

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as adopted for use by the European Union, with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and with the requirements of the Disclosure and Transparency rules of the Financial Services Authority in the United Kingdom as applicable to periodic financial reporting. The financial statements have been prepared under the historical cost convention as modified by the revaluation of pension assets and liabilities and certain financial instruments. A summary of the principal Group accounting policies is set out below with an explanation of changes to previous policies following adoption of new accounting standards and interpretations in the year.

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

Details of the Group's significant accounting policies and critical accounting estimates are set out in the 'Operating and financial review' and form part of these financial statements; these are set out on pages 52 and 53.

Significant areas of estimation uncertainty include:

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

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting in preparing the financial statements continues to be adopted. Further details are contained in the Directors' report on page 111.

Changes in accounting policies and disclosures

The Group has adopted with effect from 1 January 2010, on a prospective basis, IFRS 3 (Revised) *Business Combinations*, and consequential amendments to IAS 27 (Revised) *Consolidated and Separate Financial Statements*, IAS 28 (Revised) *Investments in Associates* and IAS 31 (Revised) *Interests in Joint Ventures*.

The adoption of the revised IFRS 3 continues to apply the acquisition method to business combinations but with some significant amendments to the measurement of goodwill and non-controlling interests and the treatment of transaction costs. The Group's revised accounting policies are set out within Business combinations and goodwill arising thereon. There have been no material acquisitions in the year ended 31 December 2010 or the year ended 31 December 2009.

The revisions to IAS 27 consequent upon the issuance of IFRS 3 (Revised) result in transactions with non-controlling interests now being accounted for as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity (previously goodwill). Gains or losses on disposals to non-controlling interests are now also recorded in equity (previously recorded through the income statement).

The revisions to IAS 27, IAS 28 and IAS 31 consequent upon the issuance of IFRS 3 (Revised), require that when the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. Previously, the carrying amount of our retained interest represented the attributable historic carrying value. The fair value is the initial carrying amount for the purpose of subsequent accounting for the retained interest as an associate, joint venture or financial asset.

The adoption of the revised standards has resulted in references to minority interests being amended to non-controlling interests.

A number of other amendments to accounting standards and new interpretations issued by the International Accounting Standards Board (IASB) were applicable from 1 January 2010. They have not had a material impact on the accounting policies, methods of computation or presentation applied by the Group.

Basis of consolidation

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

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

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

For non-wholly owned subsidiaries, a share of the profit or loss for the financial year and net assets or liabilities is attributed to the non-controlling interests as shown in the income statement and balance sheet.

Associates

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

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

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

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Jointly controlled entities

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

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

Jointly controlled operations

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

1. ACCOUNTING POLICIES *continued*

Revenue recognition

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

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

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

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

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

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

Business combinations and goodwill arising thereon

The identifiable assets, liabilities and contingent liabilities of a subsidiary, joint venture entity or an associate, which can be measured reliably, are recorded at their provisional fair values at the date of acquisition. Goodwill is the fair value of the consideration transferred (including contingent consideration and previously held non-controlling interests) less the fair value of the Group's share of identifiable net assets on acquisition. Transaction costs incurred in connection with the business combination are expensed. Provisional fair values are finalised within 12 months of the acquisition date.

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

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

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

Property, plant and equipment

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

Mining properties are depreciated to their residual values using the unit of production method based on proven and probable ore reserves and, in certain limited circumstances, other mineral resources. Mineral resources are included in depreciation calculations where there is a high degree of confidence that they will be extracted in an economic manner. Depreciation is charged on new mining ventures from the date that the mining property is capable of commercial production. When there is little likelihood of a mineral right being exploited, or the value of the exploitable mineral right has diminished below cost, an impairment loss is recognised in the income statement.

For open pit operations the removal of overburden or waste ore is required to obtain access to the orebody. To the extent that the actual waste material removed per tonne of ore mined (known as the stripping ratio) is higher than the average stripping ratio, costs associated with this process are deferred and charged to operating costs using the expected average stripping ratio over the life of the area being mined. This reflects the fact that waste removal is necessary to gain access to the orebody and therefore realise future economic benefit. The average stripping ratio is calculated as the number of tonnes of waste material

expected to be removed during the life of mine, per tonne of ore expected to be mined. The cost of stripping in any period will therefore be reflective of the average stripping ratio for the orebody as a whole applied to the actual stripping costs incurred. However, where the pit profile is such that the actual stripping ratio is cumulatively below the average, no deferral takes place as this would result in recognition of a liability for which there is no obligation. Instead this position is monitored and when the cumulative calculation reflects a debit balance deferral commences. The average life of mine stripping ratio is recalculated annually in light of additional knowledge and changes in estimates. Changes in the life of mine stripping ratio are accounted for prospectively as a change in estimate.

Properties in the course of construction are measured at cost less any recognised impairment. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated to their residual values at varying rates on a straight line basis over their estimated useful lives or the life of mine, whichever is shorter. Estimated useful lives normally vary from up to 20 years for items of plant and equipment to a maximum of 50 years for buildings. Land is not depreciated.

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

Depreciation methods, residual values and estimated useful lives are reviewed at least annually.

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

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

Non-mining licences and other intangibles

Non-mining licences and other intangibles are measured at cost less accumulated amortisation and accumulated impairment losses. Estimated useful lives are usually between three and five years. Amortisation methods, residual values and estimated useful lives are reviewed at least annually.

Impairment of property, plant and equipment and intangible assets excluding goodwill

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

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

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

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

Impairment of goodwill

Goodwill arising on business combinations is allocated to the group of CGUs that is expected to benefit from synergies of the combination and represents the lowest level at which goodwill is monitored by the Group's board of directors for internal management purposes. The recoverable amount of the CGU or group of

FINANCIAL STATEMENTS: Notes to the financial statements – continued**1. ACCOUNTING POLICIES** continued

CGUs to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when events or changes in circumstances indicate that it may be impaired.

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

Exploration, evaluation and development expenditure

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

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

Inventory

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

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

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

Retirement benefits

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

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

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

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

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

Tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

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

Leases

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

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

Finance lease assets are recognised as assets of the Group on inception of the lease at the lower of fair value or the present value of the minimum lease payments discounted at the interest rate implicit in the lease. The interest element of the rental is recognised in the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's general policy on borrowing costs set out below.

Non-current assets held for sale and discontinued operations

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

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

A discontinued operation is a component of the Group's business that has been sold or is classified as held for sale and is part of a single coordinated plan to dispose of either a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to sale. Once an operation has been identified as discontinued, its net profit and cash flows are

1. ACCOUNTING POLICIES *continued*

separately presented from continuing operations. Comparative information is reclassified so that net profit and cash flows of prior periods are also separately presented.

Environmental restoration and decommissioning obligations

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

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

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

Foreign currency transactions and translation

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

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

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

Cumulative translation differences are recycled from equity and recognised as income or expense on disposal of the operation to which they relate.

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

Presentation currency

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

Borrowing costs

Interest on borrowings directly relating to the financing of qualifying capital projects under construction is added to the capitalised cost of those projects

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

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Share-based payments

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

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

Black economic empowerment (BEE) transactions

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

Employee benefit trust

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

Financial instruments

Financial assets

Cash and cash equivalents

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

Trade receivables

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

Investments

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

FINANCIAL STATEMENTS: Notes to the financial statements – continued**1. ACCOUNTING POLICIES** continued

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

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

Impairment of financial assets (including receivables)

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Trade payables

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

Convertible debt

Convertible bonds are classified as compound instruments, consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt and is recognised within borrowings and carried at amortised cost. The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

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

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

Bank borrowings

Interest bearing bank loans and overdrafts are initially recognised at fair value, plus any directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are recognised in the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments and hedge accounting

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

All derivatives are held at fair value in the balance sheet within 'Other financial assets (derivatives)' or 'Other financial liabilities (derivatives)'. Derivatives are classified as current or non-current depending on the expected maturity of the derivative.

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

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

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

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

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

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

Derecognition of financial assets and financial liabilities

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

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

1. ACCOUNTING POLICIES *continued*

New IFRS accounting standards and interpretations not yet adopted

The following new IFRS accounting standard not yet adopted is expected to have a significant impact on the Group:

IFRS 9 *Financial Instruments – Classification and Measurement* is the first phase of the IASB's three stage project to replace IAS 39. The first phase issued in November 2009 deals with the classification and measurement of financial assets. In October 2010 the requirements for classifying and measuring financial liabilities were added to IFRS 9. The standard applies for annual periods beginning on or after 1 January 2013. Early application is permitted, although IFRS 9 has not yet been endorsed for use in the European Union. Once adopted, all financial assets and liabilities within the scope of IFRS 9 will be accounted for in accordance with the standard.

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

The amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement* allows entities to recognise as an asset some voluntary prepayments for minimum funding contributions, previously disallowed under IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment is to be applied retrospectively from the earliest comparative period presented and is effective for annual periods beginning on or after 1 January 2011.

2. SEGMENTAL INFORMATION

The Group's segments are aligned to the structure of business units based around core commodities. Each business unit has a management team that is accountable to the Chief executive. The Kumba Iron Ore, Iron Ore Brazil and Samancor business units have been aggregated as the Iron Ore and Manganese segment on the basis of the ultimate product produced (ferrous metals).

In addition assets identified for divestment are managed as a separate business unit, Other Mining and Industrial, and accordingly are presented as a separate segment. Catalão, the Group's ferroniobium business based in Brazil, was managed within this business unit throughout 2010. However, subsequent to the year end, and following the successful delineation of substantial additional niobium resources, the Group decided to retain this business. As Catalão continues to be managed within the Other Mining and Industrial business unit, it is presented within Other Mining and Industrial in the segmental analysis.

The Group's Executive Committee evaluates the financial performance of the Group and its segments principally with reference to operating profit before special items and remeasurements which includes the Group's attributable share of associates' operating profit before special items and remeasurements.

Segments predominantly derive revenue as follows – Platinum: platinum group metals; Diamonds: rough and polished diamonds and diamond jewellery; Copper and Nickel: base metals; Iron Ore and Manganese: iron ore, manganese ore and alloys; Metallurgical Coal: metallurgical coal; Thermal Coal: thermal coal; and Other Mining and Industrial: heavy building materials, zinc and steel products.

The Exploration segment includes the cost of the Group's exploration activities across all segments, excluding Diamonds.

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

Analysis by segment

Revenue and operating profit by segment

US\$ million	Revenue ⁽¹⁾		Operating profit/(loss) ⁽²⁾	
	2010	2009	2010	2009
Platinum	6,602	4,535	837	32
Diamonds	2,644	1,728	495	64
Copper	4,877	3,967	2,817	2,010
Nickel	426	348	96	2
Iron Ore and Manganese	6,612	3,419	3,681	1,489
Metallurgical Coal	3,377	2,239	783	451
Thermal Coal	2,866	2,490	710	721
Other Mining and Industrial	5,520	5,908	661	506
Exploration	–	–	(136)	(172)
Corporate Activities and Unallocated Costs	5	3	(181)	(146)
Segment measure	32,929	24,637	9,763	4,957
Reconciliation:				
Less: Associates	(4,969)	(3,779)	(1,255)	(580)
Operating special items and remeasurements	–	–	158	(1,637)
Statutory measure	27,960	20,858	8,666	2,740

⁽¹⁾ Segment revenue includes the Group's attributable share of associates' revenue. This is reconciled to Group revenue from subsidiaries and joint ventures as presented in the Consolidated income statement.

⁽²⁾ Segment operating profit is revenue less operating costs before special items and remeasurements, and includes the Group's attributable share of associates' operating profit. This is reconciled to operating profit from subsidiaries and joint ventures after special items and remeasurements as presented in the Consolidated income statement.

FINANCIAL STATEMENTS: Notes to the financial statements – continued

2. SEGMENTAL INFORMATION continued

Associates' revenue and operating profit

US\$ million	Associates' revenue		Associates' operating profit/(loss) ⁽¹⁾	
	2010	2009	2010	2009
Platinum	237	47	(59)	(26)
Diamonds	2,644	1,728	495	64
Iron Ore and Manganese	983	603	382	143
Metallurgical Coal	258	164	122	48
Thermal Coal	761	742	308	303
Other Mining and Industrial	86	495	7	48
	4,969	3,779	1,255	580
Reconciliation:				
Associates' net finance costs (before special items and remeasurements)			(88)	(28)
Associates' income tax expense (before special items and remeasurements)			(313)	(235)
Associates' non-controlling interests (before special items and remeasurements)			(9)	1
Share of net income from associates (before special items and remeasurements)			845	318
Associates' special items and remeasurements			(22)	(184)
Associates' special items and remeasurements tax			(2)	(51)
Associates' non-controlling interests on special items and remeasurements			1	1
Share of net income from associates			822	84

⁽¹⁾ Associates' operating profit is the Group's attributable share of associates' revenue less operating costs before special items and remeasurements.

Non-cash items

Significant non-cash items included within operating profit are as follows:

US\$ million	Depreciation and amortisation ⁽¹⁾		Other non-cash expenses ⁽²⁾	
	2010	2009	2010	2009
Platinum	750	636	57	92
Copper	269	244	97	71
Nickel	26	26	23	9
Iron Ore and Manganese	142	81	90	4
Metallurgical Coal	322	249	75	26
Thermal Coal	113	107	40	13
Other Mining and Industrial	251	360	16	34
Exploration	–	–	4	4
Corporate Activities and Unallocated Costs	46	22	61	64
	1,919 ⁽³⁾	1,725	463	317

⁽¹⁾ The Group's attributable share of depreciation and amortisation in associates is \$301 million (2009: \$248 million) and is split by segment as follows: Platinum \$37 million (2009: \$9 million), Diamonds \$171 million (2009: \$151 million), Iron Ore and Manganese \$33 million (2009: \$23 million), Metallurgical Coal \$11 million (2009: \$6 million), Thermal Coal \$49 million (2009: \$47 million) and Other Mining and Industrial nil (2009: \$12 million).

⁽²⁾ Other non-cash expenses include equity settled share-based payment charges and amounts included in operating costs in respect of provisions, excluding amounts recorded within special items. Comparatives have been reclassified to align with current year presentation.

⁽³⁾ In addition \$97 million (2009: nil) of accelerated depreciation has been recorded within operating special items (refer to note 5).

Capital expenditure and net debt

US\$ million	Capital expenditure ⁽¹⁾		Net debt ⁽²⁾	
	2010	2009	2010	2009
Platinum	1,011	1,150	(65)	196
Copper	1,530	1,123	(243)	(187)
Nickel	525	554	561	380
Iron Ore and Manganese	1,195	1,140	89	874
Metallurgical Coal	217	96	(615)	(9)
Thermal Coal	274	400	(50)	23
Other Mining and Industrial	224	268	365	341
Exploration	–	–	(2)	–
Corporate Activities and Unallocated Costs	18	27	7,403	9,710
	4,994	4,758	7,443	11,328
Reconciliation:				
Remove: Cash flows from derivatives relating to capital expenditure	286	(151)		
Purchase of property, plant and equipment	5,280	4,607		
Interest capitalised	247	246		
Non-cash movements ⁽³⁾	305	379		
Property, plant and equipment additions⁽⁴⁾	5,832	5,232		
Amounts related to disposal groups	(46)	–	(59)	(48)
	5,786	5,232	7,384	11,280

⁽¹⁾ Capital expenditure is segmented on a cash basis and is reconciled to balance sheet additions. Cash capital expenditure includes cash flows on related derivatives.

⁽²⁾ Segment net debt includes related hedges and excludes net debt in disposal groups. Comparatives have been adjusted to include related hedges (refer to note 31c). For a reconciliation of net debt to the balance sheet refer to note 31b.

⁽³⁾ Includes movements on capital expenditure accruals, movements relating to deferred stripping and the impact of realised cash flow hedges.

⁽⁴⁾ Capital expenditure on an accruals basis is split by segment as follows: Platinum \$1,043 million (2009: \$1,445 million), Copper \$1,820 million (2009: \$1,186 million), Nickel \$602 million (2009: \$570 million), Iron Ore and Manganese \$1,536 million (2009: \$1,138 million), Metallurgical Coal \$297 million (2009: \$163 million), Thermal Coal \$297 million (2009: \$409 million), Other Mining and Industrial \$216 million (2009: \$303 million), Exploration \$1 million (2009: nil) and Corporate Activities and Unallocated Costs \$20 million (2009: \$18 million).

2. SEGMENTAL INFORMATION continued

Segment assets and liabilities

The following balance sheet segment measures are provided for information:

US\$ million	Segment assets ⁽¹⁾		Segment liabilities ⁽²⁾		Net segment assets	
	2010	2009	2010	2009	2010	2009
Platinum	14,701	13,082	(1,223)	(941)	13,478	12,141
Copper	7,300	5,643	(1,009)	(880)	6,291	4,763
Nickel	2,443	1,888	(109)	(101)	2,334	1,787
Iron Ore and Manganese	12,333	10,758	(632)	(388)	11,701	10,370
Metallurgical Coal	4,711	4,176	(793)	(769)	3,918	3,407
Thermal Coal	2,897	2,343	(786)	(636)	2,111	1,707
Other Mining and Industrial	4,596	6,231	(789)	(1,202)	3,807	5,029
Exploration	3	4	(12)	(2)	(9)	2
Corporate Activities and Unallocated Costs	402	311	(377)	(409)	25	(98)
	49,386	44,436	(5,730)	(5,328)	43,656	39,108
Other assets and liabilities						
Investments in associates ⁽³⁾	4,900	3,312	–	–	4,900	3,312
Financial asset investments	3,220	2,726	–	–	3,220	2,726
Deferred tax assets/(liabilities)	389	288	(5,641)	(5,192)	(5,252)	(4,904)
Cash and cash equivalents	6,401	3,269	–	–	6,401	3,269
Other financial assets/(liabilities) – derivatives	842	603	(835)	(659)	7	(56)
Other non-operating assets/(liabilities)	1,518	1,674	(2,233)	(2,128)	(715)	(454)
Other provisions	–	–	(807)	(617)	(807)	(617)
Borrowings	–	–	(13,439)	(14,315)	(13,439)	(14,315)
Net assets	66,656	56,308	(28,685)	(28,239)	37,971	28,069

⁽¹⁾ Segment assets at 31 December 2010 are operating assets and consist of intangible assets of \$2,316 million (2009: \$2,776 million), property, plant and equipment of \$39,810 million (2009: \$35,198 million), biological assets of \$2 million (2009: \$4 million), environmental rehabilitation trusts of \$379 million (2009: \$342 million), retirement benefit assets of \$112 million (2009: \$54 million), inventories of \$3,604 million (2009: \$3,212 million) and operating receivables of \$3,163 million (2009: \$2,850 million).

⁽²⁾ Segment liabilities at 31 December 2010 are operating liabilities and consist of non-interest bearing current liabilities of \$3,834 million (2009: \$3,447 million), environmental restoration and decommissioning provisions of \$1,305 million (2009: \$1,175 million) and retirement benefit obligations of \$591 million (2009: \$706 million).

⁽³⁾ Refer to note 17 for a split of investments in associates by segment.

