
Deferred consideration				6
Net cash paid				102

The provisional fair value adjustments in the above table represent the following:

- Revaluations, principally reflecting the revaluation of mining properties and leases to fair value; and
- Accounting policy adjustments, reflecting adjustments for differences between local and UK GAAP.

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**28 ACQUISITION OF SUBSIDIARIES** *continued*

In December 2003, the Group announced two further strategic acquisitions, subject to competition approval. Mondi Packaging Europe agreed to acquire 100% of the Bauernfeind corrugated paper and packaging business. This included a combination of waste-based corrugated paper and converting assets in Germany, Belgium, Austria, Poland, Italy, Switzerland and China. The agreement values Bauernfeind at €345 million (\$420 million). Frantschach has agreed to acquire the sack business of Mexican paper and packaging group Copamex, the largest industrial sack producer in Mexico and the seventh largest sack producer worldwide, for a consideration of \$52 million. Completion of this acquisition is anticipated in the first quarter of 2004. At 31 December 2003, these acquisitions were subject to certain conditions and were not included in the 2003 financial statements.

**Minera Sur Andes (formerly Disputada)**

The fair value of the net assets of Minera Sur Andes, which was acquired on 13 November 2002, has been reassessed during the current year to reflect additional information which has become available concerning the conditions that existed on the date of acquisition.

The resulting changes are set out in the following table:

US\$ million	Fair value as previously reported	2003 fair value adjustments	Fair value as restated
Net assets acquired:			
Tangible fixed assets	1,364	9	1,373
Stocks	46	(4)	42
Debtors	46	–	46
Cash at bank and in hand	83	–	83
Other current liabilities	(39)	–	(39)
Provisions for liabilities and charges	(120)	(5)	(125)
	1,380	–	1,380
Goodwill arising on acquisition	–	–	–
Total cost of acquisition	1,380	–	1,380

The fair value adjustments in the above table represent the following, resulting from additional information becoming available:

- Identifiable fixed assets not initially considered in the fair value exercise;
- Revised fair value of supplies inventory; and
- Revaluation of the future decommissioning and restoration provisions.

The profit after tax of Minera Sur Andes for the year ended 31 December 2003 was \$109 million (2002: \$26 million).

Additional consideration is potentially payable by the Group if the copper price reaches certain agreed average thresholds in any of the three and a half years following the acquisition. No additional consideration has been paid to date. The total maximum payment is capped at \$120 million.

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**29 DISPOSAL OF SUBSIDIARIES**

US\$ million	2003	2002
Net assets disposed:		
Tangible fixed assets	34	67
Stocks	10	10
Debtors	20	30
Short term borrowings	(3)	–
Other current liabilities	(26)	(25)
Long term liabilities	(2)	(4)
Provisions for liabilities and charges	(25)	(62)
Profit on disposal	9	5
Disposal proceeds	17	21
Total proceeds	17	21
Deferred consideration or allotted shares	(14)	–
Deferred consideration received in respect of prior periods	–	3
<b>Net cash inflow from disposal of subsidiaries during the year</b>	<b>3</b>	<b>24</b>

Subsidiaries disposed of in the year principally include Jerritt Canyon, which was sold in June 2003.

The cash flows of the disposed subsidiaries did not have a material effect on the cash flow statement.

The deferred consideration received in 2002 was in respect of the disposal of interests in Shaft Sinkers (Pty) Limited in 2001.

The Group ceased to consolidate its 33.1% effective interest in Konkola Copper Mines (KCM) with effect from 5 February 2002, when it ceased to control the assets or management of that undertaking. Following the cessation of consolidation of KCM and the agreement to restructure KCM as announced in August 2002, the Group retained no equity interest in KCM as at 31 December 2002.

**30 CAPITAL COMMITMENTS**

US\$ million	2003	2002
Contracted but not provided	873	337

**31 CONTINGENT LIABILITIES**

Contingent liabilities comprise aggregate amounts of \$290 million (2002: \$278 million) in respect of loans and performance guarantees given to banks and other third parties.

AngloGold North America has \$45 million of reclamation bonds with various federal and governmental agencies, to cover potential environmental obligations. These obligations are guaranteed by AngloGold Limited.

There are a number of legal or potential claims against the Group, the outcome of which cannot at present be foreseen. Provision is made for all liabilities which are expected to materialise.

In addition to the amounts relating to Group companies above, under Chilean law payment of customs duties associated with capital assets can be deferred for up to seven years. As at 31 December 2003, Collahuasi has potential deferred customs duties of \$11 million (2002: \$40 million).

Anglo American plc and its wholly-owned subsidiary Anglo American Corporation of South Africa guarantee the external borrowings of certain Group subsidiaries.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 32 OPERATING LEASES

At 31 December 2003, the Group was committed to making the following payments during the next year in respect of operating leases:

US\$ million	2003		2002	
	Land and buildings	Other	Land and buildings	Other
Expiring within:				
One year	20	19	19	15
Two to five years	72	38	38	41
After five years	37	17	37	11
	129	74	94	67

### 33 RETIREMENT BENEFITS

The Group operates defined contribution and defined benefit pension plans for the majority of its employees. It also operates post-retirement medical arrangements in southern Africa and North America. The policy for accounting for pensions and post-retirement benefits is included in note 1.

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans is calculated on the basis of contributions payable by the Group in the financial year.

The post-retirement medical arrangements provide health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. The majority of these plans are unfunded.

The majority of the defined benefit pension plans are funded. The assets of these plans are held separately from those of the Group, in independently administered funds, in accordance with statutory requirements or local practice throughout the world. The unfunded pension plans are principally in Europe and South America.

The retirement benefit charge for the year is as follows:

US\$ million	2003	2002
Defined contribution pension plans	131	99
Defined benefit pension plans	108	55
Post-retirement medical plans	54	17

#### Defined contribution plans

The pension cost represents the actual contributions payable by the Group to the various plans. At 31 December 2003, there were no material outstanding/prepaid contributions, and so no prepayment or accrual has been disclosed in the balance sheet in relation to these plans.

#### Defined benefit plans

The above defined benefit pension plan cost consists of a regular cost of \$63 million (2002: \$47 million) and a variation cost of \$45 million (2002: \$8 million). The Group adopts a straight-line method of amortising unrecognised amounts over the future working lifetimes of active employees.

#### Post-retirement medical plans

The accumulated benefit obligation and the annual cost of accrual of benefits are assessed by independent qualified actuaries using the projected unit method. The accumulated benefit obligation calculated as at 31 December 2003 was \$527 million (2002: \$392 million). The provision recorded on the balance sheet as at 31 December 2003 amounted to \$465 million (2002: \$363 million).

**33 RETIREMENT BENEFITS** continued

**Defined benefit pension plans**

Qualified actuaries carry out full valuations every three years using the projected unit method. The actuaries have updated the valuations to 31 December 2003. The actuary to the majority of the South African pension plans is an employee of the Group and is supported by external advisers. The actuaries to the other plans are independent of the Group.

At 31 December 2003 the estimated market value of the assets of the funded pension plans was \$2,831 million (2002: \$2,109 million). The market value of assets was used to determine the funding level of the plans. The market value of the assets of the funded plans was sufficient to cover 90% (2002: 89%) of the benefits that had accrued to members after allowing for expected increases in future earnings and pensions. In particular, the funding levels of the UK funded pension plans have fallen in the past year as a result of an increase in the inflation assumption, although this has been offset by increasing asset values. Companies within the Group are paying contributions as required in accordance with local actuarial advice.

As the majority of the defined benefit pension plans are closed to new members, it is expected that contributions will increase as the members age. The benefit obligations in respect of the unfunded plans at 31 December 2003 were \$154 million (2002: \$125 million).

To the extent that there is a difference between pension costs and contributions paid, a prepayment or provision arises. The accumulated difference provided in the balance sheet at 31 December 2003 gives rise to a prepayment of \$170 million (2002: \$168 million) and a provision of \$216 million (2002: \$180 million).

**Actuarial assumptions**

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs under SSAP 24 are detailed below (shown as weighted averages):

	2003			2002			2001		
	Southern Africa %	The Americas %	Europe %	Southern Africa %	The Americas %	Europe %	Southern Africa %	The Americas %	Europe %
Average discount rate for plan liabilities	9.9	7.3	5.5	11.5	7.2	5.6	11.6	7.2	5.9
Average rate of inflation	5.7	2.9	2.6	7.4	3.0	2.3	6.8	3.1	2.4
Average rate of increase in salaries	6.8	4.7	3.4	8.5	4.8	3.1	8.2	4.8	3.8
Average rate of increase of pensions in payment	5.7	5.0	2.8	7.3	3.8	2.6	6.5	4.4	2.6
Average long term rate of return on plan assets	11.0	8.7	7.0	11.9	8.2	6.9	11.5	7.9	6.3
Expected average increase in healthcare costs	6.6	7.7	N/A	9.8	6.1	N/A	9.9	6.0	N/A

**FRS 17 background**

In November 2000 the Accounting Standards Board issued FRS 17 'Retirement Benefits' replacing SSAP 24 'Accounting for Pension Costs'. The full implementation of FRS 17 has been deferred, though certain disclosures are required in the transition period for periods ending on or after 22 June 2001. These further disclosures are included below.

Under SSAP 24, the projected unit method was one of the acceptable valuation methods. Under FRS 17, it is the only acceptable method of valuation. The pension plans have been valued historically using the projected unit method and so there is no change to the method of valuation of the defined benefit plans.

**FRS 17 balance sheet disclosure**

Under FRS 17, the assumption for the average discount rate for plan liabilities is based on AA corporate bonds of a suitable duration and currency. The discount rate and other actuarial assumptions are generally the same as for SSAP 24 and are given above. The market value of the assets in the plans and the long term expected rate of return on the pension plans as at 31 December 2003, 31 December 2002 and 31 December 2001 are detailed below.

	Southern Africa		The Americas		Europe		Total
	Rate of return %	Fair value US\$ million	Rate of return %	Fair value US\$ million	Rate of return %	Fair value US\$ million	Fair value US\$ million
At 31 December 2003							
Equity	12.4	918	8.5	105	7.9	773	1,796
Bonds	8.8	230	9.0	119	5.0	334	683
Other	8.7	312	6.4	10	5.1	30	352
		1,460		234		1,137	2,831
Present value of pension plan liabilities		(1,484)		(366)		(1,462)	(3,312)
Deficit in the pension plans		(24)		(132)		(325)	(481)
Deferred tax		7		40		97	144
Net pension liability		(17)		(92)		(228)	(337)

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**33 RETIREMENT BENEFITS** continued

	Southern Africa		The Americas		Europe		Total
	Rate of return %	Fair value US\$ million	Rate of return %	Fair value US\$ million	Rate of return %	Fair value US\$ million	Fair value US\$ million
At 31 December 2002							
Equity	12.9	729	8.9	69	7.8	572	1,370
Bonds	9.7	214	8.1	77	5.3	292	583
Other	9.6	119	3.3	9	6.0	28	156
		1,062		155		892	2,109
Present value of pension plan liabilities		(1,068)		(261)		(1,162)	(2,491)
Deficit in the pension plans		(6)		(106)		(270)	(382)
Deferred tax		2		32		81	115
Net pension liability		(4)		(74)		(189)	(267)

	Southern Africa		The Americas		Europe		Total
	Rate of return %	Fair value US\$ million	Rate of return %	Fair value US\$ million	Rate of return %	Fair value US\$ million	Fair value US\$ million
At 31 December 2001							
Equity	12.6	583	8.0	77	7.1	735	1,395
Bonds	8.7	182	7.6	80	4.9	239	501
Other	8.0	72	3.2	5	6.1	24	101
		837		162		998	1,997
Present value of pension plan liabilities		(812)		(211)		(1,034)	(2,057)
Deficit in the pension plans		25		(49)		(36)	(60)
Surplus restriction		(25)		–		–	(25)
Deferred tax		–		15		10	25
Net pension liability		–		(34)		(26)	(60)

The surplus restriction in 2001 arises where pension surpluses are not expected to give rise to future contribution reductions or refunds because of the extent of the surplus or because of local restrictions over the use of the surplus.

The Group is continuing to review the impact of legislation passed in 2001 in South Africa on the useable surpluses in its South African plans. Further clarification and guidance has been published on this during 2003. The actuaries to the Group plans have not yet finalised their calculations in respect of the apportionment of the surplus from the plans. The liabilities shown above in respect of South Africa have been increased where applicable based on the actuaries' current estimates of complying with this new legislation at the relevant date.

The net pension liability comprises \$17 million in respect of plans in surplus (2002: \$6 million; 2001: \$62 million) and \$354 million in respect of plans in deficit (2002: \$273 million; 2001: \$122 million).

