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

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.

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.

IAS 24 (Revised) *Related Party Disclosures* clarifies and simplifies the definition of a related party and removes certain requirements for government-related entities. The revised standard is effective for annual periods beginning on or after 1 January 2011.

The amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. The amendment is to be applied retrospectively from the earliest comparative period presented and is effective for annual periods beginning on or after 1 February 2010.

The amendment to IFRS 7 *Financial Instruments: Disclosures* concerns the disclosure requirements in relation to transferred financial assets. The amendment is effective for annual periods beginning on or after 1 July 2011.

Annual Improvements to IFRSs 2010 amends a number of standards including changes in presentation, recognition and measurement plus terminology and editorial changes. The 2010 amendments are effective for annual periods beginning on or after 1 January 2011, subject to adoption by the European Union.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments for the creditor. The interpretation is to be applied retrospectively from the earliest comparative period presented and is effective for annual periods beginning on or after 1 July 2010.

Amendments to IFRS 1 on *Additional Exemptions for First-time Adopters* (effective 1 July 2010).

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

	Revenue[(1)]		Operating profit/(loss)[(2)]	
US$ million	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.

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2. SEGMENTAL INFORMATION continued

Associates' revenue and operating profit

US$ million	Associates' revenue 2010	Associates' revenue 2009	Associates' operating profit/(loss)[1] 2010	Associates' operating profit/(loss)[1] 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] 2010	Depreciation and amortisation[1] 2009	Other non-cash expenses[2] 2010	Other non-cash expenses[2] 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] 2010	Capital expenditure[1] 2009	Net debt[2] 2010	Net debt[2] 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] 2010	Segment assets[1] 2009	Segment liabilities[2] 2010	Segment liabilities[2] 2009	Net segment assets 2010	Net segment assets 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 2010	Revenue 2009	Non-current segment assets[1] 2010	Non-current segment assets[1] 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.

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:

	Revenue		Operating profit/(loss) before special items and remeasurements	
US$ million	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:

	Segment assets[1]		Segment liabilities		Net segment assets	
US$ million	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.

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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:

	2010				2009			
	Paid/payable to Deloitte			Paid/payable to auditor (if not Deloitte)	Paid/payable to Deloitte			Paid/payable to auditor (if not Deloitte)
US$ million	United Kingdom	Overseas	Total	Overseas	United Kingdom	Overseas	Total	Overseas
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.

	2010					2009				
US$ million	Operating profit/(loss) before special items and remeasurements[1]	Operating profit/(loss) after special items and remeasurements	Operating special items and remeasurements[2]	Net 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).

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.

	2010			2009[1]		
US$ million	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 Níquel 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 Níquel ($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

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)