Revenue by product

The Group's analysis of segment revenue by product (including attributable share of revenue from associates) is as follows:

US\$ million	2010	2009
Platinum	4,053	3,101
Palladium	697	361
Rhodium	782	527
Diamonds	2,644	1,728
Copper	4,782	3,783
Nickel	824	625
Iron ore	5,234	2,330
Manganese ore and alloys	983	603
Metallurgical coal	2,711	1,693
Thermal coal	3,707	3,197
Heavy building materials	2,376	2,870
Zinc	584	445
Steel products	1,568	1,371
Other	1,984	2,003
	32,929	24,637

Geographical analysis

Revenue by destination and non-current segment assets by location

The Group's geographical analysis of segment revenue (including attributable share of revenue from associates) allocated based on the country in which the customer is located, and non-current segment assets, allocated based on the country in which the assets are located, is as follows:

US\$ million	Revenue		Non-current segment assets ⁽¹⁾	
	2010	2009	2010	2009
South Africa	3,307	2,567	17,389	15,157
Other Africa	502	139	373	599
Brazil	1,135	662	11,159	10,105
Chile	1,940	1,229	5,628	4,280
Other South America	207	190	589	574
North America	1,805	1,297	540	698
Australia	474	427	4,022	3,584
China	5,075	3,469	5	4
India	2,021	1,222	–	–
Japan	4,198	2,697	–	–
Other Asia	2,818	1,874	42	46
United Kingdom (Anglo American plc's country of domicile)	3,980	3,850	2,331	2,686
Other Europe	5,467	5,014	48	241
	32,929	24,637	42,126	37,974

⁽¹⁾ Non-current segment assets are non-current operating assets and consist of intangible assets and property, plant and equipment.

FINANCIAL STATEMENTS: Notes to the financial statements – continued

2. SEGMENTAL INFORMATION continued**Revenue and operating profit by origin**

Segment revenue and operating profit before special items and remeasurements by origin (including attributable share of revenue and operating profit from associates) has been provided for information:

US\$ million	Revenue		Operating profit/(loss) before special items and remeasurements	
	2010	2009	2010	2009
South Africa	15,711	10,293	5,001	2,023
Other Africa	2,329	1,539	501	78
South America	7,492	6,040	3,416	2,310
North America	679	510	14	(20)
Australia and Asia	4,141	3,279	911	620
Europe	2,577	2,976	(80)	(54)
	32,929	24,637	9,763	4,957

Segment assets and liabilities by location

The Group's geographical analysis of segment assets and liabilities, allocated based on where assets and liabilities are located, has been provided for information:

US\$ million	Segment assets ⁽¹⁾		Segment liabilities		Net segment assets	
	2010	2009	2010	2009	2010	2009
South Africa	21,294	18,309	(2,815)	(2,148)	18,479	16,161
Other Africa	377	664	(26)	(66)	351	598
South America	18,982	16,528	(1,384)	(1,262)	17,598	15,266
North America	611	805	(38)	(132)	573	673
Australia and Asia	4,849	4,310	(851)	(813)	3,998	3,497
Europe	3,273	3,820	(616)	(907)	2,657	2,913
	49,386	44,436	(5,730)	(5,328)	43,656	39,108

⁽¹⁾ Investments in associates are not included in segment assets. The geographical distribution of these investments, based on the location of the underlying assets, is disclosed in note 17.

3. OPERATING PROFIT FROM SUBSIDIARIES AND JOINT VENTURES

US\$ million	2010	2009
Group revenue	27,960	20,858
Cost of sales ⁽¹⁾	(15,949)	(15,474)
Gross profit	12,011	5,384
Selling and distribution costs	(1,740)	(1,590)
Administrative expenses	(1,815)	(1,409)
Other gains and losses (see below)	346	527
Exploration expenditure (see note 7)	(136)	(172)
Operating profit from subsidiaries and joint ventures	8,666	2,740

⁽¹⁾ Includes operating special item charges of \$228 million (2009: \$2,275 million), see note 5.

US\$ million	2010	2009
Operating profit is stated after charging:		
Depreciation of property, plant and equipment (see note 15) ⁽¹⁾	1,888	1,711
Amortisation of intangible assets (see note 14)	31	14
Rentals under operating leases	121	114
Research and development expenditure	29	34
Operating special items (see note 5)	228	2,275
Employee costs (see note 8)	4,367	3,734
Adjustment due to provisional pricing ⁽²⁾	(168)	(507)
Royalties ⁽³⁾	586	284
Other gains and losses comprise:		
Operating remeasurements (see note 5)	386	638
Other fair value gains on derivatives – realised	84	84
Foreign currency losses on other monetary items	(124)	(195)
Total other gains and losses	346	527

⁽¹⁾ In addition \$97 million (2009: nil) of accelerated depreciation has been recorded within operating special items (refer to note 5).

⁽²⁾ Provisionally priced contracts resulted in a total (realised and unrealised) gain in revenue of \$199 million (2009: \$563 million) and total (realised and unrealised) loss in operating costs of \$31 million (2009: \$56 million).

⁽³⁾ Excludes those royalties which meet the definition of income tax on profit and accordingly have been accounted for as taxes.

3. OPERATING PROFIT FROM SUBSIDIARIES AND JOINT VENTURES continued

US\$ million	2010	2009
Auditors' remuneration		
Audit		
United Kingdom	2.6	2.7
Overseas	7.9	7.8
Other services provided by Deloitte ⁽¹⁾		
United Kingdom	1.3	7.8
Overseas	1.7	1.9

⁽¹⁾ Includes \$0.1 million (2009: \$0.4 million) for services required to be undertaken by Deloitte in their capacity as auditors and in 2009 \$6.5 million for services relating to bid defence.

A more detailed analysis of auditors' remuneration is provided below:

US\$ million	2010				2009			
	United Kingdom	Overseas	Total	Paid/payable to auditor (if not Deloitte)	United Kingdom	Overseas	Total	Paid/payable to auditor (if not Deloitte)
Statutory audit services								
Paid to the Company's auditor	1.7	–	1.7	–	1.9	–	1.9	–
Subsidiary entities – for purposes of Anglo American plc Annual Report	–	4.4	4.4	0.1	–	3.7	3.7	0.1
Subsidiary entities – additional local statutory requirements	0.9	3.5	4.4	0.4	0.8	4.1	4.9	0.5
Subsidiary entities – total	0.9	7.9	8.8	0.5	0.8	7.8	8.6	0.6
Total	2.6	7.9	10.5	0.5	2.7	7.8	10.5	0.6
Other services⁽¹⁾								
Other services pursuant to legislation	0.5	0.8	1.3	–	0.7	0.6	1.3	–
Tax services	0.1	0.4	0.5	0.2	0.2	0.4	0.6	0.3
Internal audit services	–	–	–	–	–	–	–	0.4
Other	0.7 ⁽²⁾	0.5	1.2	0.2	6.9 ⁽²⁾	0.9	7.8	0.6
Total	1.3	1.7	3.0	0.4	7.8	1.9	9.7	1.3

⁽¹⁾ \$0.2 million (2009: \$0.1 million) was paid/payable in respect of the audit of Group pension plans.

⁽²⁾ Includes \$0.1 million (2009: \$0.4 million) for services required to be undertaken by Deloitte in their capacity as auditors and in 2009 \$6.5 million for services relating to bid defence.

4. OPERATING PROFIT AND UNDERLYING EARNINGS BY SEGMENT

The following table analyses operating profit (including attributable share of associates' operating profit) for the financial year by segment and reconciles it to Underlying earnings by segment. Underlying earnings is an alternative earnings measure, which the directors consider to be a useful additional measure of the Group's performance. Underlying earnings is profit for the financial year attributable to equity shareholders of the Company before special items and remeasurements and is therefore presented after non-controlling interests. A reconciliation from 'Profit for the financial year attributable to equity shareholders of the Company' to 'Underlying earnings for the financial year' is provided in note 13.

US\$ million	2010					2009				
	Operating profit/(loss) before special items and remeasurements ⁽¹⁾	Operating profit/(loss) after special items and remeasurements	Operating special items and remeasurements ⁽²⁾	Net interest, tax and non-controlling interests	Underlying earnings	Operating profit/(loss) before special items and remeasurements ⁽¹⁾	Operating profit/(loss) after special items and remeasurements	Operating special items and remeasurements ⁽²⁾	Net interest, tax and non-controlling interests	Underlying earnings
Platinum	837	765	72	(412)	425	32	(72)	104	12	44
Diamonds	495	466	29	(193)	302	64	(139)	203	(154)	(90)
Copper	2,817	2,832	(15)	(1,096)	1,721	2,010	2,114	(104)	(809)	1,201
Nickel	96	45	51	(21)	75	2	(86)	88	(15)	(13)
Iron Ore and Manganese	3,681	4,037	(356)	(2,258)	1,423	1,489	350	1,139	(918)	571
Metallurgical Coal	783	806	(23)	(198)	585	451	423	28	(129)	322
Thermal Coal	710	708	2	(198)	512	721	715	6	(204)	517
Exploration	(136)	(136)	–	8	(128)	(172)	(172)	–	5	(167)
Corporate Activities and Unallocated Costs	(181)	(192)	11	(280)	(461)	(146)	(377)	231	(73)	(219)
Core operations	9,102	9,331	(229)	(4,648)	4,454	4,451	2,756	1,695	(2,285)	2,166
Other Mining and Industrial	661	561	100	(139)	522	506	361	145	(103)	403
	9,763	9,892	(129)	(4,787)	4,976	4,957	3,117	1,840	(2,388)	2,569

⁽¹⁾ Operating profit includes attributable share of associates' operating profit which is reconciled to 'Share of net income from associates' in note 2.

⁽²⁾ Special items and remeasurements are set out in note 5. Operating special items (including associates) in the year ended 31 December 2010 amounted to a charge of \$253 million (2009: \$2,574 million) and operating remeasurements (including associates) in the year ended 31 December 2010 amounted to a credit of \$382 million (2009: \$734 million).

FINANCIAL STATEMENTS: Notes to the financial statements – continued

5. SPECIAL ITEMS AND REMEASUREMENTS

'Special items' are those items of financial performance that the Group believes should be separately disclosed on the face of the income statement to assist in the understanding of the underlying financial performance achieved by the Group. Such items are material by nature or amount to the year's results and require separate disclosure in accordance with IAS 1 (Revised) *Presentation of Financial Statements* paragraph 97. Special items that relate to the operating performance of the Group are classified as operating special items and include impairment charges and reversals and other exceptional items, including restructuring costs. Non-operating special items include profits and losses on disposals of investments and businesses as well as transactions relating to business combinations.

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

- unrealised gains and losses on 'non-hedge' derivative instruments open at year end (in respect of future transactions) and the reversal of the historical marked to market value of such instruments settled in the year. The full realised gains or losses are recorded in underlying earnings in the same year as the underlying transaction for which such instruments provide an economic, but not formally designated, hedge (if the underlying transaction is recorded in the balance sheet, e.g. capital expenditure, the realised amount remains in remeasurements on settlement of the derivative). Such amounts are classified in the income statement as operating when the underlying exposure is in respect of the operating performance of the Group and otherwise as financing.
- foreign exchange gains and losses arising on the retranslation of US dollar denominated De Beers preference shares held by a rand functional currency subsidiary of the Group. This is classified as financing.
- foreign exchange impact arising in US dollar functional currency entities where tax calculations are generated based on local currency financial information (and hence deferred tax is susceptible to currency fluctuations). Such amounts are included within income tax expense.

US\$ million	2010			2009 ⁽¹⁾		
	Subsidiaries and joint ventures	Associates ⁽²⁾	Total	Subsidiaries and joint ventures	Associates ⁽²⁾	Total
Impairment and related charges	(107)	(15)	(122)	(1,909)	(272)	(2,181)
Restructuring costs	(121)	(10)	(131)	(376)	(27)	(403)
Other	–	–	–	10	–	10
Operating special items	(228)	(25)	(253)	(2,275)	(299)	(2,574)
Operating remeasurements	386	(4)	382	638	96	734
Operating special items and remeasurements	158	(29)	129	(1,637)	(203)	(1,840)
Disposal of Moly-Cop and AltaSteel	555	–	555	–	–	–
Gain on Bafokeng-Rasimone Platinum mine transaction	546	–	546	–	–	–
Disposal of undeveloped coal assets	505	–	505	–	–	–
Disposal of Skorpion zinc mine	244	–	244	–	–	–
Disposals of interests within Platinum segment	107	–	107	316	–	316
Anglo American Inyosi Coal BEE transaction	(86)	–	(86)	–	–	–
Disposals of Tarmac businesses	(294)	–	(294)	–	–	–
Disposal of interest in AngloGold Ashanti	–	–	–	1,139	–	1,139
Other	2	19	21	157	20	177
Net profit on disposals⁽³⁾	1,579	19	1,598	1,612	20	1,632
Financing special items	–	(13)	(13)	–	(7)	(7)
Financing remeasurements	105	1	106	(134)	6	(128)
Total special items and remeasurements before tax and non-controlling interests	1,842	(22)	1,820	(159)	(184)	(343)
Special items and remeasurements tax	(110)	(2)	(112)	188	(51)	137
Non-controlling interests on special items and remeasurements	(141)	1	(140)	61	1	62
Net total special items and remeasurements attributable to equity shareholders of the Company	1,591	(23)	1,568	90	(234)	(144)

⁽¹⁾ Presentation of special items and remeasurements has been simplified. Comparatives have been reclassified to align with current year presentation.

⁽²⁾ Relates to the Diamonds segment.

⁽³⁾ \$1,246 million (2009: \$316 million) relates to disposals of subsidiaries and consolidated businesses and \$440 million (2009: nil) relates to fair value gains on retained investments (see note 32).

Subsidiaries' and joint ventures' special items and remeasurements

Operating special items

Impairment and related charges of \$107 million in the year ended 31 December 2010 principally relate to accelerated depreciation of \$97 million and assets written off within the Platinum segment of \$20 million, partially offset by an impairment reversal at Dawson Seamgas (Metallurgical Coal segment) of \$22 million.

In the year ended 31 December 2010 accelerated depreciation of \$73 million has been recorded at Loma de Niquel due to uncertainty over the renewal of three concessions that expire in 2012 and over the restoration of 13 concessions that have been cancelled.

Impairment and related charges in the year ended 31 December 2009 of \$1,909 million mainly relate to the Amapá iron ore system (Amapá) (\$1,667 million), and Loma de Niquel (\$114 million). The impairment in relation to Amapá was a result of the operational difficulties and delays in increasing production. The impairment brought the carrying value of Amapá in line with fair value (less costs to sell) determined on a discounted cash flow basis.

Restructuring costs principally relate to retrenchment and consultancy costs and relate to amounts incurred in the Other Mining and Industrial segment of \$71 million (2009: \$78 million) and the Platinum segment of \$38 million (2009: \$37 million). In the year ended 31 December 2009 restructuring costs of \$47 million were recorded within the Corporate Activities and Unallocated Costs segment and a total of \$21 million in the Metallurgical and Thermal Coal segments. In addition costs associated with 'One Anglo' initiatives of \$148 million and bid defence costs of \$45 million were recorded.

Operating remeasurements

Operating remeasurements reflect a net gain of \$386 million (2009: \$638 million) principally in respect of non-hedge derivatives of capital expenditure in Iron Ore Brazil (2009: Iron Ore Brazil and Los Bronces). The net gain includes net unrealised gains of \$148 million (2009: \$757 million), net realised gains of \$255 million (2009: losses of \$105 million) and other remeasurement losses of \$17 million (2009: \$14 million).

5. SPECIAL ITEMS AND REMEASUREMENTS continued

Profits and losses on disposals

In December 2010 the Group completed the disposal of its 100% interest in Moly-Cop and AltaSteel (Other Mining and Industrial segment) resulting in a net cash inflow of \$993 million, generating a profit on disposal of \$555 million.

In November 2010 the Group realised a gain of \$546 million as a result of the Bafokeng-Rasimone Platinum mine transaction (Platinum segment). Refer to note 32 for more information on this transaction.

In December 2010 the Group disposed of undeveloped coal assets in Australia (Metallurgical Coal segment) resulting in a net cash inflow of \$522 million, generating a profit on disposal of \$505 million.

In December 2010 the Group completed the disposal of its 100% interest in the Skorpion zinc mine (Other Mining and Industrial segment) resulting in a net cash inflow of \$570 million, generating a profit on disposal of \$244 million.

In April 2010 the Group sold its 37% interest in the Western Bushveld joint venture (Platinum segment) for consideration of \$107 million. This investment had a nominal carrying value.

In June 2010 the previously announced BEE transaction to dispose of a 27% interest in Anglo American Inyosi Coal (Proprietary) Limited (Thermal Coal segment) was completed. The amount recognised on disposal principally relates to an IFRS 2 charge of \$78 million.

The Group completed the disposal of Tarmac's Polish concrete products business in March 2010, its French and Belgian concrete products business in May 2010, and its aggregates business in France, Germany, Poland and the Czech Republic in September 2010, resulting in combined net cash inflows of \$472 million. Tarmac is included in the Other Mining and Industrial segment.

Financing remeasurements

Financing remeasurements reflect a net gain of \$105 million (2009: loss of \$134 million) principally due to preference share investments, and an associated embedded interest rate derivative. In addition, financing remeasurements also include net gains on non-hedge derivatives of debt of \$17 million (2009: loss of \$13 million).

Special items and remeasurements tax

Special items and remeasurements tax amounted to a charge of \$110 million (2009: credit of \$188 million). This relates to a tax remeasurement credit of \$122 million (2009: \$469 million) and a tax charge on special items and remeasurements of \$232 million (2009: \$174 million). In the year ended 31 December 2009 a tax special item charge of \$107 million was recorded relating to the write off of a deferred tax asset related to Amapá.

6. EBITDA BY SEGMENT

Earnings before interest, tax, depreciation and amortisation (EBITDA) is operating profit before special items and remeasurements, depreciation and amortisation in subsidiaries and joint ventures and includes attributable share of EBITDA of associates.

US\$ million	2010	2009
Platinum	1,624	677
Diamonds	666	215
Copper	3,086	2,254
Nickel	122	28
Iron Ore and Manganese	3,856	1,593
Metallurgical Coal	1,116	706
Thermal Coal	872	875
Other Mining and Industrial	912	878
Exploration	(136)	(172)
Corporate Activities and Unallocated Costs	(135)	(124)
EBITDA	11,983	6,930

EBITDA is reconciled to operating profit, including attributable share of associates, before special items and remeasurements and to 'Total profit from operations and associates' as follows:

US\$ million	2010	2009
Total profit from operations and associates	11,067	4,436
Operating special items and remeasurements (including associates)	(129)	1,840
Net profit on disposals (including associates)	(1,598)	(1,632)
Associates' financing special items and remeasurements	12	1
Share of associates' interest, tax and non-controlling interests	411	312
Operating profit, including associates, before special items and remeasurements	9,763	4,957
Depreciation and amortisation: subsidiaries and joint ventures	1,919	1,725
Depreciation and amortisation: associates	301	248
EBITDA	11,983	6,930

FINANCIAL STATEMENTS: Notes to the financial statements – continued**6. EBITDA BY SEGMENT** continued

EBITDA is reconciled to 'Cash flows from operations' as follows:

US\$ million	2010	2009
EBITDA	11,983	6,930
Share of operating profit of associates before special items and remeasurements	(1,255)	(580)
Cash element of operating special items	(94)	(294)
Share of associates' depreciation and amortisation	(301)	(248)
Share-based payment charges	219	204
Provisions	(37)	(46)
(Increase)/decrease in inventories	(309)	23
Increase in operating receivables	(587)	(360)
Increase/(decrease) in operating payables	516	(573)
Deferred stripping	(196)	(150)
Other adjustments	(15)	(2)
Cash flows from operations	9,924	4,904

7. EXPLORATION EXPENDITURE

Exploration expenditure is stated before special items.