The net post-retirement medical plan liability arises as follows:

US\$ million	2003			2002			2001		
	Southern Africa	The Americas	Total	Southern Africa	The Americas	Total	Southern Africa	The Americas	Total
Present value of post-retirement medical plan liabilities	(486)	(41)	(527)	(359)	(33)	(392)	(286)	(31)	(317)
Deferred tax	146	12	158	108	10	118	86	9	95
Net post-retirement medical plan liability	(340)	(29)	(369)	(251)	(23)	(274)	(200)	(22)	(222)

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



**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**33 RETIREMENT BENEFITS** continued

**FRS 17 profit and loss account disclosure**

Had the Group adopted FRS 17 early, amounts included in the consolidated profit and loss account in respect of defined benefit pension and post-retirement medical plans would have been as follows:

US\$ million	2003			2002		
	Pension plans	Post-retirement medical plans	Total plans	Pension plans	Post-retirement medical plans	Total plans
<b>Analysis of the amount charged to operating profit</b>						
Current service cost	63	7	70	47	6	53
Past service costs	10	16	26	2	(2)	–
Other amounts charged to profit and loss (curtailments and settlements)	(2)	(12)	(14)	–	(12)	(12)
<b>Total operating charge/(credit)</b>	<b>71</b>	<b>11</b>	<b>82</b>	<b>49</b>	<b>(8)</b>	<b>41</b>
<b>Analysis of the amount charged to other finance income/(costs)</b>						
Expected return on plan assets	(217)	–	(217)	(179)	–	(179)
Interest cost on plan liabilities	224	48	272	182	37	219
<b>Net charge to other finance income</b>	<b>7</b>	<b>48</b>	<b>55</b>	<b>3</b>	<b>37</b>	<b>40</b>
<b>Total charge to profit and loss account</b>	<b>78</b>	<b>59</b>	<b>137</b>	<b>52</b>	<b>29</b>	<b>81</b>

**FRS 17 statement of total recognised gains and losses (STRGL) disclosure**

Amounts included in the consolidated STRGL in respect of defined benefit pension plans and post-retirement medical plans would have been stated as follows:

US\$ million	2003			2002		
	Pension plans	Post-retirement medical plans	Total plans	Pension plans	Post-retirement medical plans	Total plans
<b>Difference between actual and expected return on plan assets</b>						
– gain/(loss)	108	–	108	(370)	–	(370)
Experience (losses)/gains arising on plan liabilities	–	(9)	(9)	168	29	197
Effects of changes in assumptions underlying the plan liabilities – (loss)/gain	(145)	(3)	(148)	(37)	4	(33)
<b>Total actuarial (losses)/gains recognised in the STRGL</b>	<b>(37)</b>	<b>(12)</b>	<b>(49)</b>	<b>(239)</b>	<b>33</b>	<b>(206)</b>

The gain of \$108 million (2002: loss of \$370 million) between actual and expected return on plan assets is 4% (2002: 18%) of the plan assets at 31 December 2003. The experience loss of \$9 million (2002: gain of \$197 million) arising on the plan liabilities represents less than 1% (2002: 7%) of the present value of the plan liabilities at 31 December 2003. The total actuarial loss of \$49 million (2002: loss of \$206 million) represents 1% (2002: 7%) of the present value of the plan liabilities at 31 December 2003.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 33 RETIREMENT BENEFITS *continued*

#### FRS 17 liability disclosure

The movement during 2003 and 2002 in the FRS 17 pension and post-retirement medical liability (before allowance for deferred tax) shown on the previous page can be analysed as follows:

US\$ million	2003			2002		
	Pension plans	Post-retirement medical plans	Total plans	Pension plans	Post-retirement medical plans	Total plans
As at 1 January	(382)	(392)	(774)	(85)	(317)	(402)
Current service cost	(63)	(7)	(70)	(47)	(6)	(53)
Contributions	76	47	123	51	24	75
Acquisitions and disposals of subsidiaries	(6)	–	(6)	(35)	–	(35)
Past service costs and effects of settlements and curtailments	(8)	(4)	(12)	(2)	14	12
Net finance costs	(7)	(48)	(55)	(3)	(37)	(40)
Actuarial gains/(losses)	(37)	(12)	(49)	(239)	33	(206)
Currency movements	(54)	(111)	(165)	(22)	(103)	(125)
<b>As at 31 December</b>	<b>(481)</b>	<b>(527)</b>	<b>(1,008)</b>	<b>(382)</b>	<b>(392)</b>	<b>(774)</b>

Had the Group adopted FRS 17 early, the consolidated profit and loss reserve would have been restated as follows:

US\$ million	2003	2002
Profit and loss reserve at 31 December in the financial statements	17,225	12,958
Less: FRS 17 Retirement benefit reserve	(706)	(541)
Add: SSAP 24 balances:	357	262
Prepayment (see note 18)	(170)	(168)
Pension provision (see note 23)	216	180
Post-retirement medical provision (see note 23)	465	363
Less: attributable deferred tax	(154)	(113)
<b>Profit and loss reserve as adjusted</b>	<b>16,876</b>	<b>12,679</b>

The above table does not include a restatement of the charges for pension and post-retirement medical plans in the current year profit and loss account that would arise from the adoption of FRS 17.

#### Potential volatility of FRS 17

The method for calculating the net pension asset under FRS 17 is likely to lead to volatility in the amount to be included in the balance sheet. Pension plan liabilities are measured by reference to long term AA bond yields that can move substantially and rapidly according to market conditions. The plans' assets, which principally comprise equities, are also subject to large market swings.

### 34 RELATED PARTY TRANSACTIONS

With effect from 1 June 2001, the cross-holding between Anglo American and De Beers was eliminated and Anglo American now accounts for its 45% interest in DB Investments (DBI), the new holding company of De Beers Société Anonyme. As a result of De Beers' partial interest in Debswana Diamond Company (Proprietary) Limited (one of the shareholders in DBI), the Group accounts for an additional 3.65% of DBI's post tax equity earnings. Furthermore, the Group accounts for the dividends attributable to 10% non-cumulative preference shares with a redemption value of \$701 million in DBI as part of operating profit, on the basis that the preference shares are part of the Group's investment in the diamond business.

The Company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with joint ventures, associates and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

Amounts owing to the Group by joint ventures are disclosed in note 18. Dividends received from joint ventures and associates during the year totalled \$426 million (2002: \$258 million), as disclosed in the consolidated cash flow statement on page 45.

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**35 RECONCILIATION OF NET OPERATING ASSETS TO NET ASSETS**

US\$ million	2003	2002
Net operating assets (see note 2)	29,709	21,122
Fixed asset investments	7,828	7,376
Current asset investments	1,032	1,143
Cash at bank and in hand	1,094	1,070
Other non-operating assets and liabilities	(4,700)	(2,868)
Long term liabilities	(6,665)	(5,873)
Provisions for liabilities and charges	(3,954)	(2,896)
Equity minority interests	(3,396)	(2,304)
Proposed dividend	(554)	(509)
<b>Net assets</b>	<b>20,394</b>	<b>16,261</b>

**36 FINANCIAL STATEMENTS OF THE PARENT COMPANY**

**Profit and loss of parent**

As permitted by section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these financial statements. The loss after tax for the year for the parent company amounted to \$254 million (2002: loss of \$148 million).

**Balance sheet**

US\$ million	2003	2002
<b>Fixed assets</b>		
Fixed asset investments	10,127	10,135
<b>Current assets</b>		
Amounts due from subsidiaries	1,228	184
Cash at bank and in hand	8	65
	1,236	249
Short term borrowings		
Bank overdraft	(328)	–
Bank loans due within one year	(1,575)	(991)
Amounts owed to subsidiaries	(5,166)	(2,912)
	(7,069)	(3,903)
Other current liabilities		
Proposed dividend	(300)	(286)
Other creditors	(17)	(14)
<b>Net current liabilities</b>	<b>(6,150)</b>	<b>(3,954)</b>
Long term liabilities		
Convertible debt (see note 21)	(1,088)	(1,084)
Bank loans due in more than one year	(35)	(1,633)
<b>Net assets</b>	<b>2,854</b>	<b>3,464</b>
<b>Capital and reserves</b>		
Called-up share capital (see note 24)	738	735
Share premium account	1,284	1,216
Capital redemption reserve	82	82
Profit and loss account	750	1,431
<b>Total shareholders' funds (equity)</b>	<b>2,854</b>	<b>3,464</b>

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**36 FINANCIAL STATEMENTS OF THE PARENT COMPANY** continued

Statement of movement in shareholders' funds and movement of reserves

US\$ million	Issued share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total
Balance at 1 January 2003	735	1,216	82	1,431	3,464
Loss for the financial year	–	–	–	(254)	(254)
Shares issued	3	68	–	–	71
Dividends paid and proposed	–	–	–	(427)	(427)
<b>At 31 December 2003</b>	<b>738</b>	<b>1,284</b>	<b>82</b>	<b>750</b>	<b>2,854</b>

Dividends paid and proposed 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.

Fixed asset investments

US\$ million	Investment in subsidiaries equity	Own shares	Total
<b>Cost</b>			
At 1 January 2003	9,513	685	10,198
Currency movements	–	8	8
<b>At 31 December 2003</b>	<b>9,513</b>	<b>693</b>	<b>10,206</b>
<b>Provisions for impairment</b>			
At 1 January 2003	(8)	(55)	(63)
Charge for the year	–	(16)	(16)
<b>At 31 December 2003</b>	<b>(8)</b>	<b>(71)</b>	<b>(79)</b>
<b>Net book value</b>			
<b>At 31 December 2003</b>	<b>9,505</b>	<b>622</b>	<b>10,127</b>
At 31 December 2002	9,505	630	10,135

The audit fee in respect of the parent company was \$20,000 (2002: \$18,120).

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**37 GROUP COMPANIES**

The principal subsidiaries, proportionally consolidated joint arrangements, joint ventures and associates of the Group at 31 December 2003, and the Group percentage of equity capital, joint arrangements and joint venture interests are set out below. All these interests are held indirectly by the parent company and are consolidated within these financial statements. The Group has restricted the information to its principal subsidiaries as full compliance with section 231(b) of the Companies Act would result in a statement of excessive length.

Subsidiary undertakings	Country of incorporation	Business	Percentage of equity owned <sup>(2)</sup>
<b>Platinum</b>			
Anglo American Platinum Corporation Limited	South Africa	Platinum	74.1
<b>Gold</b>			
AngloGold Limited	South Africa	Gold	54.5
<b>Coal</b>			
Anglo Coal <sup>(1)</sup>	South Africa	Coal	100
Anglo Coal (Callide) Pty Limited	Australia	Coal	100
<b>Base Metals</b>			
Black Mountain Mineral Development <sup>(1)</sup>	South Africa	Copper, zinc and lead	100
Namakwa Sands <sup>(1)</sup>	South Africa	Mineral sands	100
Gamsberg Zinc Corporation <sup>(1)</sup>	South Africa	Zinc project	100
Hudson Bay Mining and Smelting Co. Ltd	Canada	Copper and zinc	100
Bamisa – Barro Alto Mineração Limitada	Brazil	Nickel project	100
Ambase Exploration (Namibia) Proprietary Limited (Skorpion)	Namibia	Zinc project	100
Anglo American of South America Limitada (Catalão)	Brazil	Niobium	100
Minera Sur Andes Limitada (formerly Compañía Minera Disputada de Las Condes Limitada)	Chile	Copper	100
Empresa Minera de Mantos Blancos SA	Chile	Copper	99.9
Codemin SA	Brazil	Nickel	90
Minera Loma de Níquel, CA	Venezuela	Nickel	91.4
Minera Quellaveco SA	Peru	Copper project	80
Lisheen (unincorporated)	Ireland	Zinc and lead	100
<b>Industrial Minerals</b>			
Tarmac Group Limited	UK	Construction materials	100
Tarmac France SA	France	Construction materials	100
Bilfinger Berger Baustoffe GmbH	Germany	Construction materials	100
Lausitzer Grauwacke GmbH	Germany	Construction materials	100
Steetley Iberia SA	Spain	Construction materials	100
WKSM SA	Poland	Construction materials	100
Tarmac Severokamen A.S.	Czech Republic	Construction materials	95.7
Copebrás Limitada	Brazil	Sodium tripolyphosphate and fertilisers	73
Midland Quarry Products Limited	UK	Construction materials	50
<b>Paper and Packaging</b>			
Mondi Limited	South Africa	Paper and Packaging	100
Mondi Packaging (Europe) SA	Luxembourg	Corrugated Packaging	100
Neusiedler AG	Austria	Graphic Paper	100
Frantschach Packaging AG	Austria	Industrial Packaging	70
<b>Ferrous Metals</b>			
Scaw Metals <sup>(1)</sup> /Moly-Cop	South Africa/Chile	Steel and engineering works	100
Highveld Steel and Vanadium Corporation Limited	South Africa	Steel, vanadium and ferroalloys	80
Kumba Resources Limited	South Africa	Iron ore, coal and heavy minerals	66.6
<b>Industries</b>			
Boart Longyear <sup>(1)</sup> /Boart Longyear Limited	South Africa	Tools, equipment and contracting services	100
The Tongaat-Hulett Group Limited	South Africa	Sugar, starch and aluminium	52.9

<sup>(1)</sup>A division of Anglo Operations Limited, a wholly-owned subsidiary.

