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.

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

	2010			2009		
US$ million	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

					2010					2009
US$ million	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.

15. PROPERTY, PLANT AND EQUIPMENT continued

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

	2010		2009	
US$ million	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 2010	Net income 2009	Aggregate investment 2010	Aggregate investment 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	Aggregate investment 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

	2010			2009		
US$ million	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).