US\$ million	2010	2009
By commodity		
Platinum group metals	11	17
Copper	19	43
Nickel	27	22
Iron ore	14	8
Metallurgical coal	3	10
Thermal coal	21	25
Zinc	3	10
Central exploration activities	38	37
	136	172

8. EMPLOYEE NUMBERS AND COSTS

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

Thousand	2010	2009
By segment		
Platinum	52	58
Copper	4	4
Nickel	2	2
Iron Ore and Manganese	8	7
Metallurgical Coal	3	3
Thermal Coal	9	9
Other Mining and Industrial	20	22
Corporate Activities and Unallocated Costs	2	2
	100	107

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

Thousand	2010	2009
South Africa	77	83
Other Africa	1	1
South America	9	9
North America	1	1
Australia and Asia	4	4
Europe	8	9
	100	107

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

US\$ million	2010	2009
Wages and salaries	3,880	3,321
Social security costs	173	168
Post employment benefits	281	235
Share-based payments	223	205
Total payroll costs	4,557	3,929
Reconciliation:		
Less: Employee costs capitalised	(132)	(82)
Less: Employee costs included within operating special items	(58)	(113)
Employee costs included in operating costs	4,367	3,734

8. EMPLOYEE NUMBERS AND COSTS *continued*

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

Compensation for key management was as follows:

US\$ million	2010	2009
Salaries and short term employee benefits	19	14
Social security costs	5	2
Post employment benefits	2	2
Share-based payments	15	11
Termination benefits	–	10
	41	39

Key management includes members of the Board and the Executive Committee.

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

9. NET FINANCE COSTS

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

The weighted average capitalisation rate applied to qualifying capital expenditure was 4.8% (2009: 6.5%).

US\$ million	2010	2009
Investment income		
Interest and other financial income	342	334
Expected return on defined benefit arrangements	205	157
Dividend income from financial asset investments	30	23
	577	514
Less: interest capitalised	(9)	–
Total investment income	568	514
Interest expense		
Interest and other finance expense	(632)	(724)
Interest payable on convertible bond	(68)	(44)
Unwinding of discount on convertible bond	(65)	(39)
Interest cost on defined benefit arrangements	(219)	(174)
Unwinding of discount relating to provisions and other non-current liabilities	(73)	(45)
	(1,057)	(1,026)
Less: interest capitalised	256	246
Total interest expense	(801)	(780)
Other financing gains/(losses)		
Net foreign exchange gains/(losses)	17	(24)
Net fair value (losses)/gains on fair value hedges	(7)	29
Other net fair value losses	(21)	(12)
Total other financing losses	(11)	(7)
Net finance costs before remeasurements	(244)	(273)
Remeasurements		
Net gain/(loss) on embedded and non-hedge derivatives	72	(100)
Foreign exchange loss on De Beers preference shares	(9)	(21)
Other remeasurements	42	(13)
Total remeasurements	105	(134)
Net finance costs after remeasurements	(139)	(407)

FINANCIAL STATEMENTS: Notes to the financial statements – continued**10. FINANCIAL INSTRUMENT GAINS AND LOSSES**

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

US\$ million	2010	2009
At fair value through profit and loss		
Cash flow hedge derivatives ⁽¹⁾	(4)	(162)
Fair value hedge derivatives	(112)	68
Fair value hedge underlying instruments	105	(39)
Foreign exchange	9	–
Other fair value movements ⁽²⁾	752	1,099
Loans and receivables		
Foreign exchange	(292)	(148)
Interest income at amortised cost	169	232
Available for sale		
Net gain transferred on sale	–	1,554
Dividend income	30	23
Other financial liabilities		
Foreign exchange	167	(92)
Interest expense at amortised cost	(632)	(594)

⁽¹⁾ Gains and losses on derivative instruments designated in cash flow hedge relationships which have been realised in the year have been recorded in Group revenue (2009: Group revenue).

⁽²⁾ Includes the impact of provisional pricing which is disclosed in note 3 and operating and financing remeasurements in note 5.

11. INCOME TAX EXPENSE**a) Analysis of charge for the year**

US\$ million	2010	2009
United Kingdom corporation tax	24	50
South Africa tax	1,199	567
Other overseas tax	1,333	700
Prior year adjustments	(7)	(45)
Current tax (excluding special items and remeasurements tax)⁽¹⁾	2,549	1,272
Deferred tax (excluding special items and remeasurements tax)	150	33
Tax (excluding special items and remeasurements tax)	2,699	1,305
Special items and remeasurements tax	110	(188)
Income tax expense	2,809	1,117

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

b) Factors affecting tax charge for the year

The effective tax rate for the year of 25.7% (2009: 27.7%) is lower than the applicable statutory rate of corporation tax in the United Kingdom of 28% (see also below).

The reconciling items are:

US\$ million	2010	2009
Profit on ordinary activities before tax	10,928	4,029
Less: Share of net income from associates	(822)	(84)
Group profit on ordinary activities before tax	10,106	3,945
Tax on profit on ordinary activities calculated at United Kingdom corporation tax rate of 28%	2,830	1,105
Tax effects of:		
Special items and remeasurements tax	(406)	(144)
Items not taxable/deductible for tax purposes		
Exploration expenditure	13	22
Non-taxable/deductible net foreign exchange (gain)/loss	(3)	6
Non-deductible/taxable net interest expense/(income)	2	(2)
Other non-deductible expenses	125	65
Other non-taxable income	(40)	(39)
Temporary difference adjustments		
Change in tax rates	4	–
Movements in tax losses	(50)	5
Enhanced tax depreciation	(41)	–
Other temporary differences	(73)	(45)
Other adjustments		
Secondary tax on companies and dividend withholding taxes	657	356
Effect of differences between local and United Kingdom rates	(218)	(139)
Prior year adjustments to current tax	(7)	(45)
Other adjustments	16	(28)
Income tax expense	2,809	1,117

IAS 1 (Revised) requires income from associates to be presented net of tax on the face of the income statement. Associates' tax is therefore not included within the Group's income tax expense. Associates' tax included within 'Share of net income from associates' for the year ended 31 December 2010 is \$315 million (2009: \$286 million). Excluding special items and remeasurements this becomes \$313 million (2009: \$235 million).

The effective rate of tax before special items and remeasurements including attributable share of associates' tax for the year ended 31 December 2010 was 31.9%. This was broadly in line with the equivalent effective rate of 33.1% for the year ended 31 December 2009. In future periods it is expected that the effective tax rate, including associates' tax, will remain above the United Kingdom statutory tax rate.

11. INCOME TAX EXPENSE continued**c) Tax amounts included in total comprehensive income**

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

US\$ million	2010	2009
Tax on net income recognised directly in equity		
Revaluation of available for sale investments	(46)	(105)
Cash flow hedges	(2)	(22)
Exchange gains on translation of foreign operations	(82)	(154)
Actuarial net (gain)/loss on post employment benefit plans	(19)	53
	(149)	(228)
Tax on items transferred from equity		
Transferred to income statement: sale of available for sale investments	–	135
Transferred to income statement: cash flow hedges	(1)	(51)
Transferred to initial carrying amount of hedged items: cash flow hedges	2	(7)
	1	77

12. DIVIDENDS

Dividends declared and paid during the year are as follows:

US\$ million	2010	2009
Final ordinary dividend for 2009 – nil per ordinary share (2008: nil)	–	–
Interim ordinary dividend for 2010 – 25 US cents per ordinary share (2009: nil)	302	–
	302	–

The directors are proposing a final dividend in respect of the financial year ended 31 December 2010 of 40 US cents per share. Based on shares eligible for dividends at 31 December 2010, this will result in an estimated distribution of \$483 million of shareholders' funds. These financial statements do not reflect this dividend payable as it is still subject to shareholder approval.

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

13. EARNINGS PER SHARE

US\$	2010	2009
Profit for the financial year attributable to equity shareholders of the Company		
Basic earnings per share	5.43	2.02
Diluted earnings per share	5.18	1.98
Headline earnings for the financial year⁽¹⁾		
Basic earnings per share	4.27	2.46
Diluted earnings per share	4.09	2.40
Underlying earnings for the financial year⁽¹⁾		
Basic earnings per share	4.13	2.14
Diluted earnings per share	3.96	2.10

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

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

US\$ million (unless otherwise stated)	2010	2009
Earnings		
Basic earnings, being profit for the financial year attributable to equity shareholders of the Company	6,544	2,425
Effect of dilutive potential ordinary shares		
Interest payable on convertible bond (net of tax)	49	32
Unwinding of discount on convertible bond (net of tax)	47	28
Diluted earnings	6,640	2,485
Number of shares (million)		
Basic number of ordinary shares outstanding ⁽¹⁾	1,206	1,202
Effect of dilutive potential ordinary shares ⁽²⁾		
Share options and awards	14	11
Convertible bond	61	40
Diluted number of ordinary shares outstanding⁽¹⁾	1,281	1,253

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

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

In the year ended 31 December 2010 there were no share options which were anti-dilutive. In the year ended 31 December 2009 there were 231,351 share options which were potentially dilutive but were not included in the calculation of diluted earnings per share because they were anti-dilutive.

In April 2009 the Group issued \$1.7 billion of senior convertible notes. The senior convertible notes were issued with a coupon of 4%, a conversion price of £18.6370 and unless redeemed, converted or cancelled, will mature in 2014. The Group will have the option to call the senior convertible notes after three years from the issuance date subject to certain conditions. The impact of this potential conversion has been included in diluted earnings and diluted number of ordinary shares outstanding.

FINANCIAL STATEMENTS: Notes to the financial statements – continued

13. EARNINGS PER SHARE continued

Underlying earnings is presented after non-controlling interests and excludes special items and remeasurements (see note 5). Underlying earnings is distinct from 'Headline earnings', which is a JSE Limited defined performance measure.

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

US\$ million	2010	2009
Profit for the financial year attributable to equity shareholders of the Company	6,544	2,425
Operating special items	14	2,180
Operating special items – tax	–	(67)
Operating special items – non-controlling interests	(3)	(102)
Net profit on disposals	(1,684)	(1,632)
Net profit on disposals – tax	123	76
Net profit on disposals – non-controlling interests	138	66
Financing special items	13	7
Headline earnings for the financial year	5,145	2,953
Operating special items ⁽¹⁾	239	394
Operating remeasurements	(382)	(734)
Net loss on disposals ⁽²⁾	86	–
Financing remeasurements	(106)	128
Special items and remeasurements tax	(11)	(146)
Non-controlling interests on special items and remeasurements	5	(26)
Underlying earnings for the financial year	4,976	2,569

⁽¹⁾ Year ended 31 December 2010: includes restructuring costs, accelerated depreciation and related charges (2009: includes restructuring costs).

⁽²⁾ Year ended 31 December 2010: includes amounts related to the Anglo American Inyosi Coal BEE transaction.

14. INTANGIBLE ASSETS

US\$ million	2010			2009		
	Licences and other intangibles	Goodwill ⁽¹⁾	Total	Licences and other intangibles	Goodwill ⁽¹⁾	Total
Net book value						
At 1 January	82	2,694	2,776	91	2,915	3,006
Acquired through business combinations	–	–	–	–	19	19
Additions	43	–	43	31	–	31
Transfer to assets held for sale and disposals	(17)	(339)	(356)	(9)	(8)	(17)
Amortisation charge for the year	(31)	–	(31)	(14)	–	(14)
Impairments	–	–	–	(39)	(312)	(351)
Reversal of contingent consideration ⁽²⁾	–	(90)	(90)	–	–	–
Currency movements	8	(34)	(26)	22	80	102
At 31 December	85	2,231	2,316	82	2,694	2,776
Cost	168	2,231	2,399	139	2,694	2,833
Accumulated amortisation	(83)	–	(83)	(57)	–	(57)

⁽¹⁾ The goodwill balances provided are net of cumulative impairment charges of \$323 million at 31 December 2010 (2009: \$357 million).

⁽²⁾ Relates to Iron Ore Brazil.

Impairment tests for goodwill

Goodwill is allocated for impairment testing purposes to cash generating units (CGUs) or groups of CGUs which reflect how it is monitored for internal management purposes. This allocation largely represents the Group's segments set out below. Any goodwill associated with CGUs subsumed within these segments is not significant when compared to the goodwill of the Group, other than in Iron Ore and Manganese and Other Mining and Industrial where the material components of goodwill are split out below:

US\$ million	2010	2009
Platinum	230	230
Copper	124	124
Nickel	10	10
Iron Ore and Manganese		
Iron Ore Brazil	1,148	1,251
Thermal Coal	88	88
Other Mining and Industrial		
Tarmac	504	811
Other	127	180
	2,231	2,694

For the purposes of goodwill impairment, the recoverable amount of a CGU is determined based on a value in use or fair value less costs to sell basis.

Value in use is based on the present value of future cash flows expected to be derived from the CGU or reportable segment in its current state. Fair value less costs to sell is normally supported by market observable data (in the case of listed subsidiaries, market share price at 31 December of the respective entity) or discounted cash flow models taking account of assumptions that would be made by market participants.

14. INTANGIBLE ASSETS *continued*

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

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

Reserves and resources

Ore reserves and, where considered appropriate, mineral resources are incorporated in projected cash flows, based on ore reserves and mineral resource statements and exploration and evaluation work undertaken by appropriately qualified persons. Mineral resources are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the requirements of reserve classification. For further information refer to the Ore Reserves and Mineral Resources section of the Annual Report.

Commodity prices

Commodity prices are based on latest internal forecasts for commodity prices, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts. Where existing sales contracts are in place, the effects of such contracts are taken into account in determining future cash flows.

Operating costs and capital expenditure

Operating costs and capital expenditure are based on financial budgets covering a three year period. Cash flow projections beyond three years are based on life of mine plans or non-mine production plans as applicable, and internal management forecasts. Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith.

Non-commodity based businesses

For non-commodity based businesses, margin and revenue are based on financial budgets covering a three year period. Beyond the financial budget, revenue is forecast using a steady growth rate consistent with the markets in which those businesses operate, and for those periods five years or more from the balance sheet date, at a rate not exceeding the long term growth rate for the country of operation. Where existing sales contracts are in place, the effects of such contracts are taken into account in determining future cash flows.

Discount rates

Cash flow projections are discounted based on a real post-tax discount rate of 6% (2009: 6%). Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows or to calculate an equivalent pre-tax rate where appropriate.

Foreign exchange rates

Foreign exchange rates are based on latest internal forecasts for foreign exchange, benchmarked with external sources of information and relevant countries of operation.

15. PROPERTY, PLANT AND EQUIPMENT

US\$ million	2010					2009				
	Mining properties and leases ⁽¹⁾	Land and buildings	Plant and equipment	Other ⁽²⁾	Total	Mining properties and leases ⁽¹⁾	Land and buildings	Plant and equipment	Other ⁽²⁾	Total
Net book value										
At 1 January	14,776	1,807	10,003	8,612	35,198	14,563	1,541	7,000	6,441	29,545
Additions	296	48	237	5,205	5,786	241	53	328	4,610	5,232
Acquired through business combinations	–	–	–	–	–	28	4	1	(5)	28
Reversal of contingent consideration ⁽³⁾	(293)	–	–	–	(293)	–	–	–	–	–
Transfer to assets held for sale	(84)	(125)	(491)	(24)	(724)	(255)	(70)	(55)	(42)	(422)
Disposal of assets	(5)	(4)	(36)	(4)	(49)	(1)	(10)	(44)	(18)	(73)
Disposal of businesses	(260)	(5)	(39)	(110)	(414)	(29)	(4)	(14)	(43)	(90)
Depreciation charge for the year ⁽⁴⁾	(465)	(89)	(1,392)	(39)	(1,985)	(412)	(95)	(1,192)	(12)	(1,711)
Net impairment reversal/ (charge)	2	–	12	–	14	(1,099)	(1)	(325)	(157)	(1,582)
Reclassifications ⁽⁵⁾	583	268	1,765	(2,616)	–	60	181	3,075	(3,316)	–
Currency movements	826	104	780	567	2,277	1,680	208	1,229	1,154	4,271
At 31 December	15,376	2,004	10,839	11,591	39,810	14,776	1,807	10,003	8,612	35,198
Cost	20,289	2,792	19,651	11,863	54,595	19,143	2,571	17,813	8,973	48,500
Accumulated depreciation	(4,913)	(788)	(8,812)	(272)	(14,785)	(4,367)	(764)	(7,810)	(361)	(13,302)

⁽¹⁾ Includes amounts in relation to deferred stripping.

⁽²⁾ Includes \$11,190 million (2009: \$8,189 million) of assets in the course of construction, which are not depreciated.

⁽³⁾ Relates to Iron Ore Brazil.

⁽⁴⁾ Includes \$1,888 million (2009: \$1,711 million) of depreciation within operating profit (see note 3) and \$97 million (2009: nil) of accelerated depreciation (see note 5).

⁽⁵⁾ Relates mainly to amounts transferred from assets in the course of construction.

Included in the additions above is \$247 million (2009: \$246 million) of net interest expense incurred on borrowings funding the construction of qualifying assets which has been capitalised during the year.

FINANCIAL STATEMENTS: Notes to the financial statements – continued**15. PROPERTY, PLANT AND EQUIPMENT** continued

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

US\$ million	2010		2009	
	Net book value	Depreciation	Net book value	Depreciation
Mining properties and leases	–	–	13	2
Plant and equipment	18	7	22	12
	18	7	35	14

The net book value of land and buildings comprises:

US\$ million	2010	2009
Freehold	1,989	1,791
Leasehold – long	6	6
Leasehold – short (less than 50 years)	9	10
	2,004	1,807

16. ENVIRONMENTAL REHABILITATION TRUSTS

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

US\$ million	2010	2009
Equity	121	37
Bonds	147	115
Cash	111	190
	379	342

These assets are primarily rand denominated. Cash is held in short term fixed deposits or earns interest at floating inter-bank rates and bonds earn interest at a weighted average fixed rate of 6% (2009: 9%) for an average period of six years (2009: 11.8 years). Equity investments are recorded at fair value through profit and loss whilst other assets are treated as loans and receivables.

These funds are not available for the general purposes of the Group. All income from these assets is reinvested to meet specific environmental obligations. These obligations are included in provisions (see note 26).

17. INVESTMENTS IN ASSOCIATES

US\$ million	2010	2009
At 1 January	3,312	3,612
Net income from associates	822	84
Dividends received	(255)	(616)
Transfer from subsidiary/joint venture ⁽¹⁾	643	235
Share of expense recognised directly in equity, net of tax	(41)	(7)
Other equity movements	(140)	2
Investment in equity and capitalised loans ⁽²⁾	632	203
Interest receivable on capitalised loans	16	–
Repayment of capitalised loans	(33)	–
Transferred to available for sale investments	(100)	–
Transferred to assets held for sale and disposals	(126)	(510)
Other movements	19	105
Currency movements	151	204
At 31 December⁽³⁾	4,900	3,312

⁽¹⁾ Year ended 31 December 2010 represents the transfer to investments in associates of Anglo Platinum Limited's retained 33% holding in Bafokeng-Rasimone Platinum mine (see note 32). Year ended 31 December 2009 relates to disposals in the Platinum segment.

⁽²⁾ Includes \$450 million, in the year ended 31 December 2010, to subscribe to the Group's share of De Beers' rights issue. Refer to note 36.

⁽³⁾ The fair value of the Group's investment in Anooraq Resources Corporation at 31 December 2010 was \$179 million (2009: \$105 million).

The Group's total investments in associates comprise:

US\$ million	2010	2009
Equity	4,194	2,799
Loans ⁽¹⁾	706	513
Total investments in associates	4,900	3,312

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

The Group's attributable share of the summarised income statement information of associates is shown in note 2. Summarised balance sheet information of associates is as follows:

US\$ million	2010	2009
Total non-current assets	6,923	5,710
Total current assets	1,805	2,494
Total current liabilities	(738)	(854)
Total non-current liabilities	(3,090)	(4,038)
Group's share of net assets	4,900	3,312

17. INVESTMENTS IN ASSOCIATES continued

Segmental information is provided as follows:

US\$ million	Net income		Aggregate investment	
	2010	2009	2010	2009
By segment				
Platinum	(44)	(17)	1,112	447
Diamonds	270	(333)	1,936	1,353
Iron Ore and Manganese	287	170	880	658
Metallurgical Coal	84	34	223	146
Thermal Coal	220	214	749	689
Other Mining and Industrial	5	16	–	19
	822	84	4,900	3,312

US\$ million	Aggregate investment	
	2010	2009
By geography		
South Africa	2,334	1,934
Other Africa	1,220	914
South America	729	675
North America	376	320
Australia and Asia	698	426
Europe	(457)	(957)
	4,900	3,312

The Group's share of associates' contingent liabilities incurred jointly by investors is \$75 million (2009: \$102 million).