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

**NOTES TO FINANCIAL STATEMENTS**  
**CONTINUED**

**37 GROUP COMPANIES** continued

	Country of incorporation	Business	Percentage of equity owned <sup>(4)</sup>
<b>Proportionally consolidated joint arrangements<sup>(3)</sup></b>			
Drayton	Australia	Coal	88
Moranbah North	Australia	Coal	88
Dartbrook	Australia	Coal	78
German Creek	Australia	Coal	70
Moura	Australia	Coal	51
<b>Joint ventures</b>			
Aylesford Newsprint Holdings Limited	UK	Newsprint	50
Compañía Minera Doña Inés de Collahuasi SCM	Chile	Copper	44
Nkomati	South Africa	Nickel	25
<b>Associates</b>			
DB Investments SA	Luxembourg	Diamonds	45
Gold Fields Limited	South Africa	Gold	20.1
Queensland Coal Mine Management (Pty) Ltd	Australia	Coal	33.3
Cerrejón Zona Norte SA	Colombia	Coal	33.3
Carbones del Cerrejón LLC	Anguilla	Coal	33.3
Carbones del Guasare SA	Venezuela	Coal	24.9
Samancor Limited	South Africa	Chrome and manganese	40
Groote Eylandt Mining Company (Pty) Ltd (Gemco)	Australia	Manganese	40
Tasmanian Electro Metallurgical Company (Pty) Ltd (Temco)	Australia	Manganese	40
Palabora Mining Company Limited	South Africa	Copper	28.7
Terra Industries Inc.	USA	Nitrogen fertilizer and methanol	48.5

<sup>(3)</sup> The wholly-owned subsidiary Anglo Coal Holdings Australia Limited holds the proportionally consolidated joint arrangements.

<sup>(4)</sup> All equity interests shown are ordinary shares.

**38 EVENTS OCCURRING AFTER END OF YEAR**

On 9 February 2004, an agreement was entered into to sell the Group's 25% interest in the Nkomati Nickel joint venture to Anglovaal Mining Limited for a cash consideration of R260 million (\$37 million).

Following the announcement on 10 December 2003 of the acquisition of the corrugated paper and packaging business of Roman Bauernfeind Holding AG, the directors allotted 5,309,286 ordinary shares of \$0.50 each on 12 February 2004 in consideration of the acquisition. The shares are listed on the London Stock Exchange and application has been made to list them on the Johannesburg, Swiss, Namibia and Botswana stock exchanges. The shares will rank pari passu with the other ordinary shares in issue.



## ORE RESERVES AND MINERAL RESOURCES

### PLATINUM

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Grade		Contained metal (tonnes) <sup>(2)</sup>		
			2003	2002	2003	2002	2003	2002	
<b>Anglo Platinum – Ore Reserves<sup>(4)</sup></b>									
Merensky Reef <sup>(5)</sup>	Proved		71.0	75.8	5.62	5.94	399.4	450.5	
	Probable		145.4	374.9	6.18	5.65	899.0	2,119.3	
	Total		216.4	450.7	6.00	5.70	1,298.4	2,569.8	
UG2 Reef	Proved		166.3	75.9	4.34	4.39	721.7	333.5	
	Probable		462.8	858.5	4.40	4.66	2,034.0	4,000.4	
	Total		629.1	934.4	4.38	4.64	2,755.7	4,334.0	
Platreef <sup>(5)(6)</sup>	Proved		4.0	45.4	3.03	3.29	12.0	149.5	
	Proved (stockpiles)		7.9	–	3.23	–	25.5	–	
	Probable		311.3	286.7	2.65	2.57	826.1	737.6	
	Total		323.1	332.1	2.67	2.67	863.6	887.1	
<b>Total</b>	Proved		249.2	197.2	4.65	4.73	1,158.6	933.6	
	Probable		919.4	1,520.1	4.09	4.51	3,759.0	6,857.4	
	Total metric	100%	74.06%	1,168.6	1,717.3	4.21	4.54	4,917.7	7,790.9
	Total imperial <sup>(7)</sup>	100%	74.06%	1,288.1 Mton	1,893.0 Mton	0.123 oz/t	0.132 oz/t	158.1 Moz	250.5 Moz
<b>Anglo Platinum – Mineral Resources<sup>(4)</sup></b>									
Merensky Reef <sup>(5)</sup>	Measured		60.6	9.2	4.90	4.52	297.1	41.7	
	Indicated		238.5	736.6	5.34	5.03	1,274.4	3,704.9	
	Measured and indicated		299.2	745.8	5.25	5.02	1,571.5	3,746.6	
	Inferred		1,082.1	–	5.47	–	5,917.2	–	
	Total		1,381.2	745.8	5.42	5.02	7,488.7	3,746.6	
UG2 Reef	Measured		288.5	208.4	5.22	5.71	1,506.6	1,190.3	
	Indicated		595.2	1,475.0	5.26	5.04	3,128.5	7,431.1	
	Measured and indicated		883.7	1,683.4	5.25	5.12	4,635.1	8,621.4	
	Inferred		1,958.2	–	5.05	–	9,895.2	–	
	Total		2,841.9	1,683.4	5.11	5.12	14,530.3	8,621.4	
Platreef <sup>(5)</sup>	Measured		11.9	–	1.74	–	20.7	–	
	Indicated		338.9	718.8	2.36	2.79	800.8	2,004.9	
	Measured and indicated		350.8	718.8	2.34	2.79	821.6	2,004.9	
	Inferred		153.6	–	2.44	–	374.1	–	
	Total		504.4	718.8	2.37	2.79	1,195.7	2,004.9	
<b>Total</b>	Measured		361.0	217.6	5.05	5.66	1,824.4	1,231.9	
	Indicated		1,172.6	2,930.4	4.44	4.48	5,203.8	13,140.9	
	Measured and indicated		1,533.6	3,148.1	4.58	4.57	7,028.2	14,372.8	
	Inferred		3,193.8	–	5.07	–	16,186.6	–	
	Total metric	100%	74.06%	4,727.5	3,148.1	4.91	4.57	23,214.7	14,372.8
	Total imperial <sup>(7)</sup>	100%	74.06%	5,211.1 Mton	3,470.1 Mton	0.143 oz/t	0.133 oz/t	746.4 Moz	462.1 Moz
<b>Unki – Ore Reserves</b>									
Advanced project	Proved		14.9	14.9	4.30	4.30	64.1	64.1	
	Probable		22.2	22.2	4.30	4.30	95.5	95.5	
	Total metric	100%	100%	37.1	37.1	4.30	4.30	159.6	159.6
	Total imperial <sup>(7)</sup>	100%	100%	40.9 Mton	40.9 Mton	0.125 oz/t	0.125 oz/t	5.1 Moz	5.1 Moz
<b>Unki – Mineral Resources</b>									
Advanced project	Measured		19.5	19.5	4.98	4.98	97.1	97.1	
	Indicated		29.1	29.1	4.98	4.98	144.9	144.9	
	Measured and indicated		48.6	48.6	4.98	4.98	242.0	242.0	
	Inferred		11.6	11.6	4.98	4.98	57.8	57.8	
	Total metric	100%	100%	60.2	60.2	4.98	4.98	299.8	299.8
	Total imperial <sup>(7)</sup>	100%	100%	66.4 Mton	66.4 Mton	0.145 oz/t	0.145 oz/t	9.6 Moz	9.6 Moz

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### PLATINUM continued

Rounding of figures may cause computational discrepancies.

During 2003 improved Ore Reserve and Mineral Resource classifications were carried out at all operations. As a result some material was transferred from Ore Reserves to Mineral Resources which explains the major change in both the Ore Reserve and Mineral Resource figures between 2002 and 2003 for Merensky Reef, UG2 and the Platreef. As a consequence of the same exercise, some Mineral Resources previously classified as Indicated were transferred to Inferred.

- (1) Reported and Attributable (%) refers to 2003 only. For the 2002 Reported and Attributable figures, please refer to the previous Annual Report.
- (2) Includes 100% of Ore Reserves and Mineral Resources of consolidated entities and the Group's share of joint ventures and associates where applicable. Where the Group's share is more than 50%, 100% of the Ore Reserves and Mineral Resources are reported.
- (3) 4E PGE grade, i.e. platinum, palladium, rhodium and gold.
- (4) Joint venture agreements are still being finalised. Once finalised, the above statement will be affected.
- (5) Merensky Reef changes due to separate reporting of Platreef from 2003. Historically the Platreef and the Merensky Reef were combined. For comparison the 2002 figures were split accordingly.
- (6) Platreef stockpiles included in the Ore Reserves. The Platreef is mined by open pit.
- (7) Total imperial units: tonnage is reported in million short tons (Mton), grade in troy ounces per short ton (oz/t) and contained metal in million troy ounces (Moz).

### GOLD

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000).

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million)		Grade		Contained metal (tonnes)	
			2003	2002	2003	2002	2003	2002
<b>AngloGold – Ore Reserves</b>								
South Africa	Proved		54.8	94.7	2.96	2.22	162.0	210.4
	Probable		267.9	246.3	4.12	5.14	1,104.3	1,267.2
	Total		322.6	341.0	3.93	4.33	1,266.4	1,477.5
East and West Africa	Proved		23.3	21.5	3.01	3.50	70.0	75.1
	Probable		48.2	52.3	3.52	3.73	169.4	195.3
	Total		71.5	73.8	3.35	3.66	239.5	270.4
South America	Proved		10.6	15.3	7.27	6.22	77.4	95.5
	Probable		6.3	12.7	7.34	4.92	46.4	62.4
	Total		17.0	28.0	7.30	5.63	123.8	157.8
North America	Proved		53.9	57.8	1.26	1.34	67.7	77.7
	Probable		64.7	69.4	0.87	0.99	56.1	68.8
	Total		118.6	127.3	1.04	1.15	123.8	146.5
Australia	Proved		46.9	49.0	1.31	1.42	61.3	69.7
	Probable		105.3	100.4	1.40	1.26	147.2	126.4
	Total		152.2	149.4	1.37	1.31	208.6	196.1
<b>Total</b>	Proved		189.5	238.3	2.31	2.22	438.5	528.3
	Probable		492.4	481.2	3.09	3.57	1,523.5	1,720.0
	Total metric	100%	54.45%	681.9	719.5	2.88	3.12	1,962.0
Total imperial <sup>(4)</sup>	100%	54.45%	751.7 Mton	793.1 Mton	0.084 oz/t	0.091 oz/t	63.1 Moz	72.3 Moz

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### GOLD continued

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000).

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million)		Grade		Contained metal (tonnes)	
			2003	2002	2003	2002	2003	2002
<b>AngloGold<sup>(2)</sup> – Mineral Resources</b>								
South Africa <sup>(3)</sup>	Measured		103.2	300.3	4.26	1.84	439.4	552.1
	Indicated		661.1	647.7	4.17	4.42	2,754.6	2,865.1
	Inferred		263.2	463.1	6.48	7.97	1,705.8	3,692.3
	Total		1,027.5	1,411.0	4.77	5.04	4,899.7	7,109.5
East and West Africa	Measured		42.4	37.5	2.40	2.68	101.8	100.7
	Indicated		123.5	107.6	2.50	2.81	308.6	301.9
	Inferred		138.0	144.4	1.62	1.68	224.0	242.2
	Total		303.8	289.5	2.09	2.23	634.3	644.7
South America	Measured		29.8	32.4	4.41	4.41	131.2	143.1
	Indicated		12.7	22.1	6.94	4.68	88.1	103.4
	Inferred		29.0	42.2	6.98	6.20	202.8	261.8
	Total		71.5	96.7	5.90	5.26	422.2	508.4
North America	Measured		109.4	85.1	1.17	1.24	128.1	105.7
	Indicated		110.8	107.3	0.88	1.12	97.7	120.1
	Inferred		38.0	69.2	1.05	1.28	39.7	88.7
	Total		258.2	261.6	1.03	1.20	265.5	314.6
Australia	Measured		63.0	61.2	1.36	1.41	85.5	86.4
	Indicated		149.9	143.5	1.30	1.22	195.1	175.0
	Inferred		87.2	89.7	1.29	1.18	112.2	106.3
	Total		300.1	294.4	1.31	1.25	392.8	367.7
<b>Total<sup>(3)</sup></b>	Measured		347.7	516.5	2.55	1.91	885.9	988.0
	Indicated		1,058.0	1,028.2	3.26	3.47	3,444.1	3,565.5
	Inferred		555.4	808.6	4.11	5.43	2,284.5	4,391.3
	Total metric	100%	1,961.1	2,353.2	3.37	3.80	6,614.5	8,944.8
	Total imperial <sup>(4)</sup>	100%	2,161.7 Mton	2,594.0 Mton	0.098 oz/t	0.111 oz/t	212.7 Moz	287.6 Moz

Rounding of figures may cause computational discrepancies.

(1) Reported and Attributable (%) refers to 2003 only. For the 2002 Reported and Attributable figures, please refer to the previous Annual Report.

(2) AngloGold report Mineral Resources 'as inclusive of those Mineral Resources modified to produce the Ore Reserve' (JORC), i.e. the Ore Reserves are included in the Mineral Resource figures.