Details of principal associates are set out in note 37.

18. JOINT VENTURES

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

US\$ million	2010	2009
Total non-current assets	2,308	2,310
Total current assets	872	831
Total assets classified as held for sale	–	15
Total current liabilities	(516)	(425)
Total non-current liabilities	(869)	(763)
Total liabilities directly associated with assets classified as held for sale	–	(6)
Group's share of joint venture entities' net assets	1,795	1,962
Revenue	2,014	1,702
Operating costs (including special items and remeasurements)	(761)	(711)
Net finance costs	(61)	(37)
Income tax expense	(272)	(200)
Group's share of joint venture entities' profit for the financial year	920	754

The Group's share of joint venture entities' contingent liabilities incurred jointly with other venturers is \$33 million (2009: \$40 million) and its share of capital commitments is \$12 million (2009: \$242 million).

Within the Metallurgical Coal segment, the Group also holds investments in a number of proportionately consolidated jointly controlled operations. The Group's share of joint venture operations' net assets is \$1,693 million (2009: \$1,224 million). The Group's share of joint venture operations' profit for the financial year is \$593 million (2009: \$321 million). The Group's share of joint venture operations' contingent liabilities incurred jointly with other venturers is \$19 million (2009: \$3 million) and its share of capital commitments is \$65 million (2009: \$107 million).

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

19. FINANCIAL ASSET INVESTMENTS

US\$ million	2010			2009		
	Loans and receivables	Available for sale investments	Total	Loans and receivables	Available for sale investments	Total
At 1 January	1,595	1,131	2,726	935	2,353	3,288
Additions	124	187	311	–	–	–
Interest receivable	84	–	84	82	–	82
Net advances	(15)	–	(15)	394	–	394
Disposals ⁽¹⁾	–	(440)	(440)	–	(2,049)	(2,049)
Movements in fair value	(5)	316	311	(13)	741	728
Reclassifications	–	–	–	(3)	–	(3)
Currency movements	137	106	243	200	86	286
At 31 December	1,920	1,300	3,220	1,595	1,131	2,726

⁽¹⁾ Primarily comprised of exercise of options purchased in 2008, to increase shareholding in Kumba Iron Ore Limited. Disposals in 2009 primarily relate to the disposal of AngloGold Ashanti.

No provision for impairment is recorded against financial assets classified as 'Loans and receivables' (2009: nil).

FINANCIAL STATEMENTS: Notes to the financial statements – continued

20. INVENTORIES

US\$ million	2010	2009
Raw materials and consumables	823	741
Work in progress	1,520	1,368
Finished products	1,261	1,103
	3,604	3,212

The cost of inventories recognised as an expense and included in cost of sales amounted to \$14,262 million (2009: \$12,605 million).

Inventories held at net realisable value amounted to \$352 million (2009: \$477 million).

Write-down of inventories (net of revaluation of provisionally priced purchases) amounted to \$38 million (2009: \$128 million). Of this, nil was capitalised (2009: \$80 million).

There were also \$29 million (2009: \$88 million) of inventory write-downs reversed and recognised as a reduction in the inventory expense for the year.

21. TRADE AND OTHER RECEIVABLES

US\$ million	2010			2009 ⁽¹⁾		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Trade receivables	2,814	178	2,992	2,496	145	2,641
Amounts owed by related parties	2	–	2	12	–	12
Other receivables ⁽²⁾	755	134	889	642	55	697
Prepayments and accrued income	160	9	169	201	6	207
	3,731	321	4,052	3,351	206	3,557

⁽¹⁾ Comparatives have been adjusted to present \$3 million of current financial asset investments as other receivables.

⁽²⁾ 2009 includes an amount of \$72 million related to cash proceeds in respect of the disposal of the Group's 50% interest in the Booyensendal joint venture held in an escrow account pending completion of documentation. This amount was received in October 2010.

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

US\$ million	2010	2009
Less than one month	130	123
Greater than one month, less than two months	18	38
Greater than two months, less than three months	12	12
Greater than three months	21	34
	181	207

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

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

US\$ million	2010	2009
At 1 January	51	41
Charge for the year	4	9
Transfer to assets held for sale	(2)	(4)
Currency movements	–	5
At 31 December	53	51

22. TRADE AND OTHER PAYABLES

US\$ million	2010	2009
Trade payables	2,748	2,939
Amounts owed to related parties	59	–
Tax and social security	162	163
Other payables	954	785
Accruals and deferred income	1,027	508
	4,950	4,395

23. FINANCIAL ASSETS

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

US\$ million	2010		2009	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
At fair value through profit and loss				
Trade and other receivables ⁽¹⁾	777	777	838	838
Other financial assets (derivatives) ⁽²⁾	842	842	603	603
Loans and receivables				
Cash and cash equivalents	6,401	6,401	3,269	3,269
Trade and other receivables ⁽¹⁾	3,106	3,106	2,512	2,512
Financial asset investments	1,871	1,920	1,566	1,595
Available for sale investments				
Financial asset investments	1,300	1,300	1,131	1,131
Total financial assets	14,297	14,346	9,919	9,948

⁽¹⁾ Trade and other receivables exclude prepayments and accrued income.

⁽²⁾ Derivative instruments are analysed between those which are 'Held for trading' and those designated into hedge relationships in note 25.

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

Fair value hierarchy

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

US\$ million	2010				2009			
	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total
At fair value through profit and loss								
Trade and other receivables	–	777	–	777	–	838	–	838
Other financial assets (derivatives)	–	801	41	842	3	569	31	603
Available for sale investments								
Financial asset investments	1,223	22	55	1,300	1,072	19	40	1,131
	1,223	1,600	96	2,919	1,075	1,426	71	2,572

⁽¹⁾ Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes listed equity shares, and certain exchange-traded derivatives.

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

⁽³⁾ Instruments in this category have been valued using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input. Financial assets included within level 3 primarily consist of embedded derivatives and financial asset investments where valuation depends upon unobservable inputs.

There have been no significant transfers between level 1 and level 2 in the year ended 31 December 2010. The movements in the fair value of the level 3 financial assets are shown in the following table:

US\$ million	2010	2009
At 1 January	71	137
Net loss recorded in remeasurements	(6)	(111)
Net gain recorded in statement of comprehensive income	10	1
Additions	3	–
Transfer to assets held for sale	(26)	–
Reclassification from/to level 3 Other financial liabilities (derivatives)	41	35
Currency movements	3	9
At 31 December	96	71

For the level 3 financial assets, changing certain inputs to reasonably possible alternative assumptions may change the fair value significantly. Where significant, the effect of a change in these assumptions to a reasonably possible alternative assumption is outlined in the table below. These sensitivities have been calculated by amending the fair value of the level 3 financial assets at 31 December for a change in each individual assumption, as outlined below, whilst keeping all other assumptions consistent with those used to calculate the fair value recognised in the financial statements.

US\$ million	Change in assumption	2010	2009
		Increase/(decrease) in fair value of assets	Increase/(decrease) in fair value of assets
Other financial assets (derivatives)	Increase of 5% in dividend forecast	11	–
	Decrease of 5% in dividend forecast	(11)	–
	Shift of TJLP curve ⁽¹⁾	38	–
Financial asset investments	Decrease of 10% in liquidity discount percentage	14	11
	Increase of 10% in liquidity discount percentage	(14)	(11)

⁽¹⁾ Brazilian domestic long term interest rate curve.

Financial asset risk exposures are set out in note 25.

FINANCIAL STATEMENTS: Notes to the financial statements – continued

24. FINANCIAL LIABILITIES

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

US\$ million	2010		2009	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
At fair value through profit and loss				
Trade and other payables ⁽¹⁾	434	434	315	315
Other financial liabilities (derivatives) ⁽²⁾	835	835	659	659
Designated into fair value hedge				
Borrowings	8,815	8,192	7,793	7,168
Financial liabilities at amortised cost				
Trade and other payables ⁽¹⁾	4,404	4,404	4,297	4,297
Borrowings ⁽³⁾	7,216	5,247	8,744	7,147
Total financial liabilities	21,704	19,112	21,808	19,586

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

⁽²⁾ Derivative instruments are analysed between those which are 'Held for trading' and those designated into hedge relationships in note 25.

⁽³⁾ Fair value of the convertible bond represents the quoted price of the debt and therefore includes the portion accounted for in equity.

The fair value of financial liabilities is determined by reference to its quoted market price, otherwise the carrying value approximates fair value.

Fair value hierarchy

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

US\$ million	2010				2009			
	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total
At fair value through profit and loss								
Trade and other payables	–	434	–	434	–	315	–	315
Other financial liabilities (derivatives)	–	775	60	835	3	543	113	659
	–	1,209	60	1,269	3	858	113	974

⁽¹⁾ Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes exchange-traded derivatives.

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

⁽³⁾ Instruments in this category have been valued using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input. Financial instruments included within level 3 primarily consist of embedded derivatives where valuation depends upon unobservable inputs and commodity sales contracts which do not meet the conditions for the 'own use' exemption under IAS 39.

There have been no significant transfers between level 1 and level 2 in the year ended 31 December 2010. The movements in the fair value of the level 3 financial liabilities are shown in the following table:

US\$ million	2010	2009
At 1 January	113	269
Net gain recorded in remeasurements	(121)	(21)
Net loss recorded in underlying earnings	–	6
Reduction in assumed life of financial liability	–	(181) ⁽¹⁾
Reclassification to/from level 3 Other financial assets (derivatives)	41	35
Currency movements	27	5
At 31 December	60	113

⁽¹⁾ Relates to reduction of embedded derivative liability at Loma de Niquel which was recorded in operating special items.

For the level 3 financial liabilities, changing certain inputs to reasonably possible alternative assumptions may change the fair value significantly. At 31 December 2010 the effect of a change in these assumptions to a reasonably possible alternative assumption was not considered significant. At 31 December 2009, where significant, the effect of a change in these assumptions to a reasonably possible alternative assumption is outlined in the table below. These sensitivities have been calculated by amending the fair value of the level 3 financial liabilities at 31 December 2009 for a change in each individual assumption, as outlined below, whilst keeping all other assumptions consistent with those used to calculate the fair value recognised in the financial statements.

US\$ million	Change in assumption	2009
		Increase/(decrease) in fair value of liabilities
Other financial liabilities (derivatives)	Increase of 5% in dividend forecast	9
	Decrease of 5% in dividend forecast	(9)

Financial liability risk exposures are set out in note 25.

24. FINANCIAL LIABILITIES continued**Analysis of borrowings**

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

US\$ million	2010			2009		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Secured⁽¹⁾						
Bank loans and overdrafts	57	404	461	416	413	829
Obligations under finance leases ⁽²⁾	5	5	10	8	11	19
	62	409	471	424	424	848
Unsecured						
Bank loans and overdrafts	1,276	1,536	2,812	351	3,982	4,333
Bonds issued under EMTN programme	62	4,346	4,408	572	4,410	4,982
US bonds	–	3,249	3,249	–	1,935	1,935
Convertible bond ⁽³⁾	–	1,434	1,434	–	1,369	1,369
Commercial paper	–	–	–	67	–	67
Other loans	135	930	1,065	85	696	781
	1,473	11,495	12,968	1,075	12,392	13,467
Total	1,535	11,904	13,439	1,499	12,816	14,315

⁽¹⁾ Assets with a book value of \$569 million (2009: \$1,197 million) have been pledged as security, of which \$212 million (2009: \$753 million) are property, plant and equipment, \$183 million (2009: \$242 million) are financial assets and \$174 million (2009: \$202 million) are inventories. Related to these assets are borrowings of \$461 million (2009: \$814 million) in respect of project financing arrangements.

⁽²⁾ The minimum lease payments under finance leases fall due as follows:

US\$ million	2010	2009
Within one year	5	9
Greater than one year, less than five years	4	9
Greater than five years	1	2
	10	20
Future finance charges on finance leases	–	(1)
Present value of finance lease liabilities	10	19

⁽³⁾ Represents the fair value of the debt component of the convertible bond at the date of issue of \$1,330 million (net of fees) adjusted for cumulative unwinding of discount of \$104 million (2009: \$39 million). The fair value of the equity conversion feature was \$355 million and is presented in equity (refer to note 30).

In the year ended 31 December 2010 the Group raised \$150 million through the issuance of a \$100 million floating rate note, due April 2012 and a \$50 million floating rate note, due September 2012, under the Euro Medium Term Note (EMTN) programme and ZAR1 billion (\$151 million) through the issuance of a fixed rate note, due in May 2015, under the South African Domestic Medium Term Note programme.

In July 2010 the Group replaced a \$2.5 billion facility maturing in March 2012 with a \$3.5 billion facility maturing in July 2015.

In September 2010 the Group raised \$1.25 billion through the issuance of senior notes (US bonds). The senior note offering comprised \$750 million 2.15% senior notes due 2013 and \$500 million 4.45% senior notes due 2020.

During 2009 the Group raised \$2 billion through the issuance of senior notes, \$1.7 billion through the issuance of senior convertible notes and \$2.2 billion through the issuance of bonds under the EMTN programme.

25. FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board has approved and monitors the risk management processes, inclusive of documented treasury policies, counterparty limits, controlling and reporting structures. The risk management processes of the Group's independently listed subsidiaries are in line with the Group's own policy.

The types of risk exposure, the way in which such exposure is managed and quantification of the level of exposure in the balance sheet at year end is provided as follows (subcategorised into credit risk, liquidity risk and market risk).

Credit risk

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

US\$ million	2010	2009
Cash and cash equivalents	6,401	3,269
Trade and other receivables	3,883	3,350
Financial asset investments ⁽¹⁾	1,920	1,595
Other financial assets (derivatives)	842	603
Other guarantees and loan facilities	92	12
	13,138	8,829

⁽¹⁾ Includes \$643 million (2009: \$546 million) of preference shares in BEE entities.

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

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

FINANCIAL STATEMENTS: Notes to the financial statements – continued**25. FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL ASSETS/LIABILITIES** continued

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

An allowance for impairment of trade receivables is made where there is an identified loss event, which based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Details of the credit quality of trade receivables and the associated provision for impairment is disclosed in note 21.

Liquidity risk

The Group ensures that there are sufficient committed loan facilities (including refinancing, where necessary) in order to meet short term business requirements, after taking into account cash flows from operations and its holding of cash and cash equivalents, as well as any group distribution restrictions that exist. In addition, certain projects are financed by means of limited recourse project finance, if appropriate.

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

US\$ million	Within one year			One to two years		
	Fixed interest	Floating interest	Capital repayment	Fixed interest	Floating interest	Capital repayment
2010						
Financial liabilities (excluding derivatives)	(566)	(148)	(6,356) ⁽¹⁾	(566)	(126)	(1,155)
Net settled derivatives ⁽²⁾	485	(303)	13	486	(306)	3
	(81)	(451)	(6,343)	(80)	(432)	(1,152)
2009						
Financial liabilities (excluding derivatives)	(550)	(200)	(5,660) ⁽¹⁾	(523)	(185)	(3,226)
Net settled derivatives ⁽²⁾	461	(267)	–	441	(273)	5
	(89)	(467)	(5,660)	(82)	(458)	(3,221)

US\$ million	Two to five years			Greater than five years		
	Fixed interest	Floating interest	Capital repayment	Fixed interest	Floating interest	Capital repayment
2010						
Financial liabilities (excluding derivatives)	(1,197)	(137)	(7,504) ⁽³⁾	(530)	(1,400)	(3,241)
Net settled derivatives ⁽²⁾	1,083	(619)	(337)	530	(282)	(291)
	(114)	(756)	(7,841)	–	(1,682)	(3,532)
2009						
Financial liabilities (excluding derivatives)	(1,379)	(295)	(5,877) ⁽³⁾	(672)	(608)	(4,394)
Net settled derivatives ⁽²⁾	1,187	(712)	(32)	672	(331)	(339)
	(192)	(1,007)	(5,909)	–	(939)	(4,733)

⁽¹⁾ Includes guarantees and loan facilities.

⁽²⁾ The expected maturities were not materially different from the contracted maturities.

⁽³⁾ Includes the full value of the convertible bond and assumes no conversion.

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

US\$ million	2010	2009
Expiry date		
Within one year ⁽¹⁾	3,781	2,247
Greater than one year, less than two years	12	3,090
Greater than two years, less than five years	7,269	4,093
Greater than five years	58	90
	11,120	9,520

⁽¹⁾ Includes undrawn rand facilities equivalent to \$1.7 billion (2009: \$1.5 billion) in respect of a series of facilities with 364 day maturities which roll automatically on a daily basis, unless notice is served.

In February 2011 the Group cancelled its \$2.25 billion revolving credit facility maturing in June 2011. At 31 December 2010 \$1.1 billion (2009: nil) was drawn under the facility which was subsequently repaid.

Market risk

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

Foreign exchange risk

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

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

25. FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL ASSETS/LIABILITIES continued

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

US\$ million	2010				2009			
	Financial assets (excluding derivatives)	Impact of currency derivatives ⁽¹⁾	Derivative assets	Total financial assets – exposure to currency risk	Financial assets (excluding derivatives)	Impact of currency derivatives ⁽¹⁾	Derivative assets	Total financial assets – exposure to currency risk
US dollar ⁽²⁾	5,293	(140)	765	5,918	4,353	(202)	565	4,716
Rand	6,065	140	77	6,282	3,125	177	7	3,309
Sterling	386	–	–	386	455	–	–	455
Euro	20	–	–	20	85	2	–	87
Australian dollar	811	–	–	811	271	–	–	271
Brazilian real	571	–	–	571	407	–	–	407
Other currencies	358	–	–	358	649	23	31	703
Total financial assets	13,504	–	842	14,346	9,345	–	603	9,948

US\$ million	2010				2009			
	Financial liabilities (excluding derivatives)	Impact of currency derivatives ⁽¹⁾	Derivative liabilities	Total financial liabilities – exposure to currency risk	Financial liabilities (excluding derivatives)	Impact of currency derivatives ⁽¹⁾	Derivative liabilities	Total financial liabilities – exposure to currency risk
US dollar	(6,444)	(5,797)	(813)	(13,054)	(7,719)	(5,364)	(609)	(13,692)
Rand	(3,906)	(22)	(22)	(3,950)	(3,550)	(4)	(50)	(3,604)
Sterling	(2,136)	1,796	–	(340)	(1,609)	1,198	–	(411)
Euro	(3,500)	3,486	–	(14)	(3,764)	3,652	–	(112)
Australian dollar	(595)	–	–	(595)	(543)	–	–	(543)
Brazilian real	(1,098)	462	–	(636)	(1,052)	401	–	(651)
Other currencies	(598)	75	–	(523)	(690)	117	–	(573)
Total financial liabilities	(18,277)	–	(835)	(19,112)	(18,927)	–	(659)	(19,586)

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

⁽²⁾ Of these US dollar financial assets, \$413 million (2009: \$127 million) are subject to South African exchange controls and will be converted to rand within six months of 31 December.

Interest rate risk

Interest rate risk arises due to fluctuations in interest rates which impact on the value of short term investments and financing activities. Exposure to interest rate risk is particularly with reference to changes in US and South African interest rates.

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

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

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

US\$ million	2010					2009				
	Interest bearing financial assets		Non-interest bearing financial assets			Interest bearing financial assets		Non-interest bearing financial assets		
	Floating rate	Fixed rate ⁽¹⁾	Equity investments	Other non-interest bearing	Total	Floating rate	Fixed rate ⁽¹⁾	Equity investments	Other non-interest bearing	Total
Financial assets (excluding derivatives) ⁽²⁾	6,981	1,068	1,300	4,155	13,504	3,530	1,032	1,131	3,652	9,345
Derivative assets	315	–	–	527	842	174	–	–	429	603
Financial asset exposure to interest rate risk	7,296	1,068	1,300	4,682	14,346	3,704	1,032	1,131	4,081	9,948

⁽¹⁾ Includes \$643 million (2009: \$546 million) of preference shares in BEE entities.

⁽²⁾ At 31 December 2010 and 31 December 2009 no interest rate swaps were held in respect of financial asset exposures.

Floating rate financial assets consist mainly of cash and bank term deposits. Interest on floating rate financial assets is based on the relevant national inter-bank rates. Fixed rate financial assets consist mainly of financial asset investments and cash, and have a weighted average interest rate of 11.7% (2009: 11.0%) for an average period of three years (2009: three years). Equity investments have no maturity period and the majority are fully liquid.

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

US\$ million	2010				2009			
	Interest bearing financial liabilities		Non-interest bearing financial liabilities		Interest bearing financial liabilities		Non-interest bearing financial liabilities	
	Floating rate	Fixed rate	Equity investments	Total	Floating rate	Fixed rate	Equity investments	Total
Financial liabilities (excluding derivatives)	(3,921)	(9,507)	(4,849)	(18,277)	(5,529)	(8,697)	(4,701)	(18,927)
Impact of interest rate swaps ⁽¹⁾	(8,046)	8,046	–	–	(6,896)	6,896	–	–
Derivative liabilities	(44)	–	(791)	(835)	(109)	–	(550)	(659)
Financial liability exposure to interest rate risk	(12,011)	(1,461)	(5,640)	(19,112)	(12,534)	(1,801)	(5,251)	(19,586)

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

FINANCIAL STATEMENTS: Notes to the financial statements – continued

25. FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL ASSETS/LIABILITIES continued

Interest on floating rate financial liabilities is based on the relevant national inter-bank rates. Remaining fixed rate borrowings accrue interest at a weighted average interest rate of 9% (2009: 9%) for an average period of three years (2009: four years). Average maturity on non-interest bearing instruments is 14 months (2009: 14 months).

Commodity price risk

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

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

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

US\$ million	2010				2009			
	Commodity price linked		Not linked to commodity price	Total	Commodity price linked		Not linked to commodity price	Total
	Subject to price movements	Fixed price ⁽¹⁾			Subject to price movements	Fixed price ⁽¹⁾		
Total net financial instruments (excluding derivatives)	(136)	1,322	(5,959)	(4,773)	352	733	(10,667)	(9,582)
Commodity derivatives (net) ⁽²⁾	(26)	–	–	(26)	(78)	–	–	(78)
Non-commodity derivatives (net)	–	–	33	33	–	–	22	22
Total financial instrument exposure to commodity risk	(162)	1,322	(5,926)	(4,766)	274	733	(10,645)	(9,638)

⁽¹⁾ Includes financial instruments whose commodity prices are set quarterly or via contract negotiation.

⁽²⁾ Includes a \$26 million (2009: \$44 million) derivative embedded in a long term power contract.

Derivatives

In accordance with IAS 32 *Financial Instruments: Presentation* and IAS 39, the fair value of all derivatives are separately recorded on the balance sheet within 'Other financial assets (derivatives)' and 'Other financial liabilities (derivatives)'. Derivatives are classified as current or non-current depending on the expected maturity of the derivative.

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

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

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contract and the host contract is not carried at fair value. Embedded derivatives may be designated into hedge relationships and are accounted for in accordance with the Group's accounting policy set out in note 1.

Anglo American Sur

Anglo American inherited a 1978 agreement with Enami, a Chilean state controlled minerals company, when it acquired Anglo American Sur in 2002. In 2008 this agreement was transferred by Enami to Codelco, the Chilean state copper company. Anglo American Sur is wholly owned by the Group and owns the Los Bronces and El Soldado copper mines and the Chagres smelter. The agreement grants Codelco the right, subject to certain conditions and limitations, to acquire up to a 49% non-controlling interest in Anglo American Sur. The right to exercise the option is restricted to a window that occurs once every three years in the month of January until January 2027, with the next window in January 2012. The calculations of the price at which Codelco can exercise its rights are complex and confidential but do, *inter alia*, take account of company profitability over a five year period.

The option's fair value is calculated as the difference between the estimated fair value of the underlying assets to which the option relates and the estimated option price. The estimated fair value of the underlying assets may vary based on a market participant's assumptions at any point in time, including, *inter alia*, commodity prices, foreign exchange rates and discount rates. In addition, the option price must be estimated based on current assumptions about inputs that cannot be finalised in advance of the option window and are subject to significant fluctuations. Based on a range of scenarios for these key variables, it has been concluded that the option has insufficient value to warrant recognition on the balance sheet as at 31 December 2010.

Cash flow hedges

In certain cases the Group classifies its forward foreign currency and commodity price contracts hedging highly probable forecast transactions as cash flow hedges. Where this designation is documented, changes in fair value are recognised in equity until the hedged transactions occur, at which time the respective gains or losses are transferred to the income statement (or hedged balance sheet item) in accordance with the Group's accounting policy set out in note 1.

Fair value hedges

The majority of interest rate swaps (taken out to swap the Group's fixed rate borrowings to floating rate, in accordance with the Group's policy) have been designated as fair value hedges. The carrying value of the hedged debt is adjusted to reflect the fair value of the interest rate risk being hedged. Subsequent changes in the fair value of the hedged risk are offset against fair value changes in the interest rate swap and classified within net finance costs in the income statement.

Non-hedges

The Group may choose not to designate certain derivatives as hedges. This may occur where the Group is economically hedged but IAS 39 hedge accounting cannot be achieved or where gains and losses on both the derivative and hedged item naturally offset in the income statement, which may for example be the case for certain cross currency swaps of non-US dollar debt. Where derivatives have not been designated as hedges, fair value changes are recognised in the income statement in accordance with the Group's accounting policy set out in note 1 and are classified as financing or operating depending on the nature of the associated hedged risk.

25. FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL ASSETS/LIABILITIES continued

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

US\$ million	2010		Current 2009		2010		Non-current 2009	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Cash flow hedge⁽¹⁾								
Forward foreign currency contracts	50	–	40	–	–	–	19	–
Forward commodity contracts	–	–	–	(3)	–	–	–	–
Other	–	–	–	(1)	–	–	–	–
Fair value hedge								
Interest rate swaps	–	–	18	–	309	(44)	157	(70)
Non-hedge ('Held for trading')								
Forward foreign currency contracts	307	(34)	285	(18)	119	–	26	(2)
Cross currency swaps	20	–	14	(14)	3	(676)	7	(424)
Other	–	(46)	8	(40)	34	(35)	29	(87)
	377	(80)	365	(76)	465	(755)	238	(583)

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

US\$ million	2010	2009
Within one year	50	36
Greater than one year, less than two years	–	19
	50	55

The periods when these hedges are expected to impact the income statement generally follow the cash flow profile with the exception of hedging associated with capital projects which is included in the capitalised asset value and depreciated over the life of the asset.

These marked to market valuations are in no way predictive of the future value of the hedged position, nor of the future impact on the profit of the Group. The valuations represent the cost of closing all hedge contracts at year end, at market prices and rates available at the time.

Normal purchase and normal sale contracts

Commodity based contracts that meet the scope exemption in IAS 39 (in that they are settled through physical delivery of the Group's production or are used within the production process), are classified as normal purchase or sale contracts. In accordance with IAS 39 these contracts are not marked to market.

Capital risk management

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

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

The Group monitors capital on the basis of the ratio of net debt to total capital (gearing). Net debt is calculated as total borrowings less cash and cash equivalents (including derivatives which provide an economic hedge of debt and the net debt of disposal groups). Total capital is calculated as 'Net assets' (as shown in the Consolidated balance sheet) excluding net debt. Gearing at 31 December 2010 was 16.3% (2009: 28.7%). The decrease in gearing since 31 December 2009 is due to lower net debt combined with higher net assets.

Financial instrument sensitivities

Financial instruments affected by market risk include borrowings, deposits, derivative financial instruments, trade receivables and trade payables. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's financial instruments (at 31 December) to changes in commodity prices, interest rates and foreign currencies.

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

The following assumptions were made in calculating the sensitivity analysis:

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

Using the above assumptions, the following table shows the illustrative effect on the income statement and equity that would result from reasonably possible changes in the relevant commodity price, interest rate or foreign currency.

FINANCIAL STATEMENTS: Notes to the financial statements – continued

25. FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL ASSETS/LIABILITIES continued

US\$ million	2010		2009	
	Income statement	Equity	Income statement	Equity
Commodity price sensitivities				
10% increase in the platinum price	(19)	(19)	(14)	(14)
10% decrease in the platinum price	19	19	14	14
10% increase in the copper price	59	59	89	89
10% decrease in the copper price	(59)	(59)	(89)	(89)
Interest rate sensitivities				
50 bp increase in US interest rates	1	1	3	3
50 bp decrease in US interest rates	(1)	(1)	(3)	(3)
Foreign currency sensitivities⁽¹⁾				
+10% US dollar to rand	(76)	(76)	(59)	(59)
-10% US dollar to rand	76	76	59	59
+10% US dollar to Australian dollar	23	23	4	4
-10% US dollar to Australian dollar	(23)	(23)	(4)	(4)
+10% US dollar to Brazilian real ⁽²⁾	456	482	191	198
-10% US dollar to Brazilian real ⁽²⁾	(297)	(302)	(175)	(183)
+10% US dollar to Chilean peso ⁽²⁾	38	60	(11)	(67)
-10% US dollar to Chilean peso ⁽²⁾	(46)	(73)	14	82

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

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

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

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

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

26. PROVISIONS FOR LIABILITIES AND CHARGES

US\$ million	2010			
	Environmental restoration ⁽¹⁾	Decommissioning ⁽¹⁾	Other	Total
At 1 January	839	336	617	1,792
Charged to the income statement	84	15	242	341
Capitalised	(8) ⁽²⁾	18	(5)	5
Unwinding of discount	46	20	2	68
Amounts applied	(14)	(1)	(168)	(183)
Unused amounts reversed	(26)	(3)	(29)	(58)
Transfers ⁽³⁾	(51)	(36)	120	33
Disposal of businesses	(1)	(2)	–	(3)
Currency movements	62	27	28	117
At 31 December	931	374	807	2,112

⁽¹⁾ The Group makes contributions to controlled funds to meet the cost of some of its environmental restoration and decommissioning liabilities (see note 16).

⁽²⁾ Amounts capitalised in the environmental restoration provision relate to amounts that will be recovered from third parties when the actual expenditure is incurred.

⁽³⁾ Includes amounts transferred to assets held for sale.

Maturity analysis of total provisions:

US\$ million	2010	2009
Current	446	209
Non-current	1,666	1,583
	2,112	1,792

Environmental restoration

The Group has an obligation to undertake restoration, rehabilitation and environmental work when environmental disturbance is caused by the development or ongoing production of a mining property. A provision is recognised for the present value of such costs. It is anticipated that these costs will be incurred over a period in excess of 20 years.

Decommissioning

Provision is made for the present value of costs relating to the decommissioning of plant or other site restoration work. It is anticipated that these costs will be incurred over a period in excess of 20 years.

Other

Other provisions primarily relate to subsidiaries' cash settled share-based payments, other employee entitlements (including long service and leave entitlements), indemnities, warranties and legal claims. It is anticipated that these costs will be incurred over a five year period.

27. DEFERRED TAX

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

US\$ million	2010	2009
Deferred tax assets		
At 1 January	288	258
Credited to the income statement	69	12
Charged to the statement of comprehensive income	(16)	(33)
Credited directly to equity	51	13
Transfers	(27)	(5)
Currency movements	24	43
At 31 December	389	288

US\$ million	2010	2009
Deferred tax liabilities		
At 1 January	(5,192)	(4,555)
(Charged)/credited to the income statement	(222)	144
(Charged)/credited to the statement of comprehensive income	(76)	36
Credited directly to equity	17	7
Acquired/released in respect of business combinations	98	54
Transfers	52	46
Disposal of businesses	119	-
Currency movements	(437)	(924)
At 31 December	(5,641)	(5,192)

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

US\$ million	2010	2009
Deferred tax assets		
Tax losses	105	49
Post employment benefits	45	48
Share-based payments	55	42
Other temporary differences	184	149
	389	288
Deferred tax liabilities		
Capital allowances in excess of depreciation	(3,121)	(2,846)
Fair value adjustments	(1,903)	(1,942)
Tax losses	103	115
Derivatives	(211)	(106)
Provisions	(507)	(405)
Other temporary differences	(2)	(8)
	(5,641)	(5,192)

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

US\$ million	2010	2009
Capital allowances in excess of depreciation	162	(79)
Fair value adjustments	(168)	(502)
Tax losses	(42)	(33)
Derivatives	105	208
Provisions	44	114
Other temporary differences	52	136
	153	(156)

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

US\$ million	2010	2009
Deferred tax assets		
Recoverable within 12 months	49	23
Recoverable after 12 months	340	265
	389	288
Deferred tax liabilities		
Payable within 12 months	(283)	(171)
Payable after 12 months	(5,358)	(5,021)
	(5,641)	(5,192)

FINANCIAL STATEMENTS: Notes to the financial statements – continued

27. DEFERRED TAX continued

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

US\$ million	2010				2009			
	Tax losses – revenue	Tax losses – capital	Other temporary differences	Total	Tax losses – revenue	Tax losses – capital	Other temporary differences	Total
Expiry date								
Within one year	–	–	–	–	–	–	–	–
Greater than one year, less than five years	15	–	–	15	14	–	–	14
Greater than five years	84	–	–	84	5	–	–	5
No expiry date	3,023	1,252	8	4,283	3,304	1,154	7	4,465
	3,122	1,252	8	4,382	3,323	1,154	7	4,484

The Group also has unused tax credits of \$84 million (2009: \$22 million) for which no deferred tax asset is recognised in the balance sheet. None of these credits expire within five years.

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with such investments in subsidiaries, branches and associates and interests in joint ventures is represented by the contribution of those investments to the Group's retained earnings and amounted to \$20,277 million (2009: \$16,843 million).

28. RETIREMENT BENEFITS

The Group operates defined contribution and defined benefit pension plans for the majority of its employees. It also operates post employment medical arrangements in southern Africa. In 2009 plans in North America related to businesses which were disposed of in 2010.

Defined contribution plans

The defined contribution pension and medical cost represents the actual contributions payable by the Group to the various plans. At 31 December 2010 there were no material outstanding or prepaid contributions and so no accrual or prepayment has been disclosed in the balance sheet in relation to these plans.

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans is calculated on the basis of the contribution payable by the Group in the financial year. The charge for the year for defined contribution pension plans (net of amounts capitalised) was \$216 million (2009: \$172 million) and for defined contribution medical plans (net of amounts capitalised) was \$23 million (2009: \$18 million).

Defined benefit pension plans and post employment medical plans

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

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

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

Independent qualified actuaries carry out full valuations every three years using the projected unit credit method. The actuaries have updated the valuations to 31 December 2010.

Actuarial assumptions

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

%	2010			2009		
	Southern Africa	The Americas	Europe	Southern Africa	The Americas	Europe
Defined benefit pension plans						
Average discount rate for plan liabilities	8.5	8.5	5.4	9.0	8.5	5.7
Average rate of inflation	5.8	3.8	3.2	5.8	3.7	3.7
Average rate of increase in salaries	7.0	6.8	0.4 ⁽¹⁾	7.0	6.1	3.7
Average rate of increase of pensions in payment	5.8	3.6	3.5	5.8	3.1	3.7
Average long term rate of return on plan assets ⁽²⁾	9.1	12.4	6.1	9.6	10.5	6.6
Post employment medical plans						
Average discount rate for plan liabilities	8.5	n/a	n/a	9.0	6.6	n/a
Average rate of inflation	5.8	n/a	n/a	5.8	1.1	n/a
Expected average increase in healthcare costs	7.2	n/a	n/a	7.2	4.1	n/a

⁽¹⁾ Certain European plans ceased future accrual of benefits during 2010.

⁽²⁾ The long term expected return on plan assets has been set with reference to current market yields on government and corporate bonds and expected equity bond-outperformance in the relevant jurisdictions. The expected return on cash assets has been set with reference to expected bank base rates. The overall long term expected rate of return for each class is weighted by the asset allocation to the class at the balance sheet date.

28. RETIREMENT BENEFITS *continued*

Mortality assumptions are determined based on standard mortality tables with adjustments, as appropriate, to reflect experience of conditions locally. In southern Africa, the PA90 tables (2009: PA90 tables) are used. The main plans in Europe use the SAPS tables (2009: SAPS and PXA00 tables). The main plans in the Americas use the RV2004 and AT2000 tables (2009: RV2004, AT2000 and UP94 tables). The mortality tables used imply that a male or female aged 60 at the balance sheet date has the following future life expectancy:

Years	Male		Female	
	2010	2009	2010	2009
Southern Africa	20.6	20.5	25.5	25.4
The Americas	23.2	23.2	27.2	26.9
Europe	27.4	27.3	30.0	29.9

Summary of plans by geography

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

US\$ million	2010				2009			
	Southern Africa	The Americas	Europe	Total	Southern Africa	The Americas	Europe	Total
Assets⁽¹⁾								
Defined benefit pension plans in surplus	112	–	–	112	54	–	–	54
Liabilities								
Defined benefit pension plans in deficit	–	(178)	(101)	(279)	–	(173)	(231)	(404)
Post employment medical plans in deficit	(312)	–	–	(312)	(271)	(31)	–	(302)
	(312)	(178)	(101)	(591)	(271)	(204)	(231)	(706)

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

Five year summary of plan assets and liabilities

US\$ million	2010	2009	2008	2007	2006
Defined benefit pension plans					
Present value of liabilities	(2,840)	(2,975)	(2,157)	(3,095)	(4,256)
Fair value of plan assets	2,732	2,731	2,073	3,148	4,160
Net (deficit)/surplus	(108)	(244)	(84)	53	(96)
Surplus restriction	(59)	(106)	(61)	(136)	(163)
Net deficit after surplus restriction	(167)	(350)	(145)	(83)	(259)
Actuarial gain/(loss) on plan assets ⁽¹⁾	76	184	(392)	39	308
Actuarial gain/(loss) on plan liabilities ⁽²⁾	19	(361)	208	(48)	(156)
Post employment medical plans					
Present value of liabilities	(337)	(322)	(241)	(329)	(422)
Fair value of plan assets	25	20	17	20	16
Net deficit	(312)	(302)	(224)	(309)	(406)
Actuarial gain on plan assets ⁽³⁾	2	–	1	1	–
Actuarial (loss)/gain on plan liabilities ⁽⁴⁾	(13)	(10)	16	(29)	15

⁽¹⁾ Net experience gains on pension plan assets were \$76 million (2009: gains of \$184 million; 2008: losses of \$392 million; 2007: gains of \$32 million; 2006: gains of \$314 million).

⁽²⁾ Net experience gains on pension plan liabilities were \$38 million (2009: losses of \$17 million; 2008: losses of \$29 million; 2007: losses of \$112 million; 2006: losses of \$113 million).

⁽³⁾ Net experience gains on medical plan assets were \$2 million (2009: nil; 2008: gains of \$1 million; 2007: losses of \$1 million; 2006: losses of \$1 million).

⁽⁴⁾ Net experience gains on medical plan liabilities were \$5 million (2009: losses of \$3 million; 2008: losses of \$7 million; 2007: losses of \$4 million; 2006: gains of \$36 million).