(3) Material changes to the South Africa region Mineral Resource due to removal of 65Moz from the Western Ultra Deep Mineral Resource. The adjustment is due to restriction of the maximum depth to 4,500m up from 5,000m last year. Increased Mineral Resource cut-off was also applied to all South Africa region operations.

(4) Total imperial units: tonnage is reported in million short tons (Mton), grade in troy ounces per short ton (oz/t) and contained metal in million troy ounces (Moz).

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### COAL

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Coal Resources are additional to the Coal Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Yield (%) <sup>(5)</sup>		Heat content <sup>(6)</sup> (kcal/kg) Gross as received	Tonnes (million) <sup>(2)</sup>	
			ROM <sup>(3)</sup> 2003	ROM <sup>(3)</sup> 2002	Saleable <sup>(3)</sup> 2003	Saleable <sup>(3)</sup> 2003	Saleable <sup>(3)</sup> 2003	Saleable <sup>(3)</sup> 2002	
<b>Anglo Coal – Coal Reserves<sup>(3)</sup></b>									
<b>Trade collieries</b>									
South Africa									
	Proved		241	242	59	6,280		147	152
	Probable		373	405	59	6,370		225	251
	Total	100%	614	647	59	6,330		372	403
Australia									
	Proved		347	324	80	7,320		290	278
	Probable		269	136	81	6,910		227	109
	Total	100%	616	460	81	7,140		517	387
Colombia									
	Proved		105	105	99	6,200		105	110
	Probable		148	153	99	6,200		150	155
	Total	33.3%	253	258	99	6,200		255	265
Venezuela									
	Proved		39	25	100	6,880		40	26
	Probable		–	–	–	–		–	–
	Total	24.9%	39	25	100	6,880		40	26
<b>Total</b>	Proved		732	696	77	6,820		583	566
	Probable		790	695	74	6,530		601	516
	Total	87.0%	1,522	1,391	76	6,670		1,184	1,082
<b>Power generation collieries</b>									
South Africa									
	Proved		718	643	94	4,190		664	597
	Probable		298	251	100	5,000		298	251
	Total	100%	1,016	894	95	4,440		962	848
Australia									
	Proved		247	271	87	4,690		215	252
	Probable		86	82	88	4,210		76	72
	Total	100%	333	353	87	4,560		291	324
<b>Total</b>	Proved		966	914	92	4,310		880	848
	Probable		384	333	97	4,840		374	324
	Total	100%	1,350	1,247	93	4,470		1,254	1,172

Rounding of figures may cause computational discrepancies.

Trade collieries refers to operations primarily associated with the production of coal for the world export market, while Power generation collieries refers to operations that primarily produce coal for internal power generation requirements.

- (1) Reported and Attributable (%) refers to 2003 only. For the 2002 Reported and Attributable figures, please refer to the previous Annual Report.
- (2) Includes 100% of Coal Reserves and Coal Resources of consolidated entities and the Group's share of joint ventures and associates where applicable. Where the Group's share is more than 50%, 100% of the Coal Reserves and Coal Resources are reported.
- (3) Coal Reserves are quoted on a run of mine (ROM) reserve tonnage basis, which represents the tonnes delivered to the plant, and on a Saleable reserve tonnage basis, which represents the product tonnes produced.
- (4) Coal Resources are quoted on a mineable in situ (MTIS) tonnage basis in addition to the ROM reserves.
- (5) Yield percentage represents the ratio of Saleable tonnes to ROM tonnes and is quoted on an in situ to in situ basis or on an air dry to air dry basis.
- (6) The coal quality is quoted as a weighted average of the heat content of all saleable coal products. The coal quality for the Coal Resources are reported on an in situ basis.

Coal quality parameters for the Coal Reserves for Trade collieries meet the contractual specifications for coking coal, metallurgical coal, steam coal and domestic coal.

Coal quality parameters for Coal Reserves for Power generation collieries meet the specification of the individual supply contracts.

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### COAL continued

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Coal Resources are additional to the Coal Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Heat content <sup>(6)</sup>
			MTIS <sup>(4)</sup> 2003	MTIS <sup>(4)</sup> 2002	(kcal/kg) Gross as received
					2003
<b>Anglo Coal – Coal Resources<sup>(4)</sup></b>					
<b>Trade collieries</b>					
South Africa					
Measured			370	325	6,220
Indicated			230	240	6,240
Measured and Indicated	100%	100%	600	565	6,230
Australia					
Measured			250	360	6,370
Indicated			150	80	6,090
Measured and Indicated	100%	75.2%	400	440	6,270
Colombia					
Measured			–	–	–
Indicated			–	–	–
Measured and Indicated	33.3%	33.3%	–	–	–
Venezuela					
Measured			4	7	7,260
Indicated			6	–	7,580
Measured and Indicated	24.9%	24.9%	10	7	7,480
<b>Total</b>					
Measured			624	692	6,290
Indicated			386	320	6,200
Measured and Indicated	99.2%	89.4%	1,010	1,012	6,260
<b>Power generation collieries</b>					
South Africa					
Measured			60	55	5,180
Indicated			30	15	4,870
Measured and Indicated	100%	100%	90	70	5,090
Australia					
Measured			300	305	4,980
Indicated			340	330	4,440
Measured and Indicated	100%	100%	640	635	4,690
<b>Total</b>					
Measured			360	360	5,010
Indicated			370	345	4,470
Measured and Indicated	100%	100%	730	705	4,740
<b>Other Coal Resources</b>					
South Africa					
Measured			70	210	5,870
Indicated			3,280	3,250	4,690
Measured and Indicated	100%	100%	3,350	3,460	4,720
Australia					
Measured			590	650	6,330
Indicated			455	525	6,480
Measured and Indicated	100%	79.8%	1,045	1,175	6,390
<b>Total</b>					
Measured			660	860	6,280
Indicated			3,735	3,775	4,910
Measured and Indicated	100%	95.2%	4,395	4,635	5,120

Rounding of figures may cause computational discrepancies.

**Other Coal Resources** refers to project areas not included in the Trade collieries or Power generation collieries.

The Coal Reserve tonnages reflect a gain of 199.8 million saleable tonnes (on a reportable basis) and corresponding proportional decrease in Other Coal Resources due to the conversion of the Kriel South Coal Resources to Coal Reserves in South Africa (103.4 million saleable tonnes) and the conversion of the Theodore North Coal Resources to Coal Reserves in Australia (96.4 million saleable tonnes). In addition, 86.6 million saleable tonnes were depleted during 2003 by mining operations.

All footnote references are explained on page 91.

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### BASE METALS

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Grade		Contained metal tonnes (thousand) <sup>(2)</sup>	
			2003	2002	2003	2002	2003	2002
<b>Copper Division – Ore Reserves</b>								
<b>Los Bronces<sup>(3)</sup></b>								
– Sulphide (low grade leachable)	Proved		426.8	247.4	0.47	0.53	2,024	1,311
	Probable		739.4	358.5	0.30	0.40	2,217	1,434
Total	100%	100%	1,166.2	605.9	0.36	0.45	4,241	2,745
– Sulphide (flotation)	Proved		674.9	387.9	0.91	1.05	6,166	4,073
	Probable		85.8	71.1	0.65	0.88	558	626
Total	100%	100%	760.7	459.0	0.88	1.02	6,724	4,699
<b>El Soldado</b>								
– Oxide (ASCu) <sup>(4)</sup>	Proved		–	1.4	–	1.59	–	22
	Probable		–	–	–	–	–	–
Total	100%	100%	–	1.4	–	1.59	–	22
– Sulphide <sup>(5)</sup> (flotation)	Proved		85.0	84.0	1.10	1.02	936	858
	Probable		52.0	14.0	0.94	1.02	488	143
Total	100%	100%	137.0	98.0	1.04	1.02	1,424	1,000
<b>Mantos Blancos<sup>(6)</sup></b>								
– Sulphide (ICu) <sup>(7)</sup>	Proved		9.4	52.7	0.71	0.97	67	511
	Probable		31.7	25.5	1.05	1.14	333	291
Total	100%	100%	41.1	78.2	0.97	1.03	399	802
– Oxide (ASCu) <sup>(7)</sup> Vat Leach	Proved		11.0	28.9	0.59	0.76	65	220
	Probable		10.8	7.5	0.97	0.90	105	68
Total	100%	100%	21.8	36.4	0.78	0.79	170	288
– Dump Leach (ASCu) <sup>(7)</sup>	Proved		8.3	23.6	0.38	0.46	32	109
	Probable		5.1	4.1	0.40	0.48	20	20
Total	100%	100%	13.4	27.7	0.39	0.46	52	129
<b>Mantoverde</b>								
– Heap Leach (ASCu) <sup>(7)</sup>	Proved		56.2	55.8	0.65	0.66	364	367
	Probable		25.6	28.9	0.70	0.70	179	201
Total	100%	100%	81.8	84.7	0.66	0.67	543	568
– Dump Leach (ASCu) <sup>(7)</sup>	Proved		34.1	30.0	0.30	0.30	103	89
	Probable		26.7	20.3	0.30	0.29	79	59
Total	100%	100%	60.8	50.3	0.30	0.29	182	148
<b>Collahuasi<sup>(8)</sup></b>								
– Oxide and Mixed (TCu) <sup>(7)</sup>	Proved		17.9	10.4	1.03	1.08	184	112
	Probable		21.5	10.5	1.23	1.22	265	129
Total	44%	44%	39.5	20.9	1.14	1.15	449	241
– Sulphide (TCu) <sup>(7)</sup>	Proved		314.2	147.9	1.00	1.02	3,142	1,512
	Probable		1,061.8	468.9	1.01	1.02	10,772	4,769
Total	44%	44%	1,376.0	616.9	1.01	1.02	13,914	6,281
– Low Grade Sulphide (TCu) <sup>(7)</sup>	Proved		103.5	43.8	0.58	0.55	600	242
	Probable		289.3	127.4	0.52	0.52	1,507	663
Total	44%	44%	392.8	171.2	0.54	0.53	2,107	905
<b>Palabora</b>								
– Current mine	Proved		60.3	62.9	0.69	0.69	416	438
	Probable		4.6	4.6	0.49	0.49	22	23
Total	28.7%	28.7%	64.9	67.5	0.68	0.68	438	460

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### BASE METALS continued

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Grade		Contained metal tonnes (thousand) <sup>(2)</sup>		
			2003	2002	2003	2002	2003	2002	
<b>Copper Division – Mineral Resources</b>									
<b>Los Bronces<sup>(3)</sup></b>									
– Sulphide	Measured		416.8	261.3	0.62	0.65	2,584	1,698	
	Indicated		571.8	371.5	0.55	0.56	3,145	2,080	
	Measured and Indicated	100%	988.6	632.8	0.58	0.60	5,729	3,779	
<b>El Soldado<sup>(5)</sup></b>									
– Sulphide	Measured		41.0	30.0	0.83	0.77	346	231	
	Indicated		25.0	20.0	0.82	0.98	202	196	
	Measured and Indicated	100%	66.0	50.0	0.83	0.85	548	427	
<b>Mantos Blancos<sup>(6)</sup></b>									
– Sulphide (ICu) <sup>(7)</sup>	Measured		5.2	59.4	0.93	1.03	49	612	
	Indicated		53.2	36.9	0.85	1.00	452	369	
	Measured and Indicated	100%	58.4	96.3	0.86	1.02	502	981	
– Oxide (ASCu) <sup>(7)</sup>	Measured		0.1	14.9	0.67	0.91	1	136	
	Indicated		7.1	11.9	0.82	0.91	58	108	
	Measured and Indicated	100%	7.2	26.8	0.82	0.91	59	244	
– Dump Leach (ASCu) <sup>(7)</sup>	Measured		0.1	18.3	0.39	0.48	–	88	
	Indicated		6.8	14.4	0.40	0.47	27	68	
	Measured and Indicated	100%	6.8	32.7	0.40	0.48	27	156	
<b>Mantoverde</b>									
– Heap Leach (ASCu) <sup>(7)</sup>	Measured		14.9	10.5	0.63	0.56	93	58	
	Indicated		23.2	23.1	0.56	0.58	130	134	
	Measured and Indicated	100%	38.1	33.6	0.59	0.57	223	192	
– Dump Leach (ASCu) <sup>(7)</sup>	Measured		20.0	16.5	0.29	0.30	59	49	
	Indicated		51.4	60.2	0.29	0.29	151	175	
	Measured and Indicated	100%	71.4	76.7	0.29	0.29	210	224	
<b>Collahuasi<sup>(8)</sup></b>									
– Oxide and Mixed (TCu) <sup>(7)</sup>	Measured		0.10	0.03	0.88	1.08	1.0	0.3	
	Indicated		0.50	0.23	1.21	1.22	6.0	2.8	
	Measured and Indicated	44%	0.60	0.26	1.18	1.20	7.0	3.1	
– Sulphide (TCu) <sup>(7)</sup>	Measured		12.6	5.5	0.89	0.83	112	46	
	Indicated		173.8	76.5	0.86	0.87	1,503	665	
	Measured and Indicated	44%	186.4	82.0	0.87	0.87	1,615	711	
– Low Grade Sulphide (TCu) <sup>(7)</sup>	Measured		35.5	15.6	0.46	0.46	162	71	
	Indicated		255.2	112.4	0.47	0.47	1,202	529	
	Measured and Indicated	44%	290.7	128.0	0.47	0.47	1,364	601	

Rounding of figures may cause computational discrepancies.

(1) Reported and Attributable (%) refers to 2003 only. For the 2002 Reported and Attributable figures, please refer to the previous Annual Report.

(2) Includes 100% of Ore Reserves and Mineral Resources of consolidated entities and the Group's share of joint ventures and associates where applicable. Where the Group's share is more than 50%, 100% of the Ore Reserves and Mineral Resources are reported.

(3) Increase in Ore Reserves and Mineral Resources due to new information from core drilling, different parameters for grade modelling and a different mine design.

(4) The oxide Ore Reserve was depleted during the year. Only a negligible amount remains.

(5) Increase in Ore Reserves and Mineral Resources due to new information from core drilling, different parameters for grade modelling and a different mine design.

(6) A better understanding of the deep portion of the Mantos Blancos orebody has shown that the mineralisation is less continuous than previously interpreted. This has resulted in a major reduction in the Ore Reserves and Mineral Resources.

(7) ICu = insoluble copper (total copper less acid soluble copper), ASCu = acid soluble copper, TCu = total copper.

(8) Overall gains in the Ore Reserves and Mineral Resources are due mainly to new information from a major drilling campaign at the Rosario Mine, and also a re-evaluation of stockpile inventories carried out in October 2003.



## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### BASE METALS continued

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Grade		Contained metal tonnes (thousand) <sup>(2)</sup>		
			2003	2002	2003	2002	2003	2002	
<b>Nickel Division – Ore Reserves</b>									
<b>Loma de Níquel</b>	Proved		<b>18.6</b>	14.6	<b>1.53</b>	%Ni	1.50	<b>285</b>	219
– Laterite	Probable		<b>19.9</b>	25.8	<b>1.40</b>	%Ni	1.45	<b>278</b>	374
	Total	100%	<b>38.5</b>	40.4	<b>1.46</b>		1.47	<b>563</b>	593
<b>Codemin</b>	Proved		<b>3.5</b>	3.8	<b>1.34</b>	%Ni	1.37	<b>46</b>	52
– Laterite	Probable		<b>0.6</b>	0.7	<b>1.33</b>	%Ni	1.23	<b>7</b>	8
	Total	100%	<b>4.0</b>	4.5	<b>1.34</b>		1.35	<b>54</b>	60
<b>Nkomati</b>	Proved		<b>0.24</b>	0.25	<b>2.19</b>	%Cu	2.20	<b>5</b>	6
– Ni Reserves	Probable		–	–	–	%Cu	–	–	–
	Total	25%	<b>0.24</b>	0.25	<b>2.19</b>		2.20	<b>5</b>	6
– Cu Reserves	Proved		<b>0.24</b>	0.25	<b>1.17</b>	%Cu	1.19	<b>3</b>	3
	Probable		–	–	–	%Cu	–	–	–
	Total	25%	<b>0.24</b>	0.25	<b>1.17</b>		1.19	<b>3</b>	3
<b>Nickel Division – Mineral Resources</b>									
<b>Loma de Níquel</b>	Measured		<b>0.3</b>	0.5	<b>1.54</b>	%Ni	1.50	<b>5</b>	8
– Laterite	Indicated		<b>4.2</b>	3.7	<b>1.47</b>	%Ni	1.45	<b>62</b>	54
	Measured and indicated	100%	<b>4.5</b>	4.3	<b>1.47</b>		1.46	<b>67</b>	62
<b>Codemin</b>	Measured		<b>3.4</b>	3.7	<b>1.29</b>	%Ni	1.19	<b>43</b>	43
– Laterite	Indicated		<b>3.5</b>	3.7	<b>1.25</b>	%Ni	1.16	<b>44</b>	43
	Measured and Indicated	100%	<b>6.9</b>	7.4	<b>1.27</b>		1.18	<b>87</b>	86

Rounding of figures may cause computational discrepancies.

(1) Reported and Attributable (%) refers to 2003 only. For the 2002 Reported and Attributable figures, please refer to the previous Annual Report.

(2) Includes 100% of Ore Reserves and Mineral Resources of consolidated entities and the Group's share of joint ventures and associates where applicable. Where the Group's share is more than 50%, 100% of the Ore Reserves and Mineral Resources are reported.

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### BASE METALS *continued*

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Grade		Contained metal tonnes (thousand) <sup>(2)</sup>		
			2003	2002	2003	2002	2003	2002	
<b>Zinc Division – Ore Reserves</b>									
<b>Black Mountain</b>									
– Broken Hill <sup>(3)</sup>	Proved		0.4	1.5	%Zn	%Zn			
– Zn Reserves	Probable		14.0	0.3	2.41	2.50	10	38	
					3.69	2.55	518	7	
	Total	100%	100%	14.4	1.8	3.65	2.51	528	45
– Broken Hill <sup>(3)</sup>	Proved		0.4	1.5	%Cu	%Cu			
– Cu Reserves	Probable		14.0	0.3	0.52	0.53	2	8	
					0.67	0.25	94	1	
	Total	100%	100%	14.4	1.8	0.67	0.49	96	9
– Broken Hill <sup>(3)</sup>	Proved		0.4	1.5	%Pb	%Pb			
– Pb Reserves	Probable		14.0	0.3	3.43	3.10	14	47	
					3.65	1.27	512	3	
	Total	100%	100%	14.4	1.8	3.64	2.83	526	50
<b>Black Mountain</b>									
– Swartberg <sup>(4)</sup>	Proved		–	–	%Zn	%Zn			
– Zn Reserves	Probable		1.5	1.3	–	–	–	–	
					1.24	1.35	18	17	
	Total	100%	100%	1.5	1.3	1.24	1.35	18	17
– Swartberg <sup>(4)</sup>	Proved		–	–	%Cu	%Cu			
– Cu Reserves	Probable		1.5	1.3	–	–	–	–	
					0.48	0.57	7	7	
	Total	100%	100%	1.5	1.3	0.48	0.57	7	7
– Swartberg <sup>(4)</sup>	Proved		–	–	%Pb	%Pb			
– Pb Reserves	Probable		1.5	1.3	–	–	–	–	
					3.80	3.95	56	51	
	Total	100%	100%	1.5	1.3	3.80	3.95	56	51
<b>Hudson Bay</b>									
– Zn Reserves	Proved		4.3	3.5	%Zn	%Zn			
	Probable		12.1	14.3	4.63	3.47	198	121	
					5.05	5.35	612	766	
	Total	100%	100%	16.4	17.8	4.94	4.98	810	887
– Cu Reserves	Proved		4.3	3.5	%Cu	%Cu			
	Probable		12.1	14.3	1.71	2.39	73	83	
					2.20	1.90	267	272	
	Total	100%	100%	16.4	17.8	2.07	1.99	340	355
<b>Lisheen</b>									
– Zn Reserves	Proved		7.6	6.8	%Zn	%Zn			
	Probable		2.3	6.0	12.96	11.61	979	788	
					10.62	10.87	245	654	
	Total	100%	100%	9.9	12.8	12.41	11.26	1,224	1,442
– Pb Reserves	Proved		7.6	6.8	%Pb	%Pb			
	Probable		2.3	6.0	2.30	2.04	174	139	
					1.60	1.86	37	112	
	Total	100%	100%	9.9	12.8	2.14	1.96	211	250
<b>Skorpion</b>									
– Zn Reserves	Proved		11.2	11.7	%Zn	%Zn			
	Probable		9.5	9.7	11.40	11.39	1,278	1,332	
					9.69	9.71	918	942	
	Total	100%	100%	20.7	21.4	10.62	10.63	2,196	2,274

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### BASE METALS continued

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Grade		Contained metal tonnes (thousand) <sup>(2)</sup>	
			2003	2002	2003	2002	2003	2002
<b>Zinc Division – Mineral Resources</b>								
<b>Black Mountain</b>								
– Broken Hill <sup>(5)</sup>	Measured		2.1	4.9	%Zn 2.89	%Zn 2.49	60	123
– Zn Resources	Indicated		4.4	17.6	3.86	4.39	169	773
	Measured and Indicated	100%	6.5	22.5	3.55	3.97	229	896
– Broken Hill <sup>(5)</sup>	Measured		2.1	4.9	%Cu 0.56	%Cu 0.49	12	24
– Cu Resources	Indicated		4.4	17.6	0.71	0.69	31	121
	Measured and Indicated	100%	6.5	22.5	0.66	0.65	43	146
– Broken Hill <sup>(5)</sup>	Measured		2.1	4.9	%Pb 3.98	%Pb 2.71	82	134
– Pb Resources	Indicated		4.4	17.6	3.85	3.61	169	635
	Measured and Indicated	100%	6.5	22.5	3.89	3.41	251	769
<b>Black Mountain</b>								
– Swartberg <sup>(6)</sup>	Measured		–	–	%Zn –	%Zn –	–	–
– Zn Resources	Indicated		19.4	23.5	0.73	0.68	142	160
	Measured and Indicated	100%	19.4	23.5	0.73	0.68	142	160
– Swartberg <sup>(6)</sup>	Measured		–	–	%Cu –	%Cu –	–	–
– Cu Resources	Indicated		19.4	23.5	0.71	0.66	138	155
	Measured and Indicated	100%	19.4	23.5	0.71	0.66	138	155
– Swartberg <sup>(6)</sup>	Measured		–	–	%Pb –	%Pb –	–	–
– Pb Resources	Indicated		19.4	23.5	3.09	2.84	600	667
	Measured and Indicated	100%	19.4	23.5	3.09	2.84	600	667
<b>Lisheen</b>								
– Zn Resources	Measured		–	–	%Zn –	%Zn –	–	–
	Indicated		0.3	0.7	11.70	10.07	31	70
	Measured and Indicated	100%	0.3	0.7	11.70	10.07	31	70
– Pb Resources	Measured		–	–	%Pb –	%Pb –	–	–
	Indicated		0.3	0.7	1.10	1.04	3	7
	Measured and Indicated	100%	0.3	0.7	1.10	1.04	3	7

Rounding of figures may cause computational discrepancies.

- (1) Reported and Attributable (%) refers to 2003 only. For the 2002 Reported and Attributable figures, please refer to the previous Annual Report.
- (2) Includes 100% of Ore Reserves and Mineral Resources of consolidated entities and the Group's share of joint ventures and associates where applicable. Where the Group's share is more than 50%, 100% of the Ore Reserves and Mineral Resources are reported.
- (3) The increase in Ore Reserves is due to conversion of Mineral Resource to Ore Reserve during 2003. Broken Hill Ore Reserves contain 14.4 million tonnes of silver ore at 52 g/t.
- (4) Swartberg Ore Reserves contain 1.5 million tonnes of silver ore at 42 g/t.
- (5) The decrease in Mineral Resources is due to material from the Deeps Project transferring to Ore Reserve. Broken Hill Mineral Resources contain 6.5 million tonnes of silver ore at 57 g/t.
- (6) Swartberg Mineral Resources contain 19.4 million tonnes of silver ore at 36 g/t.

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### BASE METALS continued

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Grade		Contained metal tonnes (thousand) <sup>(2)</sup>	
			2003	2002	2003	2002	2003	2002
<b>Niobium – Ore Reserves</b>								
<b>Catalão (%Nb<sub>2</sub>O<sub>5</sub>)</b>								
(Open pit)	Proved		7.0	7.0	%Nb <sub>2</sub> O <sub>5</sub> 1.15	%Nb <sub>2</sub> O <sub>5</sub> 1.17	80	82
	Probable		9.1	4.8	1.48	1.48	134	71
	Total	100%	16.0	11.8	1.34	1.30	215	153
<b>Projects – Ore Reserves</b>								
<b>Quellaveco</b>								
– Advanced project	Proved		250.1	250.1	%Cu 0.76	%Cu 0.76	1,901	1,901
	Probable		688.3	688.3	0.59	0.59	4,061	4,061
	Total	100%	938.4	938.4	0.64	0.64	5,962	5,962
<b>Barro Alto</b>								
– Laterite	Proved		22.9	22.9	%Ni 1.85	%Ni 1.85	423	423
(Advanced project)	Probable		7.3	7.3	1.80	1.80	131	131
	Total	100%	30.2	30.2	1.84	1.84	554	554
<b>Gamsberg<sup>(3)</sup></b>								
– Advanced project	Proved		35.0	35.1	%Zn 7.55	%Zn 7.56	2,642	2,650
	Probable		110.3	110.3	5.55	5.55	6,124	6,124
	Total	100%	145.3	145.3	6.04	6.04	8,766	8,774
<b>Projects – Mineral Resources</b>								
<b>Quellaveco</b>								
– Advanced project	Measured		1.5	1.5	%Cu 0.53	%Cu 0.53	8	8
	Indicated		176.7	176.7	0.46	0.46	813	813
	Measured and Indicated	100%	178.2	178.2	0.46	0.46	821	821
<b>Barro Alto</b>								
– Laterite	Measured		0.8	0.8	%Ni 1.63	%Ni 1.63	13	13
(Advanced project)	Indicated		21.2	21.2	1.36	1.36	288	288
	Measured and Indicated	100%	22.0	22.0	1.36	1.36	301	301
<b>Nkomati</b>								
– Ni Resources	Measured		–	–	%Ni –	%Ni –	–	–
	Indicated		30.3	30.3	0.48	0.48	145	145
	Measured and Indicated	25%	30.3	30.3	0.48	0.48	145	145
<b>– Cu Resources</b>								
	Measured		–	–	%Cu –	%Cu –	–	–
	Indicated		30.3	30.3	0.19	0.19	58	58
	Measured and Indicated	25%	30.3	30.3	0.19	0.19	58	58

Rounding of figures may cause computational discrepancies.