Cumulative net actuarial losses recognised in the Consolidated statement of comprehensive income are \$378 million (2009: \$509 million; 2008: \$292 million; 2007: \$163 million; 2006: \$126 million).

Income statement

The amounts recognised in the income statement are as follows:

US\$ million	2010			2009		
	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
Analysis of the amount charged to operating profit						
Current service costs	28	3	31	32	4	36
Past service costs and effects of settlements and curtailments	9	(6)	3	–	–	–
Total within operating costs	37	(3)	34	32	4	36
Analysis of the amount charged to net finance costs						
Expected return on plan assets ⁽¹⁾	(203)	(2)	(205)	(156)	(1)	(157)
Interest costs on plan liabilities ⁽²⁾	193	26	219	156	18	174
Net charge to net finance costs	(10)	24	14	–	17	17
Total charge to the income statement	27	21	48	32	21	53

⁽¹⁾ Included in 'Investment income'.

⁽²⁾ Included in 'Interest expense'.

FINANCIAL STATEMENTS: Notes to the financial statements – continued

28. RETIREMENT BENEFITS continued

Pension plan assets and liabilities by geography

The market value of the pension assets in defined benefit pension plans, the long term expected rate of return and the split of the present value of unfunded and funded obligations at 31 December are as follows:

	2010							2009						
	Southern Africa		The Americas		Europe		Total	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	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
Equity	11.3	359	16.8	13	7.7	822	1,194	11.7	332	9.5	75	8.1	774	1,181
Bonds	8.0	597	12.0	128	4.7	582	1,307	8.5	558	10.9	196	5.1	687	1,441
Other	6.5	62	10.8	6	3.0	163	231	7.0	44	9.4	10	4.0	55	109
Fair value of pension plan assets ⁽¹⁾		1,018		147		1,567	2,732		934		281		1,516	2,731
Present value of unfunded obligations		–		(170)		(1)	(171)		–		(146)		(5)	(151)
Present value of funded obligations ⁽¹⁾		(847)		(155)		(1,667)	(2,669)		(791)		(308)		(1,725)	(2,824)
Present value of pension plan liabilities		(847)		(325)		(1,668)	(2,840)		(791)		(454)		(1,730)	(2,975)
Net surplus/(deficit) in pension plans		171		(178)		(101)	(108)		143		(173)		(214)	(244)
Surplus restriction related to pension plans		(59)		–		–	(59)		(89)		–		(17)	(106)
Recognised pension plan assets/(liabilities)		112		(178)		(101)	(167)		54		(173)		(231)	(350)
Amounts in the balance sheet														
Pension assets		112		–		–	112		54		–		–	54
Pension liabilities		–		(178)		(101)	(279)		–		(173)		(231)	(404)
		112		(178)		(101)	(167)		54		(173)		(231)	(350)

⁽¹⁾ 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 102% (2009: 97%) of the benefits that had accrued to members after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions as required in accordance with local actuarial advice.

Movement analysis

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

US\$ million	2010			2009		
	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	(2,975)	(322)	(3,297)	(2,157)	(241)	(2,398)
Current service costs	(28)	(3)	(31)	(32)	(4)	(36)
Past service costs and effects of settlements and curtailments	118	6	124	–	–	–
Interest costs	(193)	(26)	(219)	(156)	(18)	(174)
Actuarial gains/(losses)	19	(13)	6	(361)	(10)	(371)
Benefits paid	160	17	177	135	13	148
Contributions paid by other members	(2)	–	(2)	(7)	–	(7)
Transfer to liabilities directly associated with assets held for sale	128	40	168	(1)	–	(1)
Reclassification	(8)	–	(8)	–	–	–
Currency movements	(59)	(36)	(95)	(396)	(62)	(458)
At 31 December	(2,840)	(337)	(3,177)	(2,975)	(322)	(3,297)

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

US\$ million	2010			2009		
	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	2,731	20	2,751	2,073	17	2,090
Past service costs and effects of settlements and curtailments	(127)	–	(127)	–	–	–
Expected return	203 ⁽¹⁾	2	205	156 ⁽¹⁾	1	157
Actuarial gains	76 ⁽¹⁾	2	78	184 ⁽¹⁾	–	184
Contributions paid by employer ⁽²⁾	53	–	53	62	–	62
Benefits paid	(160)	(1)	(161)	(135)	–	(135)
Contributions paid by other members	2	–	2	7	–	7
Transfer to liabilities directly associated with assets held for sale	(113)	–	(113)	–	–	–
Currency movements	67	2	69	384	2	386
At 31 December	2,732	25	2,757	2,731	20	2,751

⁽¹⁾ The actual return on assets in respect of pension plans was a gain of \$279 million (2009: \$340 million).

⁽²⁾ The Group expects to contribute approximately \$36 million to its pension plans and \$16 million to its post employment medical plans in 2011.

28. RETIREMENT BENEFITS *continued*

Healthcare sensitivity analysis

Amounts recognised in the income statement, in respect of post employment medical plans, are sensitive to assumed healthcare trend rates. A 1% change in assumed healthcare cost trend rates would have the following effects:

US\$ million	1% increase		1% decrease	
	2010	2009	2010	2009
Effect on the sum of service costs and interest costs	3	4	(3)	(3)
Effect on defined benefit obligations	37	36	(31)	(30)

29. CALLED-UP SHARE CAPITAL AND SHARE-BASED PAYMENTS

Called-up share capital

	2010		2009	
	Number of shares	US\$ million	Number of shares	US\$ million
Called-up, allotted and fully paid:				
5% cumulative preference shares of £1 each	50,000	–	50,000	–
Ordinary shares of 54 ⁸⁶ / ₉₁ US cents each:				
At 1 January	1,342,927,138	738	1,342,919,020	738
Other	5,576	–	8,118	–
At 31 December	1,342,932,714	738	1,342,927,138	738

During 2010 5,576 ordinary shares of 54⁸⁶/₉₁ US cents each were allotted to certain non-executive directors by subscription of their after tax directors' fees (2009: 8,118 ordinary shares).

Excluding shares held in treasury (but including the shares held by the Group in other structures, as outlined in the Tenon and Employee benefit trust sections below) the number and carrying value of called-up, allotted and fully paid ordinary shares as at 31 December 2010 was 1,320,052,246 and \$725 million (2009: 1,316,493,628; \$723 million).

At 31 December 2010 the Company held 22,880,468 ordinary shares of 54⁸⁶/₉₁ US cents in treasury (2009: 26,433,510 ordinary shares).

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

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

No ordinary shares were allotted on exercise of employee share option plans (2009: nil).

Tenon

Tenon Investment Holdings (Pty) Limited (Tenon), a wholly owned subsidiary of Anglo American South Africa Limited (AASA), has entered into agreements with Epoch Investment Holdings Limited (Epoch), Epoch Two Investment Holdings Limited (Epoch Two) and Tarl Investments Holdings Limited (Tarl) (collectively the Investment Companies), each owned by independent charitable trusts whose trustees are independent of the Group. Under the terms of these agreements, the Investment Companies have purchased Anglo American plc shares on the market and have granted to Tenon the right to nominate a third party (which may include Anglo American plc but not any of its subsidiaries) to take transfer of the Anglo American plc shares each has purchased on the market. Tenon paid the Investment Companies 80% of the cost of the Anglo American plc shares including associated costs for this right to nominate which together with subscriptions by Tenon for non-voting participating redeemable preference shares in the Investment Companies provided all the funding required to acquire the Anglo American plc shares through the market. These payments by Tenon were sourced from the cash resources of AASA. Tenon is able to exercise its right of nomination at any time up to 31 December 2025 against payment of an average amount of \$8.22 per share to Epoch, \$12.78 per share to Epoch Two and \$10.61 per share to Tarl which will be equal to 20% of the total costs respectively incurred by Epoch, Epoch Two and Tarl in purchasing shares nominated for transfer to the third party. These funds will then become available for redemption of the preference shares issued by the Investment Companies. The amount payable by the third party on receipt of the Anglo American plc shares will accrue to Tenon and, in accordance with paragraph 33 of IAS 32, any resulting gain or loss recorded by Tenon will not be recognised in the income statement of Anglo American plc.

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

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

At 31 December 2010 the Investment Companies together held 112,300,129 (2009: 112,300,129) Anglo American plc shares with a market value of \$5,852 million (2009: \$4,915 million) which represented 9% (2009: 9%) of the ordinary shares in issue (excluding treasury shares). The Investment Companies are not permitted to hold more than an aggregate of 10% of the issued share capital of Anglo American plc at any one time.

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

FINANCIAL STATEMENTS: Notes to the financial statements – continued

29. CALLED-UP SHARE CAPITAL AND SHARE-BASED PAYMENTS continued

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 2010, 948,259 shares (2009: 3,496,000 shares) were sold to employees on exercise of their options. The cost of shares purchased by the trust is presented against retained earnings. The employee benefit trust has waived the right to receive dividends on these shares.

The market value of the 985 shares (2009: 949,244 shares) held by the trust at 31 December 2010 was \$0.1 million (2009: \$44 million).

In addition to the employee benefit trust, shares relating to the Company's share option and share incentive schemes may also be settled by the issue of treasury shares.

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

Share-based payments

During the year ended 31 December 2010, the Group had five share-based payment arrangements with employees relating to shares of the Company, the details of which are described in the Remuneration report. All of these schemes are equity settled, either by award of options to acquire ordinary shares (ESOS and SAYE) or award of ordinary shares (BSP, LTIP and SIP). The ESOS is now closed to new participants, having been replaced with the BSP. The DOP has since replaced the ESOS for use in special circumstances, relating to the recruitment or retention of key executives. No shares have been issued under the DOP.

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

US\$ million	2010	2009
BSP	69	57
LTIP	41	50
Other schemes	16	19
	126	126

The fair value of options granted under the SAYE scheme, being the only material option scheme, was calculated using a Black Scholes model. No ESOS awards were granted in 2010 or 2009. The assumptions used in these calculations for the current and prior years are set out in the table below:

Arrangement ⁽¹⁾	2010 SAYE	2009 SAYE
Date of grant	26/04/10	23/04/09
Number of instruments	172,650	1,481,927
Exercise price (£)	22.99	9.56
Share price at the date of grant (£)	28.74	11.95
Contractual life (years)	3.5-7.5	3.5-7.5
Vesting conditions ⁽²⁾	3-7	3-7
Expected volatility	40%	45%
Expected option life (years)	3.5-7.5	3.5-7.5
Risk free interest rate (weighted average)	2.7%	2.7%
Expected departures	5% pa	5% pa
Expected outcome of meeting performance criteria (at date of grant)	n/a	n/a
Fair value per option granted (weighted average) (£)	13.29	6.71

The fair value of ordinary shares awarded under the BSP, LTIP and LTIP – AOSC (2009: LTIP – ROCE), being the more material share schemes, was calculated using a Black Scholes model. The fair value of shares awarded under the LTIP – TSR scheme was calculated using a Monte Carlo model. The assumptions used in these calculations for the current and prior years are set out in the table below:

Arrangement ⁽¹⁾	2010				2009			
	BSP	LTIP	LTIP – AOSC	LTIP – TSR	BSP	LTIP	LTIP – ROCE	LTIP – TSR
Date of grant	19/03/10	12/03/10	12/03/10	12/03/10	18/03/09	30/03/09	30/03/09	30/03/09
Number of instruments	3,007,996	871,864	220,369	220,369	5,929,013	837,180	468,132	468,132
Exercise price (£)	–	–	–	–	–	–	–	–
Share price at the date of grant (£)	23.80	25.69	25.69	25.69	11.62	12.61	12.61	10.81
Contractual life (years)	3	3	3	3	3	3	3	3
Vesting conditions	⁽³⁾	⁽⁴⁾	⁽⁵⁾	⁽⁶⁾	⁽³⁾	⁽⁴⁾	⁽⁵⁾	⁽⁶⁾
Expected volatility	40%	40%	40%	40%	45%	45%	45%	45%
Risk free interest rate	1.9%	1.9%	1.9%	1.9%	2.0%	1.8%	1.8%	1.8%
Expected departures	5% pa	5% pa	5% pa	5% pa	5% pa	5% pa	5% pa	5% pa
Expected outcome of meeting performance criteria (at date of grant)	100%	100%	100%	n/a	44-100%	100%	100%	n/a
Fair value per option granted (weighted average) (£)	26.64	27.08	27.08	23.56	11.12	10.81	10.81	8.38

⁽¹⁾ The number of instruments used in the fair value models differs from the total number of instruments awarded in the year due to awards made subsequent to the fair value calculations. The fair value calculated per the assumptions above has been applied to the total number of awards. The difference in income statement charge is not considered significant.

⁽²⁾ Number of years of continuous employment.

⁽³⁾ Three years of continuous employment with enhancement shares having variable vesting based on non-market based performance conditions.

⁽⁴⁾ Three years of continuous employment.

⁽⁵⁾ Variable vesting dependent on three years of continuous employment and, in 2010, Group AOSC target being achieved (2009: Group ROCE target being achieved).

⁽⁶⁾ Variable vesting dependent on three years of continuous employment and market based performance conditions being achieved.

29. CALLED-UP SHARE CAPITAL AND SHARE-BASED PAYMENTS *continued*

The expected volatility is based on historic volatility over the last five years. The expected life is the average expected period to exercise. The risk free interest rate is the yield on zero-coupon UK government bonds with a term similar to the expected life of the option.

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

A reconciliation of option movements for the more significant share-based payment arrangements over the year ended 31 December 2010 and the prior year is shown below. All options outstanding at 31 December 2010 with an exercise date on or prior to 31 December 2010 are deemed exercisable. Options were exercised regularly during the year and the weighted average share price for the year ended 31 December 2010 was £26.71 (2009: £19.45).

Executive Share Option Scheme⁽¹⁾

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

		2010						
Year of grant	Date exercisable	Option price per share £	Options outstanding 1 January	Options granted in year	Options exercised in year	Options forfeited in year	Options expired in year	Options outstanding 31 December
2000	23 March 2003 to 22 March 2010	7.66	407,234	–	(397,150)	(10,084)	–	–
2000	12 September 2003 to 11 September 2010	10.19	3,056	–	(3,056)	–	–	–
2001	2 April 2004 to 1 April 2011	10.03	695,900	–	(321,368)	(3,600)	–	370,932
2001	13 September 2004 to 12 September 2011	8.00	23,750	–	(2,000)	–	–	21,750
2002	18 March 2005 to 17 March 2012	11.50	742,003	–	(129,594)	(14,000)	–	598,409
2002	13 September 2005 to 12 September 2012	8.05	7,000	–	–	–	–	7,000
2003	5 March 2006 to 4 March 2013	9.28	1,366,322	–	(127,354)	(17,268)	–	1,221,700
2004	1 March 2007 to 28 February 2014	13.43	1,437,165	–	(197,936)	(12,500)	–	1,226,729
2004	10 August 2007 to 9 August 2014	11.52	33,809	–	(1,000)	–	–	32,809
2005	6 January 2008 to 4 January 2015	12.12	37,579	–	(37,579)	–	–	–
2005	1 August 2008 to 31 July 2015	14.40	18,000	–	(9,000)	–	–	9,000
2005	19 August 2008 to 18 August 2015	13.94	2,750	–	(2,750)	–	–	–
			4,774,568	–	(1,228,787)	(57,452)	–	3,488,329

		2009						
Year of grant	Date exercisable	Option price per share £	Options outstanding 1 January	Options granted in year	Options exercised in year	Options forfeited in year	Options expired in year	Options outstanding 31 December
1999	24 June 2002 to 23 June 2009	6.98	514,333	–	(514,333)	–	–	–
1999	19 October 2002 to 18 October 2009	8.00	7,000	–	(7,000)	–	–	–
2000	23 March 2003 to 22 March 2010	7.66	716,122	–	(299,888)	(9,000)	–	407,234
2000	12 September 2003 to 11 September 2010	10.19	3,056	–	–	–	–	3,056
2001	2 April 2004 to 1 April 2011	10.03	879,620	–	(161,312)	(22,408)	–	695,900
2001	13 September 2004 to 12 September 2011	8.00	23,750	–	–	–	–	23,750
2002	18 March 2005 to 17 March 2012	11.50	943,861	–	(176,520)	(25,338)	–	742,003
2002	13 September 2005 to 12 September 2012	8.05	7,000	–	–	–	–	7,000
2003	5 March 2006 to 4 March 2013	9.28	1,763,011	–	(332,431)	(64,258)	–	1,366,322
2003	13 August 2006 to 12 August 2013	11.41	22,500	–	(12,500)	(10,000)	–	–
2004	1 March 2007 to 28 February 2014	13.43	1,927,167	–	(319,961)	(170,041)	–	1,437,165
2004	10 August 2007 to 9 August 2014	11.52	57,309	–	(23,500)	–	–	33,809
2004	29 November 2007 to 28 November 2014	12.73	8,791	–	(8,791)	–	–	–
2005	6 January 2008 to 4 January 2015	12.12	37,579	–	–	–	–	37,579
2005	1 August 2008 to 31 July 2015	14.40	18,000	–	–	–	–	18,000
2005	19 August 2008 to 18 August 2015	13.94	2,750	–	–	–	–	2,750
			6,931,849	–	(1,856,236)	(301,045)	–	4,774,568

See page 161 for footnote.

FINANCIAL STATEMENTS: Notes to the financial statements – continued

29. CALLED-UP SHARE CAPITAL AND SHARE-BASED PAYMENTS continued

SAYE Share Option Scheme⁽¹⁾

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

		2010						
Year of grant	Date exercisable	Option price per share £	Options outstanding 1 January	Options granted in year	Options exercised in year	Options forfeited in year	Options expired in year	Options outstanding 31 December
2002	1 September 2009 to 28 February 2010	9.23	2,179	–	(1,712)	(467)	–	–
2003	1 September 2010 to 28 February 2011	7.52	36,756	–	(36,246)	(510)	–	–
2004	1 September 2009 to 28 February 2010	10.81	1,389	–	(1,389)	–	–	–
2004	1 September 2011 to 29 February 2012	10.81	12,844	–	(1,061)	(1,150)	–	10,633
2005	1 September 2010 to 28 February 2011	10.15	191,212	–	(184,269)	(2,842)	–	4,101
2005	1 September 2012 to 28 February 2013	10.15	33,766	–	(8,322)	(1,715)	–	23,729
2006	1 September 2009 to 28 February 2010	17.97	22,304	–	(9,219)	(13,085)	–	–
2006	1 September 2011 to 29 February 2012	17.97	57,604	–	(4,920)	(4,214)	–	48,470
2006	1 September 2013 to 28 February 2014	17.97	18,080	–	(884)	(637)	–	16,559
2007	1 September 2010 to 28 February 2011	21.42	72,584	–	(61,024)	(5,193)	–	6,367
2007	1 September 2012 to 28 February 2013	21.42	36,930	–	(1,432)	(4,139)	–	31,359
2007	1 September 2014 to 28 February 2015	21.42	17,090	–	(694)	(3,273)	–	13,123
2008	1 September 2010 to 28 February 2011	24.16	64,836	–	(917)	(10,840)	–	53,079
2008	1 September 2013 to 28 February 2014	24.16	26,847	–	(369)	(3,648)	–	22,830
2008	1 September 2015 to 29 February 2016	24.16	13,064	–	(352)	(2,835)	–	9,877
2009	1 September 2012 to 28 February 2013	9.56	822,245	–	(13,881)	(99,449)	–	708,915
2009	1 September 2014 to 28 February 2015	9.56	477,750	–	(3,237)	(39,534)	–	434,979
2009	1 September 2016 to 28 February 2017	9.56	129,946	–	(440)	(7,584)	–	121,922
2010	1 September 2013 to 28 February 2014	22.99	–	100,196	–	(5,078)	–	95,118
2010	1 September 2015 to 29 February 2016	22.99	–	57,989	–	(2,287)	–	55,702
2010	1 September 2017 to 28 February 2018	22.99	–	14,465	–	(1,416)	–	13,049
			2,037,426	172,650	(330,368)	(209,896)	–	1,669,812

		2009						
Year of grant	Date exercisable	Option price per share £	Options outstanding 1 January	Options granted in year	Options exercised in year	Options forfeited in year	Options expired in year	Options outstanding 31 December
2001	1 July 2008 to 31 December 2008	8.45	870	–	–	(870)	–	–
2002	1 September 2009 to 28 February 2010	9.23	24,349	–	(19,892)	(2,278)	–	2,179
2003	1 September 2008 to 28 February 2009	7.52	4,189	–	(3,491)	(698)	–	–
2003	1 September 2010 to 28 February 2011	7.52	40,908	–	(3,103)	(1,049)	–	36,756
2004	1 September 2009 to 28 February 2010	10.81	69,295	–	(65,799)	(2,107)	–	1,389
2004	1 September 2011 to 29 February 2012	10.81	18,129	–	(3,278)	(2,007)	–	12,844
2005	1 September 2008 to 28 February 2009	10.15	7,733	–	(3,780)	(3,953)	–	–
2005	1 September 2010 to 28 February 2011	10.15	237,371	–	(27,734)	(18,425)	–	191,212
2005	1 September 2012 to 28 February 2013	10.15	43,060	–	(2,904)	(6,390)	–	33,766
2006	1 September 2009 to 28 February 2010	17.97	169,942	–	(109,117)	(38,521)	–	22,304
2006	1 September 2011 to 29 February 2012	17.97	105,138	–	(2,599)	(44,935)	–	57,604
2006	1 September 2013 to 28 February 2014	17.97	28,699	–	(269)	(10,350)	–	18,080
2007	1 September 2010 to 28 February 2011	21.42	137,115	–	(840)	(63,691)	–	72,584
2007	1 September 2012 to 28 February 2013	21.42	72,086	–	(539)	(34,617)	–	36,930
2007	1 September 2014 to 28 February 2015	21.42	30,991	–	–	(13,901)	–	17,090
2008	1 September 2011 to 29 February 2012	24.16	168,225	–	(220)	(103,169)	–	64,836
2008	1 September 2013 to 28 February 2014	24.16	69,231	–	(92)	(42,292)	–	26,847
2008	1 September 2015 to 29 February 2016	24.16	32,378	–	–	(19,314)	–	13,064
2009	1 September 2012 to 28 February 2013	9.56	–	847,891	(235)	(25,411)	–	822,245
2009	1 September 2014 to 28 February 2015	9.56	–	498,808	(515)	(20,543)	–	477,750
2009	1 September 2016 to 28 February 2017	9.56	–	135,228	–	(5,282)	–	129,946
			1,259,709	1,481,927	(244,407)	(459,803)	–	2,037,426

See page 161 for footnote.

29. CALLED-UP SHARE CAPITAL AND SHARE-BASED PAYMENTS continued**Long Term Incentive Plan⁽¹⁾⁽²⁾**

Ordinary shares of 54⁸⁶/₉₁ US cents may be awarded under the terms of this scheme for no consideration. The number of shares outstanding is shown below:

		2010					
Year of grant	Vesting date	Shares outstanding 1 January	Shares conditionally awarded in year	Shares vested in year	Shares forfeited in year	Shares expired in year	Shares outstanding 31 December
2007	23 March 2010	1,525,173	–	(930,511)	(589,704)	–	4,958
2008	17 March 2011	1,500,248	–	(3,363)	(94,480)	–	1,402,405
2008	18 August 2011	73,950	–	(236)	(264)	–	73,450
2009	30 March 2012	1,691,544	–	(172,056)	(193,207)	–	1,326,281
2010	12 March 2013	–	1,312,602	(89,501)	(17,627)	–	1,205,474
		4,790,915	1,312,602	(1,195,667)	(895,282)	–	4,012,568

		2009					
Year of grant	Vesting date	Shares outstanding 1 January	Shares conditionally awarded in year	Shares vested in year	Shares forfeited in year	Shares expired in year	Shares outstanding 31 December
2006	29 March 2009	1,202,032	–	(598,386)	(603,646)	–	–
2007	23 March 2010	1,604,945	–	(31,000)	(48,772)	–	1,525,173
2008	17 March 2011	1,576,018	–	–	(75,770)	–	1,500,248
2008	18 August 2011	83,200	–	(250)	(9,000)	–	73,950
2009	30 March 2012	–	1,773,444	(29,773)	(52,127)	–	1,691,544
		4,466,195	1,773,444	(659,409)	(789,315)	–	4,790,915

Bonus Share Plan⁽³⁾

Ordinary shares of 54⁸⁶/₉₁ US cents may be awarded under the terms of this scheme for no consideration. The number of shares outstanding is shown below:

		2010					
Year of grant	Performance period end date	Shares outstanding 1 January	Shares conditionally awarded in year	Shares vested in year	Shares forfeited in year	Shares expired in year	Shares outstanding 31 December
2006	31 December 2008	1,364	–	(1,364)	–	–	–
2007	31 December 2009	1,306,505	–	(661,119)	(645,386)	–	–
2008	31 December 2010	1,535,775	–	(179,592)	(60,000)	–	1,296,183
2009	31 December 2011	5,745,768	–	(590,779)	(195,148)	–	4,959,841
2010	31 December 2012	–	3,009,494	(159,614)	(85,644)	–	2,764,236
		8,589,412	3,009,494	(1,592,468)	(986,178)	–	9,020,260

		2009					
Year of grant	Performance period end date	Shares outstanding 1 January	Shares conditionally awarded in year	Shares vested in year	Shares forfeited in year	Shares expired in year	Shares outstanding 31 December
2005	31 December 2007	826	–	–	(826)	–	–
2006	31 December 2008	1,270,144	–	(1,232,752)	(36,028)	–	1,364
2007	31 December 2009	1,396,613	–	(48,233)	(41,875)	–	1,306,505
2008	31 December 2010	1,622,451	–	(40,756)	(45,920)	–	1,535,775
2009	31 December 2011	–	5,943,960	(146,171)	(52,021)	–	5,745,768
		4,290,034	5,943,960	(1,467,912)	(176,670)	–	8,589,412

Share Incentive Plan

Ordinary shares of 54⁸⁶/₉₁ US cents may be awarded under the terms of this scheme for no consideration. The number of shares outstanding is shown below:

	Awards outstanding at 31 December 2010	Awards outstanding at 31 December 2009	Latest release date
Share Incentive Plan	915,652	985,681	7 December 2013

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

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

⁽³⁾ The BSP was approved by shareholders in 2004 as a replacement for the ESOS. Further information in respect of the BSP, including performance conditions, is shown in the Remuneration report.

FINANCIAL STATEMENTS: Notes to the financial statements – continued

30. CONSOLIDATED EQUITY ANALYSIS

Fair value and other reserves comprise:

US\$ million	Convertible debt reserve	Available for sale reserve	Cash flow hedge reserve	Other reserves ⁽¹⁾	Total fair value and other reserves
Balance at 1 January 2009	–	1,088	(194)	838	1,732
Total comprehensive income	–	(783)	226	–	(557)
Issue of convertible bond	355	–	–	–	355
Other	–	–	(1)	–	(1)
Balance at 1 January 2010	355	305	31	838	1,529
Total comprehensive income	–	270	7	–	277
Changes in ownership interest in subsidiaries	–	(107)	–	–	(107)
Other	–	–	–	(7)	(7)
Balance at 31 December 2010	355	468	38	831	1,692

⁽¹⁾ Other reserves comprise a legal reserve of \$682 million (2009: \$689 million), a revaluation reserve of \$34 million (2009: \$34 million) and a capital redemption reserve of \$115 million (2009: \$115 million).

31. CONSOLIDATED CASH FLOW ANALYSIS

a) Reconciliation of profit before tax to cash flows from operations

US\$ million	2010	2009
Profit before tax	10,928	4,029
Depreciation and amortisation	1,919	1,725
Share-based payment charges	219	204
Net profit on disposals	(1,579)	(1,612)
Operating and financing remeasurements	(491)	(504)
Non-cash element of operating special items	134	1,981
Net finance costs before remeasurements	244	273
Share of net income from associates	(822)	(84)
Provisions	(37)	(46)
(Increase)/decrease in inventories	(309)	23
Increase in operating receivables	(587)	(360)
Increase/(decrease) in operating payables	516	(573)
Deferred stripping	(196)	(150)
Other adjustments	(15)	(2)
Cash flows from operations	9,924	4,904

b) Reconciliation to the balance sheet

US\$ million	Cash and cash equivalents ⁽¹⁾		Short term borrowings		Medium and long term borrowings		Current financial asset investments	
	2010	2009	2010	2009	2010	2009	2010	2009
Balance sheet	6,401	3,269	(1,535)	(1,499)	(11,904)	(12,816)	–	–
Balance sheet – trade and other receivables ⁽²⁾	–	–	–	–	–	–	–	3
Balance sheet – disposal groups ⁽³⁾	59	64	–	–	–	(3)	–	–
Bank overdrafts	–	(1)	–	1	–	–	–	–
Bank overdrafts – disposal groups ⁽³⁾	–	(13)	–	–	–	–	–	–
Net debt classifications	6,460	3,319	(1,535)	(1,498)	(11,904)	(12,819)	–	3

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

⁽²⁾ Current financial asset investments of \$3 million at 31 December 2009 have been reclassified on the balance sheet to other receivables.

⁽³⁾ Disposal group balances are shown within 'Assets classified as held for sale' and 'Liabilities directly associated with assets classified as held for sale' on the balance sheet.

31. CONSOLIDATED CASH FLOW ANALYSIS continued

c) Movement in net debt

US\$ million	Cash and cash equivalents ⁽¹⁾	Debt due within one year	Debt due after one year	Current financial asset investments	Net debt excluding hedges	Hedges ⁽²⁾	Net debt including hedges
Balance at 1 January 2009	2,744	(6,749)	(7,211)	173	(11,043)	(297)	(11,340)
Cash flow ⁽³⁾	259	6,624	(6,253)	(200)	430	85	515
Unwinding of discount on convertible bond	-	-	(39)	-	(39)	-	(39)
Equity component of convertible bond ⁽³⁾	-	-	355	-	355	-	355
Reclassifications	-	(917)	917	-	-	-	-
Movement in fair value	-	-	63	-	63	(73)	(10)
Other non-cash movements	-	(15)	(26)	3	(38)	-	(38)
Currency movements	316	(441)	(625)	27	(723)	-	(723)
Balance at 1 January 2010	3,319	(1,498)	(12,819)	3	(10,995)	(285)	(11,280)
Cash flow	2,857	2,338	(1,194)	(7)	3,994	(217)	3,777
Unwinding of discount on convertible bond	-	-	(65)	-	(65)	-	(65)
Disposal of businesses	-	1	2	-	3	-	3
Reclassifications	-	(2,359)	2,359	-	-	-	-
Movement in fair value	-	(6)	(180)	-	(186)	95	(91)
Other non-cash movements	-	-	(11)	3	(8)	-	(8)
Currency movements	284	(11)	4	1	278	2	280
Balance at 31 December 2010	6,460	(1,535)	(11,904)	-	(6,979)	(405)	(7,384)

⁽¹⁾ The Group operates in certain countries (principally South Africa and Venezuela) where the existence of exchange controls may restrict the use of certain cash balances. These restrictions are not expected to have a material effect on the Group's ability to meet its ongoing obligations.

⁽²⁾ Derivative instruments that provide an economic hedge of assets and liabilities in net debt are included above to reflect the true net debt position of the Group at the year end. These consist of net current derivative assets of \$2 million (2009: \$41 million) and net non-current derivative liabilities of \$407 million (2009: \$326 million) which are classified within 'Other financial assets (derivatives)' and 'Other financial liabilities (derivatives)' on the balance sheet.

⁽³⁾ The issue of the convertible bond had a net impact on debt due after one year at the date of issue of \$1,330 million due to the conversion feature of \$355 million which is presented separately in equity.

32. DISPOSALS

US\$ million						2010	2009
	Moly-Cop and AltaSteel	Skorpion	Bafokeng transaction	Tarmac European businesses	Other	Total	Total
Net assets disposed							
Property, plant and equipment	229	342	348	490	34	1,443	425
Other non-current assets	145	1	208 ⁽¹⁾	303	1	658	2
Current assets	350	176	70	256	-	852	48
Current liabilities	(83)	(30)	(16)	(106)	(5)	(240)	(34)
Non-current liabilities	(126)	(47)	(123)	(116)	-	(412)	(65)
Net assets	515	442	487	827	30	2,301	376
Non-controlling interests	(3)	-	-	(11)	-	(14)	(3)
Group's share of net assets immediately prior to disposal	512	442	487	816	30	2,287	373
Fair value adjustment to retained investments	-	-	440	-	-	440	-
Less: Retained investments	-	-	(826)	-	-	(826)	(235)
Net assets disposed	512	442	101	816	30	1,901	138
Cumulative translation differences recycled from reserves	(23)	(7)	-	(10)	-	(40)	-
Net gain/(loss) on disposals	555	244	106	(294)	635	1,246	316
Net sale proceeds	1,044	679	207	512	665	3,107	454
Net cash and cash equivalents disposed	(68)	(120)	(14)	(58)	(20)	(280)	(10)
Non-cash/deferred consideration	-	-	-	-	(83)	(83)	(486)
Accrued transaction costs and similar items	17	11	-	18	5	51	47
Net cash inflow from disposals⁽²⁾	993	570	193	472	567	2,795	5

⁽¹⁾ Includes \$202 million of Platinum's associate investment in Royal Bafokeng Platinum Limited.

⁽²⁾ No cash has been received in the year ended 31 December 2010 in respect of deferred consideration for disposals in 2009 (2009: \$64 million in respect of disposals in 2008). In the year ended 31 December 2010 this resulted in a total net cash inflow of \$2,795 million (2009: \$69 million), of which \$2,539 million (2009: \$69 million) related to disposals of subsidiaries and \$256 million (2009: nil) to the sale of interests in joint ventures.

Disposals in the year ended 31 December 2010

Disposals of subsidiaries and joint ventures during the year ended 31 December 2010 mainly related to disposals in the Other Mining and Industrial, Platinum and Metallurgical Coal segments.

Moly-Cop and AltaSteel

On 31 December 2010 the Group completed the sale of Moly-Cop and AltaSteel to OneSteel Limited resulting in a net cash inflow of \$993 million.

Skorpion

The Group announced the sale of its zinc portfolio to Vedanta Resources plc (Vedanta) on 10 May 2010, for total consideration of \$1,338 million on an attributable debt and cash free basis. Due to the regulatory approval and competition clearance processes, separate completion dates were expected for each of the three businesses within the zinc portfolio, namely the Skorpion mine, the Lisheen mine and Black Mountain Mining (Proprietary) Limited. On 3 December 2010 the Group completed the sale of the Skorpion zinc mine in Namibia to Vedanta resulting in a net cash inflow of \$570 million.

FINANCIAL STATEMENTS: Notes to the financial statements – continued**32. DISPOSALS** continued**Bafokeng-Rasimone Platinum mine (BRPM)**

On 7 December 2009 Anglo Platinum Limited exchanged its direct interest of 17% in BRPM for a 25.4% interest in Royal Bafokeng Platinum Limited (RB Plat) which was to be listed within 24 months, subject to favourable market conditions. In November 2010 the BRPM restructuring transaction was completed, which involved a change in the participation interests of the joint venture from that of joint control and management by Anglo Platinum Limited to RB Plat holding a majority interest and operating the joint venture. Until listing on 8 November 2010 Anglo Platinum Limited retained an effective 50% economic interest in BRPM and continued to exert joint control. As a result of the primary listing of RB Plat and the subsequent disposal by Anglo Platinum Limited of a portion of its shareholding in RB Plat, Anglo Platinum Limited retained an interest of 12.6% in RB Plat, which is accounted for as a financial asset investment. Anglo Platinum Limited retains a 33% interest in BRPM, which has been equity accounted from 8 November 2010.

The total gain on the Bafokeng transaction was \$546 million, which comprises the profit on disposal of \$106 million and the fair value adjustments to the retained investments in RB Plat and BRPM of \$440 million.

Tarmac European businesses

The Group completed the disposal of Tarmac's Polish concrete products business in March 2010, its French and Belgian concrete products business in May 2010, and its aggregates business in France, Germany, Poland and the Czech Republic in September 2010, resulting in combined net cash inflows of \$472 million.

Other disposals

In December 2010 the Group disposed of undeveloped coal assets in Australia (Metallurgical Coal segment) resulting in a net cash inflow of \$522 million. In April 2010 Platinum sold its 37% interest in the Western Bushveld joint venture for consideration of \$107 million. This investment had a nominal carrying value.

Disposals in the year ended 31 December 2009

Disposals of subsidiaries and joint ventures in the year ended 31 December 2009 mainly related to disposals in the Platinum segment. In June 2009 Platinum disposed of a 50% interest in the Booyensdal joint venture and a 51% interest in Bokoni Platinum Mines Limited (and certain other joint venture projects).

33. DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD FOR SALE

Tarmac disposal groups, which were previously classified as held for sale at 31 December 2009, were disposed of in 2010.

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

	2010	2009
	Zinc disposal groups ⁽¹⁾	Tarmac disposal groups
US\$ million		
Intangible assets	4	13
Property, plant and equipment	117	422
Deferred tax assets	–	5
Other non-current assets	49	2
Total non-current assets	170	442
Inventories	26	42
Trade and other receivables	75	72
Cash and cash equivalents	59	64
Total current assets	160	178
Total assets	330	620
Trade and other payables	(40)	(66)
Short term borrowings	–	(13)
Provisions for liabilities and charges	–	(4)
Total current liabilities	(40)	(83)
Medium and long term borrowings	–	(3)
Deferred tax liabilities	(23)	(46)
Provisions for liabilities and charges	(72)	(55)
Other non-current liabilities	(7)	(4)
Total non-current liabilities	(102)	(108)
Total liabilities	(142)	(191)
Net assets	188	429

⁽¹⁾ Relates to the Group's portfolio of zinc assets (Other Mining and Industrial segment) for which disposal transactions had not completed at 31 December 2010 (the Lisheen mine and a 74% interest in Black Mountain Mining (Proprietary) Limited, which holds 100% of the Black Mountain mine and the Gamsberg project). The Skorpion mine was disposed of in December 2010 (refer to note 32).

34. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

The Group is subject to various claims which arise in the ordinary course of business. Additionally, and as set out in the 2007 demerger agreement, Anglo American and the Mondi Group have agreed to indemnify each other, subject to certain limitations, against certain liabilities. Having taken appropriate legal advice, the Group believes that the likelihood of a material liability arising is remote.

At 31 December 2010, the Group and its subsidiaries had provided aggregate amounts of \$813 million (2009: \$704 million) of loan and performance guarantees to banks and other third parties primarily in respect of environmental restoration and decommissioning obligations. For information relating to contingent liabilities in respect of associates and joint ventures refer to notes 17 and 18 respectively.

No contingent liabilities were secured on the assets of the Group at 31 December 2010 or 31 December 2009.

Contingent assets

There were no significant contingent assets in the Group at 31 December 2010 or 31 December 2009.