(1) Reported and Attributable (%) refers to 2003 only. For the 2002 Reported and Attributable figures, please refer to the previous Annual Report.

(2) Includes 100% of Ore Reserves and Mineral Resources of consolidated entities and the Group's share of joint ventures and associates where applicable. Where the Group's share is more than 50%, 100% of the Ore Reserves and Mineral Resources are reported.

(3) From February to December 2003 some 87.6 thousand tonnes at 8.97%Zn of Proved Ore Reserves were mined from Gamsberg via an exploration adit to supplement the Black Mountain concentrator to replace depleted reserves from the Broken Hill orebody until mining from Broken Hill Deep is in full production.

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### BASE METALS continued

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Grade		Contained tonnes (million) <sup>(2)</sup>	
			2003	2002	2003	2002	2003	2002
<b>Mineral Sands – Ore Reserves</b>								
<b>Namakwa Sands</b>								
Ilmenite	Proved		114.4	94.9	4.2	4.5	4.8	4.2
	Probable		299.7	313.8	3.3	3.3	9.8	10.4
	Total	100%	414.1	408.6	3.5	3.6	14.6	14.6
Zircon	Proved		114.4	94.9	1.2	1.3	1.4	1.3
	Probable		299.7	313.8	0.8	0.9	2.5	2.7
	Total	100%	414.1	408.6	0.9	1.0	3.9	4.0
Rutile	Proved		114.4	94.9	0.3	0.3	0.3	0.3
	Probable		299.7	313.8	0.2	0.2	0.6	0.7
	Total	100%	414.1	408.6	0.2	0.2	0.9	1.0
<b>Mineral Sands – Mineral Resources</b>								
<b>Namakwa Sands</b>								
Ilmenite	Measured		218.8	35.7	3.4	3.8	7.5	1.3
	Indicated		57.6	141.6	2.6	3.1	1.5	4.4
	Measured and Indicated	100%	276.4	177.4	3.3	3.3	9.0	5.7
Zircon	Measured		218.8	35.7	0.8	1.1	1.7	0.4
	Indicated		57.6	141.6	0.9	0.8	0.5	1.1
	Measured and Indicated	100%	276.4	177.4	0.8	0.8	2.2	1.5
Rutile	Measured		218.8	35.7	0.2	0.2	0.4	0.1
	Indicated		57.6	141.6	0.2	0.2	0.1	0.3
	Measured and Indicated	100%	276.4	177.4	0.2	0.2	0.5	0.4

Rounding of figures may cause computational discrepancies.

(1) Reported and Attributable (%) refers to 2003 only. For the 2002 Reported and Attributable figures, please refer to the previous Annual Report.

(2) Includes 100% of Ore Reserves and Mineral Resources of consolidated entities and the Group's share of joint ventures and associates where applicable. Where the Group's share is more than 50%, 100% of the Ore Reserves and Mineral Resources are reported.

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### FERROUS METALS & INDUSTRIES

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Grade		Contained tonnes (million) <sup>(2)</sup>		
			2003	2002	2003	2002	2003	2002	
<b>Ore Reserves</b>									
<b>Hotazel Manganese Mines (Mn)</b>									
– Mamatwan					%	%			
			7.0	9.0	38.3	38.0	–	–	–
			2.4	5.7	38.4	37.9	–	–	–
	40%	40%	9.4	14.7	38.3	38.0	–	–	–
– Wessels			1.1	1.1	48.0	48.1	–	–	–
			5.2	5.6	48.2	48.4	–	–	–
	40%	40%	6.3	6.7	48.2	48.3	–	–	–
<b>GEMCO (Mn)<sup>(3)</sup></b>			16.2	17.9	48.1	48.2	–	–	–
			18.4	17.9	47.5	47.9	–	–	–
	40%	40%	34.7	35.7	47.8	48.1	14.67	15.04	–
<b>Highveld (Vanadium V<sub>2</sub>O<sub>5</sub>)<sup>(4)</sup></b>			11.4	14.3	1.69	1.66	0.19	0.24	–
			21.7	26.5	1.70	1.67	0.37	0.44	–
	100%	80%	33.1	40.8	1.69	1.67	0.56	0.68	–
<b>Zimbabwe Alloys (Cr<sub>2</sub>O<sub>3</sub>)<sup>(5)</sup></b>			–	0.05	–	45.6	–	0.02	–
			–	–	–	–	–	–	–
	100%	100%	–	0.05	–	45.6	–	0.02	–
<b>Mineral Resources</b>									
<b>Hotazel Manganese Mines (Mn)<sup>(6)</sup></b>									
– Mamatwan			7.4	9.8	38.8	38.0	–	–	–
			2.6	6.2	38.0	38.0	–	–	–
	40%	40%	10.0	16.0	38.6	38.0	–	–	–
– Wessels			2.5	2.6	48.0	48.1	–	–	–
			12.0	12.4	48.2	48.3	–	–	–
	40%	40%	14.5	14.9	48.2	48.3	–	–	–
<b>GEMCO (Mn)<sup>(3)</sup></b>			3.1	4.2	47.4	47.1	–	–	–
			2.2	5.6	48.2	46.6	–	–	–
	40%	40%	5.3	9.8	47.8	46.8	–	–	–
<b>Highveld (Vanadium V<sub>2</sub>O<sub>5</sub>)</b>			51.5	51.5	1.70	1.70	0.88	0.88	–
			155.5	155.5	1.69	1.69	2.63	2.63	–
	100%	80%	207.0	207.0	1.70	1.69	3.51	3.50	–
<b>Zimbabwe Alloys (Cr<sub>2</sub>O<sub>3</sub>)<sup>(5)(7)</sup></b>			0.6	0.6	39.1	41.0	–	–	–
			104.2	103.4	40.4	40.3	–	–	–
	100%	100%	104.8	104.0	40.4	40.3	–	–	–

Roundoff of figures may cause computational discrepancies.

(1) Reported and Attributable (%) refers to 2003 only. For the 2002 Reported and Attributable figures, please refer to the previous Annual Report.

(2) Includes 100% of Ore Reserves and Mineral Resources of consolidated entities and the Group's share of joint ventures and associates where applicable. Where the Group's share is more than 50%, 100% of the Ore Reserves and Mineral Resources are reported.

(3) Grades reported are beneficiated (washed samples) grades, as beneficiated grades are used in mine scheduling, quality control and blending (rather than in situ grades). Yield cut-offs of 30% for massive manganese and 16% for loose pisolitic manganese are used in conjunction with lithology to further differentiate the ore/waste envelope.

(4) The current Ore Reserve grades and tonnages are reported after crushing, washing and screening. The 2002 figures were reported in situ.

(5) Zimbabwe Alloys (ZAL) is currently focused on its smelting and refining operations. ZAL receives a large portion of its feed from tributors who mine on the company's claims.

(6) Hotazel Manganese Mines report Measured and Indicated Mineral Resources as 'inclusive of those Mineral Resources modified to produce the Ore Reserve' (JORC), i.e. the Ore Reserves are included in the Mineral Resource figures.

(7) The total Mineral Resource tonnage includes 103 Mt of low carbon Cr<sub>2</sub>O<sub>3</sub> material. The processing plant is optimised for high carbon Cr<sub>2</sub>O<sub>3</sub>. Currently it is not envisaged that ZAL will resume low carbon ferrochrome production.

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### FERROUS METALS & INDUSTRIES continued

#### Kumba Resources Limited

Anglo American plc's interest in Kumba increased to 66.6% effective December 2003. Kumba's statement of Ore Reserves and Mineral Resources appears here as presented in their June 2003 Annual Report. This statement accordingly reflects the Ore Reserves and Mineral Resources as of 30 June 2003. Except for normal production depletion, there have been no material changes to these figures since publication. The figures reported represent 100% of the Ore Reserves and Mineral Resources.

#### Operations – mines

	Estimated Ore Reserves tonnes (million)							Estimated Mineral Resources					
	Proved		Probable		Total		Average grade	Tonnes (million)				Cut-off grade	
	RoM	Saleable	RoM	Saleable	RoM	Saleable		Measured	Indicated	Inferred	Total		
<b>Base Metals</b>													
<b>Rosh Pinah Mine</b>	1.61	–	3.74	–	5.35	–	10.2% Zn	2.01	3.83	0.89	6.73	4% Zn+Pb	
<b>Iron Ore</b>													
<b>Sishen Mine</b>	655.46	525.29	131.80	102.46	787.26	627.75	61.1% Fe	974.77	411.08	248.47	1,634.32	60% Fe	
<b>Thabazimbi Mine</b>	15.04	12.72	5.22	4.41	20.26	17.13	62.8% Fe	40.44	26.15	24.38	90.97	60% Fe	
<b>Heavy Minerals</b>													
<b>Hillendale Mine<sup>(1)</sup></b>	57.13	–	–	–	57.13	–	4.1% Ilm	70.40	–	–	70.40	1.5% Ilm	
<b>Fairbreeze<sup>(1)</sup></b>													
<b>(A+B+C+C ext)</b>	120.15	–	37.85	–	158.00	–	3.3% Ilm	139.85	75.22	–	215.07	1.5% Ilm	
<b>Gravelotte (sand)<sup>(1)</sup></b>	52.35	–	–	–	52.35	–	11.0% Ilm	75.06	–	–	75.06	3.0% Ilm	
<b>Coal</b>													
<b>Grootegeeluk Mine</b>	768.08	387.08	66.97	33.31	835.05	420.39		1,520.91	2,075.28	2,512.94	6,109.12	raw coal	
<b>Leeuwpan Mine</b>	86.80	39.49	47.60	18.22	134.40	57.71		159.92	29.80	–	189.72	raw coal	
<b>Tshikondeni Mine</b>	9.67	4.91	–	–	9.67	4.91		30.02	10.10	–	40.12	raw coal	
<b>Industrial Minerals</b>													
<b>Glen Douglas Mine</b>													
– metallurgical dolomite	34.91	–	–	–	34.91	–		186.74	–	117.34	304.08	<2.5% SiO <sub>2</sub>	
– aggregate dolomite	18.37	–	–	–	18.37	–		–	–	–	–	raw material	
– aggregate outside mine plan	–	–	–	–	–	–		–	–	145.06	145.06	raw material	
<b>Bridgetown Dolomite Mine</b>													
	7.29	3.65	–	–	7.29	3.65		7.57	–	12.7	20.27	<2.5% SiO <sub>2</sub>	

Kumba Resources Limited report Mineral Resources 'as inclusive of those Mineral Resources modified to produce the Ore Reserve' (JORC), i.e. the Ore Reserves are included in the Mineral Resource figures. Ore Reserves and Mineral Resources are calculated according to each centre's resource utilisation formula.

(1) Held as a 60:40 joint venture with Tigor Limited.



## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### FERROUS METALS & INDUSTRIES continued

#### Kumba Resources Limited continued

#### Operations – projects<sup>(1)</sup>

	Estimated Ore Reserves Tonnes (million)						Grade/ Cut-off grade	Estimated Mineral Resources in situ resources				
	Proved		Probable		Total			Tonnes (million)				
	RoM	Saleable	RoM	Saleable	RoM	Saleable		Measured	Indicated	Inferred	Total (Mt)	Grade
<b>Iron Ore</b>												
<b>Hope Downs (Hope 1)<sup>(2)</sup></b>	190		259		449		61.4% Fe@57%	199	291	29	519	61.5% Fe
<b>Sishen South Zandrivierspoort</b>								129.85	126.01	86.92	342.78	64.76% Fe
								–	447.0	–	447.0	35.0% Fe
<b>Coal</b>												
<b>Kalbasfontein<sup>(3)</sup></b>								15.26	–	–	15.26	raw coal
<b>Strehla<sup>(3)</sup></b>								–	22.52	–	22.52	raw coal
<b>Moranbah South<sup>(4)</sup></b>								–	586.46	123.73	710.19	raw coal
<b>Heavy Minerals</b>												
<b>KwaZulu-Natal<sup>(5)(6)</sup></b>								4.45	83.99	–	88.44	2.5% Ilm
<b>Eastern Cape<sup>(5)(7)</sup></b>								232.94	–	–	232.94	4.5% Ilm
<b>Limpopo Province (sand)<sup>(5)(8)</sup></b>								12.50	–	31.30	43.80	5.9% Ilm
<b>Limpopo Province (rock)<sup>(5)(9)</sup></b>								–	53.60	112.30	165.90	22.4% Ilm

(1) Project is defined by the undertaking of at least pre-feasibility study work.

(2) Joint venture with Hancock Prospecting (Pty) Ltd, Australia.

(3) Thermal coal.

(4) Queensland, Australia.

(5) Held as a 60:40 joint venture with Ticom Limited.

(6) Includes Braeburn, Fairbreeze D, Block P and KwaZulu Natal deposits.

(7) The Centane deposits.

(8) Includes Gravelotte pebble deposit and Letsitele sand deposit.

(9) Includes Gravelotte and Letsitele rock deposit.

## ORE RESERVES AND MINERAL RESOURCES CONTINUED

### INDUSTRIAL MINERALS

(stated as at 31 December 2003) The Group's Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 1999) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The South African Code for Reporting of Mineral Resources and Mineral Reserves, The SAMREC Code, 2000). The Mineral Resources are additional to the Ore Reserves, unless otherwise stated.

Classification	Reported <sup>(1)</sup>	Attributable <sup>(1)</sup>	Tonnes (million) <sup>(2)</sup>		Grade		
			2003	2002	2003	2002	
<b>Phosphate products</b>							
<b>Copebrás –</b>	Proved		<b>100.8</b>	89.1	<b>13.3</b>	12.7	%P <sub>2</sub> O <sub>5</sub>
<b>Ore Reserves</b>	Probable		<b>6.2</b>	15.4	<b>11.3</b>	12.6	%P <sub>2</sub> O <sub>5</sub>
	Total	100%	<b>107.0</b>	104.6	<b>13.2</b>	12.7	
<b>Copebrás –</b>	Measured		<b>9.6</b>	6.4	<b>13.9</b>	12.8	%P <sub>2</sub> O <sub>5</sub>
<b>Mineral Resources</b>	Indicated		<b>11.4</b>	21.3	<b>11.3</b>	10.7	%P <sub>2</sub> O <sub>5</sub>
	Measured and Indicated	100%	<b>21.0</b>	27.7	<b>12.5</b>	11.2	

Rounding of figures may cause computational discrepancies.

(1) Reported and Attributable (%) refers to 2003 only. For the 2002 Reported and Attributable figures, please refer to the previous Annual Report.

(2) Includes 100% of Ore Reserves and Mineral Resources of consolidated entities and the Group's share of joint ventures and associates where applicable. Where the Group's share is more than 50%, 100% of the Ore Reserves and Mineral Resources are reported.

### ANGLO PAPER AND PACKAGING

The Mondi Group in South Africa owns and manages 316,508 (2002: 335,474) hectares of sustainable man-made forests. All of its producing forests have been certified by the Forest Stewardship Council. The annual harvest is currently 5.0 million tonnes, with the Group procuring 1.3 million tonnes in order to supplement its internal requirements.

## PRODUCTION STATISTICS

		2003	2002	
<b>ANGLO PLATINUM (troy ounces)<sup>(1)(2)</sup></b>				
Platinum		2,356,100	2,294,300	
Palladium		1,213,700	1,136,500	
Rhodium		237,400	215,900	
Nickel (tonnes)		22,500	19,700	
<b>ANGLOGOLD (gold in troy ounces)<sup>(2)</sup></b>				
South Africa		3,281,000	3,412,000	
North and South America		922,000	940,000	
Australia and Asia		432,000	502,000	
Rest of the world		981,000	1,085,000	
		<b>5,616,000</b>	<b>5,939,000</b>	
<b>Gold Fields (gold in troy ounces)<sup>(2)</sup></b>				
Gold		870,500	464,600	
<b>ANGLO COAL (tonnes)</b>				
South Africa:				
Eskom		31,301,000	28,649,000	
Trade				
– Thermal		18,600,200	15,681,000	
– Metallurgical		1,835,500	3,889,000	
		<b>51,736,700</b>	<b>48,219,000</b>	
Australia				
– Thermal		17,025,400	16,341,000	
– Metallurgical		9,100,000	8,679,000	
		<b>26,125,400</b>	<b>25,020,000</b>	
South America				
– Thermal		8,728,400	6,937,000	
		<b>86,590,500</b>	<b>80,176,000</b>	
<b>ANGLO BASE METALS</b>				
<b>Copper</b>				
<b>Collahuasi</b>				
100% basis (Anglo American 44%)				
Ore mined		tonnes	27,680,000	34,871,000
Ore processed	Oxide	tonnes	6,355,000	5,358,000
	Sulphide	tonnes	24,415,000	25,231,000
Ore grade processed	Oxide	%Cu	0.8	0.9
	Sulphide	%Cu	1.5	1.6
Production	Copper concentrate	dmt	861,600	1,019,400
	Copper cathode	tonnes	63,400	60,600
	Copper in concentrate	tonnes	331,300	372,900
<b>Total copper production for Collahuasi</b>		tonnes	<b>394,700</b>	<b>433,500</b>

(1) Includes Anglo Platinum's share of Northam Platinum Limited.

(2) See Anglo American Platinum Corporation Limited, Northam Limited, AngloGold Limited and Gold Fields Limited published results for further analysis of production information.

**PRODUCTION STATISTICS  
CONTINUED**

			2003	2002
<b>Minera Sur Andes<sup>(1)</sup></b>				
<b>– Los Bronces mine</b>				
Ore mined		tonnes	20,901,000	3,291,000
Marginal ore mined		tonnes	23,676,000	1,577,400
Las Tortolas concentrator	Ore processed	tonnes	19,514,000	2,523,300
	Ore grade processed	%Cu	1.1	1.1
	Average recovery	%	87.1	85.6
Production	Copper concentrate	dmt	553,800	81,300
	Copper cathode	tonnes	27,700	3,600
	Copper in concentrate	tonnes	180,100	25,400
	<b>Total</b>	tonnes	207,800	29,000
<b>– El Soldado mine</b>				
Ore mined	Open pit – ore mined	tonnes	3,188,000	583,200
	Open pit – marginal ore mined	tonnes	1,590,000	47,800
	Underground (sulphide)	tonnes	3,267,000	389,000
	<b>Total</b>	tonnes	8,045,000	1,020,000
Ore processed	Oxide	tonnes	531,000	91,200
	Sulphide	tonnes	6,581,000	931,700
Ore grade processed	Oxide	%Cu	1.7	1.2
	Sulphide	%Cu	1.1	1.1
Production	Copper concentrate	dmt	228,600	31,200
	Copper cathode	tonnes	8,000	1,000
	Copper in concentrate	tonnes	62,500	9,000
	<b>Total</b>	tonnes	70,500	10,000
<b>– Chagres Smelter</b>				
Copper concentrates smelted		tonnes	165,500	23,300
Production	Copper blister/anodes	tonnes	160,100	21,900
	Acid	tonnes	436,700	66,400
<b>Total copper production for the Minera Sur Andes group</b>			278,300	39,000
<b>Mantos Blancos</b>				
<b>– Mantos Blancos mine</b>				
Ore mined	Oxide	tonnes	4,738,000	4,606,000
	Sulphide	tonnes	4,021,000	4,005,000
	Marginal ore mined	tonnes	8,819,000	5,672,000
Ore grade processed	Oxide	%Cu (Soluble)	0.7	0.8
	Sulphide	%Cu (Insoluble)	1.0	1.2
	Marginal ore	%Cu (Soluble)	0.4	0.4
Production	Copper concentrate	dmt	110,200	137,600
	Copper cathode	tonnes	51,600	51,000
	Copper in concentrate	tonnes	35,300	45,200
	<b>Total</b>	tonnes	86,900	96,200
<b>– Mantoverde mine</b>				
Ore processed	Oxide	tonnes	9,001,000	8,398,200
	Marginal ore	tonnes	6,048,000	4,573,000
Ore grade processed	Oxide	%Cu (Soluble)	0.7	0.7
	Marginal ore	%Cu (Soluble)	0.3	0.3
Production	Copper cathode	tonnes	60,200	57,300
<b>Black Mountain and Hudson Bay</b>			87,800	88,800
<b>Other</b>			21,900	25,600
<b>Total attributable copper production</b>			708,800	497,700

(1) Results for 2002 represent 49 days of operations – since date of acquisition.

**PRODUCTION STATISTICS**  
**CONTINUED**

		2003	2002	
<b>NICKEL, NIOBIUM AND MINERAL SANDS</b>				
<b>Nickel</b>				
<b>Codemín</b>				
Ore mined	tonnes	500,600	513,200	
Ore processed	tonnes	530,300	500,800	
Ore grade processed	%Ni	1.4	1.4	
Production	tonnes	6,400	6,000	
<b>Loma de Níquel</b>				
Ore mined	tonnes	1,208,000	1,301,100	
Ore processed	tonnes	1,216,000	1,095,200	
Ore grade processed	%Ni	1.7	1.7	
Production	tonnes	17,200	15,500	
<b>Other</b>				
	tonnes	1,300	4,100	
<b>Total attributable nickel production</b>				
	tonnes	24,900	25,600	
<b>Niobium</b>				
<b>Catalão</b>				
Ore mined	tonnes	559,100	591,600	
Ore processed	tonnes	529,700	568,400	
Ore grade processed	kg Nb/tonne	10.87	10.57	
Production	tonnes	3,300	3,300	
<b>Mineral Sands</b>				
<b>Namakwa Sands</b>				
Ore mined	tonnes	16,739,000	16,434,500	
Production	– Ilmenite	tonnes	314,600	315,900
	– Rutile	tonnes	20,400	26,000
	– Zircon	tonnes	93,300	112,400
Smelter production	– Slag tapped	tonnes	165,800	162,700
	– Iron tapped	tonnes	105,900	103,000
<b>Zinc and Lead</b>				
<b>Black Mountain</b>				
Ore mined	tonnes	1,501,000	1,588,700	
Ore processed	tonnes	1,449,000	1,554,000	
Ore grade processed	– Zinc	%Zn	2.6	2.6
	– Lead	%Pb	3.3	3.5
	– Copper	%Cu	0.5	0.5
Production	– Zinc in concentrates	tonnes	25,900	27,600
	– Lead in concentrates	tonnes	39,600	45,300
	– Copper in concentrates	tonnes	4,700	5,400
<b>Hudson Bay</b>				
Ore mined	tonnes	2,206,000	2,989,300	
Ore processed	tonnes	2,207,000	3,004,500	
Ore grade processed	– Copper	%Cu	1.9	1.7
	– Zinc	%Zn	5.0	4.1
Concentrate treated	– Copper	tonnes	273,000	294,100
	– Zinc	tonnes	228,500	211,100
Production (domestic)	– Copper	tonnes	39,400	42,900
	– Zinc	tonnes	93,100	102,100
Production (total)	– Copper	tonnes	83,100	83,400
	– Zinc	tonnes	117,900	108,100
	– Gold	ozs	57,500	59,300
	– Silver	ozs	1,032,800	1,234,200

**PRODUCTION STATISTICS  
CONTINUED**

		2003	2002
<b>Lisheen</b>			
100% basis (Anglo American 50% in 2002)			
Ore mined	tonnes	1,522,000	1,571,400
Ore processed	tonnes	1,521,000	1,541,300
Ore grade processed			
– Zinc	%Zn	12.3	11.2
– Lead	%Pb	2.1	2.1
Production			
– Zinc in concentrate	tonnes	169,300	151,500
– Lead in concentrate	tonnes	20,800	22,000
<b>Other zinc production</b>	tonnes	47,400	–
<b>Total attributable zinc production</b>	tonnes	360,500	211,500
<b>Anglo Industrial Minerals (tonnes)</b>			
Aggregates		67,158,100	63,928,400
Lime products		893,800	871,000
Concrete (m <sup>3</sup> )		7,874,600	6,955,700
Sodium tripolyphosphate		88,800	88,200
Phosphates		1,040,300	734,600
<b>Anglo Paper and Packaging (tonnes)</b>			
<b>South Africa</b>			
Pulp		109,810	81,550
Graphic papers		507,270	518,200
Packaging papers		590,740	572,900
Corrugated board (000 m <sup>2</sup> )		297,780	300,050
Lumber (m <sup>3</sup> )		56,060	126,500
Wood chips (green metric tonnes)		2,122,470	1,647,700
Mining timber		158,640	143,100
<b>Europe</b>			
Pulp		181,860	181,800
Graphic papers		1,648,280	1,475,700
Packaging papers		1,790,600	1,506,800
Corrugated board (000 m <sup>2</sup> )		1,384,900	1,121,100
Industrial sacks (m units)		2,723	2,600
Consumer bags and pouches (m units)		544	470
<b>Anglo Ferrous Metals &amp; Industries (tonnes)</b>			
<b>Kumba Resources Limited<sup>(1)</sup></b>			
Iron ore – Production			
– Lump		18,172,000	–
– Fine		11,421,000	–
<b>Total iron ore</b>		29,593,000	–
<b>Coal</b>			
Power Station Coal		13,868,700	–
Coking Coal		2,161,700	–
Steam Coal		2,932,800	–
<b>Total coal</b>		18,963,200	–
<b>Zinc metal</b>		112,000	–
<b>Heavy minerals</b>			
Crude Ilmenite		457,000	–
Ilmenite		609,000	–

(1) 100% of production has been reported for full year 2003. See Kumba Resources Limited published results for further analysis of production information.