Other

Kumba Iron Ore Limited (Kumba)

Kumba's Sishen Iron Ore Company (SIOC) notified ArcelorMittal South Africa Limited (ArcelorMittal) on 5 February 2010, that it was no longer entitled to receive 6.25 Mtpa of iron ore contract mined by SIOC at cost plus 3% from Sishen Mine, as a result of the fact that ArcelorMittal had failed to convert its old order mining right. This contract mining agreement, concluded in 2001, was premised on ArcelorMittal owning an undivided 21.4% interest in the mineral rights of Sishen Mine. As a result of ArcelorMittal's failure to convert its old order mining right, the contract mining agreement automatically lapsed and became inoperative in its entirety as of 1 May 2009.

As a result, a dispute arose between SIOC and ArcelorMittal, which SIOC has referred to arbitration. SIOC and ArcelorMittal reached an interim pricing arrangement in respect of the supply of iron ore to ArcelorMittal from Sishen Mine. This arrangement will endure until 31 July 2011. Both parties have exchanged their respective pleadings, and the arbitration panel has been appointed.

After ArcelorMittal failed to convert its old order mining right, SIOC applied for the residual 21.4% mining right previously held by ArcelorMittal and its application was accepted by the Department of Mineral Resources (DMR) on 4 May 2009. A competing application for a prospecting right over the same area was also accepted by the DMR. SIOC objected to this acceptance. Notwithstanding this objection, a prospecting right over the 21.4% interest was granted by the DMR to Imperial Crown Trading 289 (Proprietary) Limited (ICT). SIOC initiated a review application in the North Gauteng High Court on 21 May 2010 in relation to the decision of the DMR to grant a prospecting right to ICT.

SIOC initiated an application on 14 December 2010 to interdict ICT from applying for a mining right in respect of Sishen Mine and the DMR from accepting an application from ICT, or granting such 21.4% mining right to ICT pending the final determination of the review application. This application is currently pending.

The DMR informed SIOC on 12 January 2011 that ICT had applied for a 21.4% mining right over Sishen Mine on 9 December 2010, and that the DMR had accepted this application on 23 December 2010. The DMR's acceptance of the application means that the mining right application will now be evaluated according to the detailed process stipulated in the Mineral Resources & Petroleum Development Act 2004 before a decision is made as to whether or not to grant the mining right.

SIOC does not believe that it was lawful for the DMR to have accepted ICT's application, pending the High Court Review initiated in May 2010, and has formally objected to, and appealed against, the DMR's acceptance of ICT's mining right application. SIOC has also requested that its interdict application be determined on an expedited basis, in order to prevent the DMR from considering ICT's mining right application until the finalisation of the review proceedings. In addition, SIOC is in the process of preparing a challenge against the DMR's decision of 25 January 2011 to reject SIOC's May 2009 application to be granted the residual 21.4% mining right. Finally, on 26 January 2011, SIOC lodged a new application for the residual 21.4% mining right.

On 4 February 2011 SIOC made an application to join ArcelorMittal as a respondent in the review proceedings.

SIOC will continue to take the necessary steps to protect its shareholders' interests in this regard.

Anglo American South Africa Limited (AASA)

AASA, a wholly owned subsidiary of the Company, is a defendant in 25 separate lawsuits, each one on behalf of a former mineworker (or his dependents or survivors) who allegedly contracted silicosis working for gold mining companies in which AASA was a shareholder and to which AASA provided various technical and administrative services. The aggregate amount of the 25 claims is less than \$5 million, although if these claims are determined adversely to AASA, there are a substantial number of additional former mineworkers who may seek to bring similar claims. The first trials of these claims are not expected before late 2012.

FINANCIAL STATEMENTS: Notes to the financial statements – continued**35. COMMITMENTS**

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

Capital commitments

US\$ million	2010	2009
Contracted but not provided	2,669	2,877

Operating leases

US\$ million	2010	2009
Expiry date		
Within one year	135	140
Greater than one year, less than two years	85	95
Greater than two years, less than five years	158	194
Greater than five years	339	399
	717	828

Operating leases relate principally to land and buildings, vehicles and shipping vessels.

36. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its subsidiaries, joint ventures and associates (see note 37).

The Company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with joint ventures and associates and others in which the Group has a material interest. These transactions are under terms that are no less favourable to the Group than those arranged with third parties. These transactions are not considered to be significant.

Dividends received from associates during the year totalled \$255 million (2009: \$616 million), as disclosed in the Consolidated cash flow statement.

At 31 December 2010 the Group had provided loans to joint ventures of \$319 million (2009: \$262 million). These loans are included in financial asset investments. Amounts payable to joint ventures at 31 December 2010 were \$59 million (2009: nil).

At 31 December 2010 the directors of the Company and their immediate relatives controlled 2% (2009: 3%) of the voting shares of the Company.

Remuneration and benefits received by directors are disclosed in the directors' remuneration report. Remuneration and benefits of key management personnel including directors are disclosed in note 8.

Information relating to pension fund arrangements is disclosed in note 28.

Related party transactions with De Beers

During the year, the Group has entered into various transactions with DB Investments SA and De Beers SA (together De Beers). These transactions are considered to be related party transactions for the purposes of the United Kingdom Listing Authority Listing Rules as a result of the interest in De Beers held by Central Holdings Limited and certain of its subsidiaries (together CHL) in which Mr N. F. Oppenheimer, a director of the Company, has a relevant interest for the purpose of the rules.

In February 2010, the shareholders of De Beers agreed, as part of the refinancing of the De Beers group (the Refinancing), that additional equity was required by De Beers. As a result, such shareholders (including CHL) subscribed, in proportion to their shareholding, for \$1 billion of additional equity in De Beers. The Group's share of this equity was \$450 million and CHL's share was \$400 million.

Pursuant to the Refinancing, and to satisfy the requirements of the lenders to De Beers, the shareholders agreed to certain restrictions until specified financial tests (Normalisation) were met. De Beers has confirmed that Normalisation occurred during November 2010 and accordingly such restrictions (other than certain subordination obligations) have fallen away. As part of the agreed equity subscription, a temporary re-ranking of distribution rights, to be implemented following Normalisation, was agreed. In pursuance of that agreement, in November 2010 a \$20 million repayment of shareholder loans was made by De Beers (including to the Group and CHL), pro rata to their individual equity subscriptions and in priority to existing preferences under the terms of outstanding preference shares. However, during the period, De Beers also redeemed the remaining \$88 million 10% non-cumulative redeemable preference shares held by the Group in De Beers, and settled all accrued dividends and interest, in an aggregate amount of \$18 million, relating to such shares.

At 31 December 2010 the amount of outstanding loans owed by De Beers to the Group and included in financial asset investments amounted to \$358 million (2009: \$367 million). These loans are subordinated in favour of third party lenders and include:

- dividend reinvestment loans of \$133 million (2009: \$142 million) advanced during 2008 and 2009. These loans are interest free for two years from the date of advance and subsequently interest bearing in line with market rates at the date of the initial reinvestment; and
- a further shareholder loan of \$225 million advanced in 2009. This loan is interest free for two years after which it reverts to a rate of interest equal to LIBOR plus 700 basis points until April 2016 and then, provided all interest payments are up to date, reduces to LIBOR plus 300 basis points.

37. GROUP COMPANIES

The principal subsidiaries, joint ventures, associates and proportionately consolidated joint arrangements of the Group at 31 December 2010, 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. As permitted by section 410 of the Companies Act 2006, the Group has restricted the information provided to its principal subsidiaries in order to avoid a statement of excessive length.

Subsidiary undertakings	Country of incorporation	Business	Percentage of equity owned ⁽¹⁾	
			2010	2009
Platinum				
Anglo Platinum Limited	South Africa	Platinum	79.7%	79.7%
Copper				
Anglo American Sur SA	Chile	Copper	100%	100%
Anglo American Norte SA	Chile	Copper	99.9%	99.9%
Minera Quellaveco SA	Peru	Copper project	81.9%	81.9%
Nickel				
Anglo American Brasil Limitada (Barro Alto)	Brazil	Nickel project	100%	100%
Anglo American Brasil Limitada (Codemin)	Brazil	Nickel	100%	100%
Minera Loma de Niquel, CA	Venezuela	Nickel	91.4%	91.4%
Iron Ore and Manganese				
Kumba Iron Ore Limited	South Africa	Iron ore	65.3%	62.8%
Anglo Ferrous Brazil SA	Brazil	Iron ore	100%	100%
Anglo Ferrous Minas-Rio Mineração SA	Brazil	Iron ore project	100%	100%
Anglo Ferrous Amapá Mineração Limitada	Brazil	Iron ore system	70%	70%
Metallurgical Coal				
Anglo American Metallurgical Coal Holdings Limited ⁽²⁾	Australia	Coal	100%	100%
Thermal Coal				
Anglo Coal ⁽³⁾	South Africa	Coal	100%	100%
Other Mining and Industrial				
Tarmac Group Limited	UK	Construction materials	100%	100%
Tarmac Building Products Limited	UK	Construction materials	100%	n/a
Tarmac SRL	Romania	Construction materials	100%	100%
Tarmac Agrega Mining and Construction Industry and Trading Company Limited	Turkey	Construction materials	100%	100%
Anglo American Aggregates (Huzhou) Limited	China	Construction materials	100%	100%
Lisheen ⁽⁴⁾	Ireland	Zinc and lead	100%	100%
Black Mountain Mining (Proprietary) Limited ⁽⁵⁾	South Africa	Zinc, lead and copper	74%	74%
Gamsberg Zinc ⁽⁵⁾	South Africa	Zinc project	74%	74%
Scaw Metals	South Africa	Steel, engineering works and grinding media	74%	74%
Copebrás Limitada	Brazil	Fertilisers and acid	100%	73%
Anglo American Brasil Limitada (Catalão)	Brazil	Niobium	100%	100%
Peace River Coal Partnership	Canada	Coal	74.8%	74.8%

See page 168 for footnotes.

FINANCIAL STATEMENTS: Notes to the financial statements – continued

37. GROUP COMPANIES continued

Joint ventures	Country of incorporation	Business	Percentage of equity owned ⁽⁶⁾	
			2010	2009
Compañía Minera Doña Inés de Collahuasi SCM	Chile	Copper	44%	44%
LLX Minas-Rio Logística Comercial Exportadora SA	Brazil	Port	49%	49%
Al Futtain Tarmac Quarry Products Limited	Dubai	Construction materials	49%	49%
Midland Quarry Products Limited	UK	Construction materials	50%	50%
Tarmac Oman Limited	Hong Kong	Construction materials	50%	50%
Midmac Tarmac Qatar LLC	Qatar	Construction materials	50%	50%

Associates	Country of incorporation	Business	Percentage of equity owned ⁽⁶⁾	
			2010	2009
DB Investments SA	Luxembourg	Diamonds	45%	45%
Samancor Holdings (Pty) Limited ⁽⁷⁾	South Africa	Manganese	40%	40%
Groote Eylandt Mining Company (Pty) Limited (GEMCO) ⁽⁷⁾	Australia	Manganese	40%	40%
Tasmanian Electro Metallurgical Company (Pty) Limited (TEMCO) ⁽⁷⁾	Australia	Manganese	40%	40%
Queensland Coal Mine Management (Pty) Limited	Australia	Coal	33.3%	33.3%
Cerrejón Zona Norte SA	Colombia	Coal	33.3%	33.3%
Carbones del Cerrejón LLC	Anguilla	Coal	33.3%	33.3%

Proportionately consolidated jointly controlled operations ⁽⁸⁾	Location	Business	Percentage owned	
			2010	2009
Drayton	Australia	Coal	88.2%	88.2%
Moranbah North	Australia	Coal	88%	88%
German Creek ⁽⁹⁾	Australia	Coal	70%	70%
Foxleigh	Australia	Coal	70%	70%
Dawson	Australia	Coal	51%	51%

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

⁽²⁾ Anglo Coal Holdings Australia Limited changed its name to Anglo American Metallurgical Coal Holdings Limited on 18 December 2009.

⁽³⁾ A division of Anglo Operations Limited, a wholly owned subsidiary.

⁽⁴⁾ The Group's interest in the Lisheen operations was held through Anglo American Lisheen Mining Limited, Killoran Lisheen Mining Limited and Lisheen Milling Limited. The Group owned 100% of the equity of each of these companies at 31 December 2010 and 31 December 2009.

⁽⁵⁾ Gamsberg Zinc is a division of Black Mountain Mining (Proprietary) Limited.

⁽⁶⁾ All equity interests shown are ordinary shares.

⁽⁷⁾ These entities have a 30 June year end.

⁽⁸⁾ The wholly owned subsidiary Anglo American Metallurgical Coal Holdings Limited holds the proportionately consolidated jointly controlled operations.

⁽⁹⁾ The German Creek operation includes both Capcoal Open Cut and Underground operations.

38. EVENTS OCCURRING AFTER END OF YEAR

As set out in note 32, the Group announced the sale of its zinc portfolio to Vedanta on 10 May 2010, for a total consideration of \$1,338 million. Due to the regulatory approval and competition clearance processes, separate completion dates were expected for each of the three businesses within the zinc portfolio. Following regulatory approval from the relevant authorities, the completion of the sale of Black Mountain Mining (Proprietary) Limited and the Lisheen mine took place in February 2011 for a combined net cash inflow of approximately \$500 million.

On 18 February 2011, the Group and Lafarge SA (Lafarge) announced an agreement to combine their cement, aggregates, ready-mixed concrete, asphalt and contracting businesses in the United Kingdom, Tarmac Limited (Tarmac UK) and Lafarge Cement UK, Lafarge Aggregates and Concrete UK (Lafarge UK). The combined sales of these two businesses in 2010 amounted to £1,830 million (\$2,815 million), with combined EBITDA of £210 million (\$323 million). Tarmac UK is included in the Group's Other Mining and Industrial segment. The joint venture, in which each of Anglo American and Lafarge will have a 50% shareholding, will operate with its own Board of Directors led by an independent Chairman and executive management teams drawn from both businesses. Completion of the transaction is conditional upon regulatory approval. Both Lafarge UK and Tarmac UK operations will continue to operate independently until obtaining such approvals.

With the exception of the above and the proposed final dividend for 2010, disclosed in note 12, there have been no material reportable events since 31 December 2010.

39. FINANCIAL STATEMENTS OF THE PARENT COMPANY

a) Balance sheet of the Company, Anglo American plc, as at 31 December 2010

US\$ million	Note	2010	2009
Fixed assets			
Fixed asset investments	39c	12,904	13,104
Current assets			
Amounts due from subsidiaries		7,209	4,490
Prepayments and other debtors		8	13
Cash at bank and in hand		74	40
		7,291	4,543
Creditors due within one year			
Cash held on behalf of subsidiaries		(25)	(79)
Amounts owed to subsidiaries		(190)	(187)
Other creditors		(14)	(15)
		(229)	(281)
Net current assets		7,062	4,262
Total assets less current liabilities		19,966	17,366
Liabilities due after more than one year			
Convertible bond		(1,434)	(1,369)
Net assets		18,532	15,997
Capital and reserves			
Called-up share capital	39b	738	738
Share premium account	39b	2,713	2,713
Capital redemption reserve	39b	115	115
Other reserves	39b	1,955	1,955
Share-based payment reserve	39b	6	15
Convertible debt reserve	39b	355	355
Profit and loss account	39b	12,650	10,106
Total shareholders' funds (equity)		18,532	15,997

The financial statements of Anglo American plc, registered number 3564138, were approved by the Board of directors on 18 February 2011 and signed on its behalf by:

Cynthia Carroll
Chief executive

René Médori
Finance director

FINANCIAL STATEMENTS: Notes to the financial statements – continued

39. FINANCIAL STATEMENTS OF THE PARENT COMPANY continued

b) Reconciliation of movements in equity shareholders' funds

US\$ million	Called-up share capital	Share premium account	Capital redemption reserve	Other reserves ⁽¹⁾	Share-based payment reserve	Convertible debt reserve	Profit and loss account ⁽²⁾	Total
Balance at 1 January 2009	738	2,713	115	1,955	22	–	8,545	14,088
Profit for the financial year	–	–	–	–	–	–	1,337	1,337
Issue of treasury shares under employee share schemes	–	–	–	–	–	–	31	31
Share-based payments	–	–	–	–	7	–	–	7
Capital contribution to group undertakings	–	–	–	–	–	–	179	179
Transfer between share-based payment reserve and profit and loss account	–	–	–	–	(14)	–	14	–
Issue of convertible bond	–	–	–	–	–	355	–	355
Balance at 1 January 2010	738	2,713	115	1,955	15	355	10,106	15,997
Profit for the financial year	–	–	–	–	–	–	2,582	2,582
Dividends paid ⁽³⁾	–	–	–	–	–	–	(212)	(212)
Issue of treasury shares under employee share schemes	–	–	–	–	–	–	42	42
Share-based payments	–	–	–	–	3	–	–	3
Capital contribution to group undertakings	–	–	–	–	–	–	120	120
Transfer between share-based payment reserve and profit and loss account	–	–	–	–	(12)	–	12	–
Balance at 31 December 2010	738	2,713	115	1,955	6	355	12,650	18,532

⁽¹⁾ At 31 December 2010 other reserves of \$1,955 million (2009: \$1,955 million) were not distributable under the Companies Act 2006.

⁽²⁾ At 31 December 2010 \$385 million (2009: \$405 million) of the Company profit and loss account of \$12,650 million (2009: \$10,106 million) was not distributable under the Companies Act 2006.

⁽³⁾ Dividends paid relate only to shareholders on the United Kingdom principal register excluding dividends waived by Greenwood Nominees Limited as nominees for Butterfield Trust (Guernsey) Limited, the trustee for the Anglo American employee share scheme. Dividends paid to shareholders on the Johannesburg branch register are distributed by a South African subsidiary in accordance with the terms of the Dividend Access Share Provisions of Anglo American plc's Articles of Association. The directors are proposing a final dividend in respect of the year ended 31 December 2010 of 40 US cents per share (refer to note 12).

The audit fee in respect of the parent company was \$7,000 (2009: \$7,000). Fees payable to Deloitte for non-audit services to the Company are not required to be disclosed because they are included within the consolidated disclosure in note 3.

c) Fixed asset investments

US\$ million	Investment in subsidiaries	
	2010	2009
Cost		
At 1 January	13,112	12,933
Capital contributions	120	179
At 31 December	13,232	13,112
Provisions for impairment		
At 1 January	(8)	(8)
Impairment charge	(320)	–
At 31 December	(328)	(8)
Net book value	12,904	13,104

Impairment testing of fixed asset investments

As a result of the Group's ongoing disposal of non-core operations during the year, the Company's investment in Anglo American Finance (UK) plc (AA Finance) was tested for impairment at 31 December 2010. The carrying value of the Company's investment in AA Finance is supported by a number of businesses, including the Tarmac Group. Consistent with the Group's loss on disposal of certain Tarmac European businesses during the year, the Company recognised an impairment charge of \$320 million.

A value in use model, using a discount rate of 6%, was utilised to determine the recoverable amount of the investment.

d) Accounting policies: Anglo American plc, the Company

The Anglo American plc (the Company) balance sheet and related notes have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP) and in accordance with UK company law. The financial information has been prepared on a historical cost basis as modified by the revaluation of certain financial instruments.

A summary of the principal accounting policies is set out below.

The preparation of financial statements in accordance with UK GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, following implementation of these standards, actual results may differ from those estimated.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit after tax for the year of the Company amounted to \$2,582 million (2009: \$1,337 million).

Significant accounting policies

Deferred tax

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

39. FINANCIAL STATEMENTS OF THE PARENT COMPANY *continued*

Share-based payments

The Company has applied the requirements of FRS 20 *Share-based Payment*. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2005.

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

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

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

Accounting for share-based payments is the same as under IFRS 2 and details on the schemes and option pricing models relevant to the charge included in the Company financial statements are set out in note 29 to the consolidated financial statements of the Group for the year ended 31 December 2010.

Investments

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

Convertible debt

Convertible bonds are classified as compound instruments, consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt and is recognised within borrowings and carried at amortised cost. The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity.

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

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