**PRODUCTION STATISTICS**  
**CONTINUED**

	2003	2002
<b>Scaw Metals</b>		
Rolled products	352,343	356,446
Cast products	114,716	114,701
Grinding media	388,886	224,483
<b>Highveld Steel</b>		
Rolled products	578,035	701,087
Continuous cast blocks	877,405	951,921
Vanadium slag	69,814	68,100
<b>Samancor</b>		
Chrome ore	1,127,360	1,055,588
Chrome alloys	407,680	310,900
Manganese ore (mtu m)	76	62
Manganese alloys	288,176	306,100
<b>Zimbabwe Alloys</b>		
Chrome alloys	39,179	44,064
<b>Tongaat-Hulett</b>		
Sugar	843,307	811,780
Aluminium	146,729	120,613
Starch and glucose	609,532	616,404
<b>Hippo Valley</b>		
Sugar	223,595	284,109
<b>Terra</b>		
Ammonia	677,000	729,400
Nitrogen solutions	1,862,400	1,923,100
Urea	264,500	300,800
Ammonium nitrate	452,800	442,400

The figures above include the entire output of consolidated entities and the Group's share of joint ventures and associates where applicable, except for Collahuasi and Lisheen in Base Metals which are quoted on a 100% basis.



## EXCHANGE RATES AND COMMODITY PRICES

### US\$ exchange rates

Average spot prices for the period	2003	2002
South African rand	7.55	10.48
Sterling	0.61	0.67
Euro	0.88	1.06
Australian dollar	1.53	1.84
Closing spot prices	2003	2002
South African rand	6.67	8.58
Sterling	0.56	0.62
Euro	0.79	0.95
Australian dollar	1.33	1.79

### Commodity prices

Average market prices for the period	2003	2002
Gold – US\$/oz	363	310
Platinum – US\$/oz	692	541
Palladium – US\$/oz	201	336
Rhodium – US\$/oz	530	838
Copper – US cents/lb	81	71
Nickel – US cents/lb	437	307
Zinc – US cents/lb	38	35
Lead – US cents/lb	23	21
European eucalyptus pulp price (CIF) – US\$/tonne	500	452

## KEY FINANCIAL DATA

US\$ million (unless otherwise stated)	2003	2002	2001 <sup>(1)</sup>	2000 <sup>(1)</sup>	1999 <sup>(1)</sup>
<b>Group turnover including share of joint ventures and associates</b>	<b>24,909</b>	20,497	19,282	20,570	19,245
Less: Share of joint ventures' turnover	(1,060)	(1,066)	(1,109)	(1,590)	(1,720)
Share of associates' turnover	(5,212)	(4,286)	(3,387)	(4,156)	(5,947)
<b>Group turnover – subsidiaries</b>	<b>18,637</b>	15,145	14,786	14,824	11,578
Operating profit before exceptional items	2,892	3,332	3,298	3,479	2,141
Operating exceptional items <sup>(2)</sup>	(286)	(81)	(513)	(433)	–
<b>Total operating profit<sup>(2)</sup></b>	<b>2,606</b>	3,251	2,785	3,046	2,141
Non-operating exceptional items <sup>(2)</sup>	386	64	2,148	490	410
Net interest (expense)/investment income	(319)	(179)	130	308	265
<b>Profit on ordinary activities before taxation</b>	<b>2,673</b>	3,136	5,063	3,844	2,816
Taxation on profit on ordinary activities	(749)	(1,042)	(1,247)	(1,143)	(538)
Taxation on exceptional items	13	(3)	(147)	–	18
Equity minority interests	(345)	(528)	(584)	(818)	(758)
<b>Profit for the financial year</b>	<b>1,592</b>	1,563	3,085	1,883	1,538
<b>Headline earnings</b>	<b>1,694</b>	1,759	1,681	1,927	1,296
<b>Earnings per share (\$) <sup>(3)</sup></b>	<b>1.13</b>	1.11	2.09	1.20	1.00
<b>Headline earnings per share (\$) <sup>(3)</sup></b>	<b>1.20</b>	1.25	1.14	1.23	0.84
<b>Dividend per share (US cents) <sup>(3)</sup></b>	<b>54.0</b>	51.0	49.0	47.5	37.5
<b>Basic number of shares outstanding (million) <sup>(3)</sup></b>	<b>1,415</b>	1,411	1,474	1,567	1,540
<b>EBITDA <sup>(4)</sup></b>	<b>4,785</b>	4,792	4,647	4,688	3,113
EBITDA interest cover <sup>(5)</sup>	12.7	20.0	31.2	–	–
Operating margin (before exceptional items)	11.6%	16.3%	17.1%	16.9%	11.1%
Dividend cover (based on headline earnings)	2.2	2.5	2.3	2.6	2.2
<b>Balance sheet</b>					
Intangible and tangible fixed assets	26,646	18,841	12,870	14,315	11,110
Investments	7,828	7,376	5,523	7,936	8,373
Working capital	1,903	822	282	971	914
Provisions for liabilities and charges	(3,954)	(2,896)	(2,194)	(2,594)	(2,604)
Net (debt)/funds	(8,633)	(5,578)	(2,018)	(3,590)	81
Equity minority interests	(3,396)	(2,304)	(1,607)	(2,212)	(2,477)
Shareholders' funds (equity)	20,394	16,261	12,856	14,826	15,397
<b>Total capital <sup>(6)</sup></b>	<b>32,423</b>	24,143	16,481	20,628	17,793
<b>Net cash inflow from operating activities</b>	<b>3,184</b>	3,618	3,539	2,959	1,850
<b>Dividends received from joint ventures and associates</b>	<b>426</b>	258	258	258	209
<b>Return on capital employed <sup>(7)</sup></b>	<b>10.7%</b>	17.5%	19.0%	19.5%	13.2%
<b>EBITDA/average total capital</b>	<b>16.9%</b>	23.6%	25.0%	24.4%	18.1%
<b>Net debt/(funds) to total capital</b>	<b>26.6%</b>	23.1%	12.2%	17.4%	(0.5%)

(1) 1999, 2000 and 2001 restated for the adoption of FRS 19.

(2) Operating profit for 2000 has been restated for the reclassification of the loss of \$167 million arising on the anticipated disposal of Terra Industries Inc. The disposal did not proceed and the loss has therefore been reclassified into operating exceptional items as an impairment.

(3) 2000 and 1999 restated to reflect the three-for-one bonus issue in May 2001.

(4) EBITDA is operating profit before exceptional items plus depreciation and amortisation of subsidiaries and share of joint ventures and associates.

(5) EBITDA interest cover is EBITDA divided by net interest expense, excluding other net financial income (2003: \$72 million) and exceptional financing charges (2003: \$13 million). EBITDA interest cover for 2002 is annualised to account for acquisitions during the year. The actual EBITDA interest cover for 2002 was 25.5 times. For 2000 and 1999, EBITDA interest cover is not applicable as the Group was a net interest recipient after adjusting for other net financial income.

(6) Total capital is the sum of shareholders' funds, net debt and minority interests.

(7) Return on capital employed is calculated as total operating profit before impairments for the year divided by the average total capital less other investments and adjusted for impairments.

## SUMMARY BY BUSINESS SEGMENT

US\$ million (unless otherwise stated)	Headline earnings/(loss)		Operating profit/(loss)	
	2003	2002	2003	2002
<b>Platinum</b>	<b>205</b>	351	<b>433</b>	802
Platinum	<b>205</b>	351	<b>447</b>	802
Exceptional items	–	–	<b>(14)</b>	–
<b>Gold</b>	<b>167</b>	205	<b>326</b>	463
Gold	<b>167</b>	205	<b>369</b>	463
Exceptional items	–	–	<b>(43)</b>	–
<b>Diamonds</b>	<b>386</b>	324	<b>562</b>	541
<b>Coal</b>	<b>232</b>	266	<b>333</b>	427
South Africa	<b>79</b>	133	<b>133</b>	247
Australia	<b>94</b>	98	<b>130</b>	130
South America	<b>59</b>	35	<b>70</b>	50
<b>Base Metals</b>	<b>206</b>	69	<b>78</b>	82
Copper	<b>216</b>	80	<b>269</b>	110
Nickel, Niobium, Mineral Sands	<b>76</b>	54	<b>106</b>	94
Zinc	<b>(65)</b>	(66)	<b>(62)</b>	(51)
Other	<b>(21)</b>	1	<b>(27)</b>	(20)
Exceptional items	–	–	<b>(208)</b>	(51)
<b>Industrial Minerals</b>	<b>270</b>	231	<b>325</b>	277
Europe	<b>256</b>	214	<b>290</b>	253
Brazil	<b>14</b>	17	<b>35</b>	24
<b>Paper and Packaging</b>	<b>368</b>	376	<b>656</b>	649
Europe	<b>277</b>	233	<b>471</b>	434
South Africa	<b>91</b>	143	<b>185</b>	215
<b>Ferrous Metals</b>	<b>89</b>	88	<b>156</b>	150
Kumba	<b>18</b>	–	<b>33</b>	–
Highveld Steel	<b>5</b>	20	<b>11</b>	38
Scaw Metals	<b>55</b>	41	<b>70</b>	51
Samancor Group	<b>10</b>	19	<b>41</b>	48
Other	<b>1</b>	8	<b>1</b>	13
<b>Industries</b>	<b>18</b>	38	<b>52</b>	114
Boart Longyear	<b>21</b>	26	<b>33</b>	31
Tongaat-Hulett	<b>(10)</b>	24	<b>10</b>	96
Terra	<b>7</b>	(18)	<b>14</b>	(3)
Other	–	6	<b>(5)</b>	(10)
<b>Exploration</b>	<b>(83)</b>	(77)	<b>(125)</b>	(93)
Exploration	<b>(83)</b>	(77)	<b>(105)</b>	(93)
Exceptional items	–	–	<b>(20)</b>	–
<b>Corporate</b>	<b>(164)</b>	(112)	<b>(190)</b>	(161)
Gold Fields	<b>35</b>	27	<b>28</b>	41
Other	<b>(199)</b>	(139)	<b>(218)</b>	(202)
	<b>1,694</b>	1,759	<b>2,606</b>	3,251

## SHAREHOLDER INFORMATION

### ANNUAL GENERAL MEETING

11:00 am on Wednesday, 21 April 2004, at  
The Conference Centre  
Church House  
Dean's Yard  
London SW1P 3NZ

### SHAREHOLDERS' DIARY 2004/5

Interim results: August 2004  
Interim dividend paid: September 2004  
Financial year end: 31 December 2004  
Annual results announcement: February 2005  
Annual Report: March 2005  
Annual General Meeting: April 2005  
Final dividend paid: April 2005

### ENQUIRIES

Queries relating to Anglo American plc should be addressed to the Company Secretary or the Investor and Corporate Affairs Department at the following address:

### Registered and Head Office

Anglo American plc  
20 Carlton House Terrace  
London SW1Y 5AN, England  
Telephone +44 (0)20 7698 8888  
Fax +44 (0)20 7698 8500  
Registered number 3564138  
Website [www.angloamerican.co.uk](http://www.angloamerican.co.uk)

If you have any questions about your shareholding or dividend, please contact the Registrar at the relevant address below:

### UK Registrar

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road,  
Bristol BS99 7NH, England  
Telephone +44 (0)870 702 0000  
Fax +44 (0)870 703 6101

### Registrar's agent (South Africa)

Computershare Limited  
70 Marshall Street  
Johannesburg 2001, South Africa  
(PO Box 61051, Marshalltown 2107)  
Telephone +27 (0)11 370 7700  
Fax +27 (0)11 688 7721

### If you would like to receive copies of Anglo American's publications

Please write to:  
Investor and Corporate Affairs Department  
Anglo American plc  
20 Carlton House Terrace  
London SW1Y 5AN, England

Alternatively, publications can be ordered online at:  
<http://www.angloamerican.co.uk/investor/reqreport.asp>

The full Annual Report of Anglo American plc comprises this Annual Report 2003, the Annual Review 2003 and the booklet containing the letter from the chairman of the Remuneration Committee giving details of a proposed Bonus Share Plan, the Notice of AGM and other shareholder information. Copies of all three documents are available free of charge from the Company's Registrar.

A separate 'Report to Society 2003' will be available on request.

## OTHER ANGLO AMERICAN PUBLICATIONS



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Shareholders,  
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Good Citizenship:  
Our Business  
Principles



2003 Report to  
Society: Working  
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Optima  
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current affairs  
journal

## CHARITABLE PARTNERS



This is just a selection of the charities with which we worked in 2003.



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