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## RESPONSIBILITY STATEMENT

for the year ended 31 December 2011

We confirm that to the best of our knowledge:

- (a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of Anglo American plc and the undertakings included in the consolidation taken as a whole; and
- (b) the Operating and financial review includes a fair review of the development and performance of the business and the position of Anglo American plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

**Cynthia Carroll**  
Chief Executive

**René Médori**  
Finance Director

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

We have audited the financial statements of Anglo American plc for the year ended 31 December 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of changes in equity, the accounting policies, the related notes 2 to 38 and the balance sheet of the Company and related information in note 39. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2011 and of the Group's and the Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Directors' report in relation to going concern;
- the part of the Corporate governance section relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

## Carl D. Hughes (Senior Statutory Auditor) for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor  
London, United Kingdom

16 February 2012

**CONSOLIDATED INCOME STATEMENT**

for the year ended 31 December 2011

US\$ million	Note	2011			2010		
		Before special items and remeasurements	Special items and remeasurements (note 5)	Total	Before special items and remeasurements	Special items and remeasurements (note 5)	Total
<b>Group revenue</b>	2	30,580	–	30,580	27,960	–	27,960
<b>Total operating costs</b>		(20,912)	(229)	(21,141)	(19,452)	158	(19,294)
<b>Operating profit from subsidiaries and joint ventures</b>	2, 3	9,668	(229)	9,439	8,508	158	8,666
Net profit on disposals	5	–	183	183	–	1,579	1,579
Share of net income from associates	2, 17	978	(1)	977	845	(23)	822
<b>Total profit from operations and associates</b>		10,646	(47)	10,599	9,353	1,714	11,067
Investment income		668	–	668	568	–	568
Interest expense		(695)	–	(695)	(801)	–	(801)
Other financing gains/(losses)		7	203	210	(11)	105	94
<b>Net finance income/(costs)</b>	9	(20)	203	183	(244)	105	(139)
<b>Profit before tax</b>		10,626	156	10,782	9,109	1,819	10,928
Income tax expense	11a	(2,741)	(119)	(2,860)	(2,699)	(110)	(2,809)
<b>Profit for the financial year</b>		7,885	37	7,922	6,410	1,709	8,119
<b>Attributable to:</b>							
Non-controlling interests		1,765	(12)	1,753	1,434	141	1,575
<b>Equity shareholders of the Company</b>		6,120	49	6,169	4,976	1,568	6,544
<b>Earnings per share (US\$)</b>							
Basic	13	5.06	0.04	5.10	4.13	1.30	5.43
Diluted	13	4.85	0.04	4.89	3.96	1.22	5.18

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 December 2011

US\$ million	Note	2011	2010
<b>Profit for the financial year</b>		7,922	8,119
Net gain on revaluation of available for sale investments		115	316
Net loss on cash flow hedges		(94)	(14)
Net exchange difference on translation of foreign operations (including associates)		(4,060)	2,431
Actuarial net (loss)/gain on post employment benefit schemes		(214)	131
Share of associates' expense recognised directly in equity, net of tax		(32)	(50)
Tax on items recognised directly in equity	11c	24	(149)
<b>Net (expense)/income recognised directly in equity</b>		(4,261)	2,665
Transferred to income statement: sale of available for sale investments		(10)	–
Transferred to income statement: cash flow hedges		5	4
Transferred to initial carrying amount of hedged items: cash flow hedges		54	20
Transferred to income statement: net exchange difference on disposal of foreign operations		45	(40)
Share of associates' expense transferred from equity, net of tax		–	(8)
Tax on items transferred from equity	11c	(14)	1
<b>Total transferred from equity</b>		80	(23)
<b>Total comprehensive income for the financial year</b>		3,741	10,761
<b>Attributable to:</b>			
Non-controlling interests		1,142	1,885
<b>Equity shareholders of the Company</b>		2,599	8,876

# CONSOLIDATED BALANCE SHEET

as at 31 December 2011

US\$ million	Note	2011	2010
Intangible assets	14	2,322	2,316
Property, plant and equipment	15	40,549	39,810
Environmental rehabilitation trusts	16	360	379
Investments in associates	17	5,240	4,900
Financial asset investments	19	2,896	3,220
Trade and other receivables	21	437	321
Deferred tax assets	27	530	389
Other financial assets (derivatives)	25	668	465
Other non-current assets		138	178
<b>Total non-current assets</b>		<b>53,140</b>	<b>51,978</b>
Inventories	20	3,517	3,604
Trade and other receivables	21	3,674	3,731
Current tax assets		207	235
Other financial assets (derivatives)	25	172	377
Cash and cash equivalents	31b	11,732	6,401
<b>Total current assets</b>		<b>19,302</b>	<b>14,348</b>
Assets classified as held for sale	33	-	330
<b>Total assets</b>		<b>72,442</b>	<b>66,656</b>
Trade and other payables	22	(5,098)	(4,950)
Short term borrowings	24, 31b	(1,018)	(1,535)
Provisions for liabilities and charges	26	(372)	(446)
Current tax liabilities		(1,528)	(871)
Other financial liabilities (derivatives)	25	(162)	(80)
<b>Total current liabilities</b>		<b>(8,178)</b>	<b>(7,882)</b>
Medium and long term borrowings	24, 31b	(11,855)	(11,904)
Retirement benefit obligations	28	(639)	(591)
Deferred tax liabilities	27	(5,730)	(5,641)
Other financial liabilities (derivatives)	25	(950)	(755)
Provisions for liabilities and charges	26	(1,830)	(1,666)
Other non-current liabilities		(71)	(104)
<b>Total non-current liabilities</b>		<b>(21,075)</b>	<b>(20,661)</b>
Liabilities directly associated with assets classified as held for sale	33	-	(142)
<b>Total liabilities</b>		<b>(29,253)</b>	<b>(28,685)</b>
<b>Net assets</b>		<b>43,189</b>	<b>37,971</b>
<b>Equity</b>			
Called-up share capital	29	738	738
Share premium account		2,714	2,713
Other reserves		283	3,642
Retained earnings		35,357	27,146
<b>Equity attributable to equity shareholders of the Company</b>		<b>39,092</b>	<b>34,239</b>
Non-controlling interests		4,097	3,732
<b>Total equity</b>		<b>43,189</b>	<b>37,971</b>

The financial statements of Anglo American plc, registered number 3564138, were approved by the Board of directors on 16 February 2012 and signed on its behalf by:

**Cynthia Carroll**  
Chief Executive

**René Médori**  
Finance Director

**CONSOLIDATED CASH FLOW STATEMENT**

for the year ended 31 December 2011

US\$ million	Note	2011	2010
<b>Cash flows from operations</b>	31a	<b>11,498</b>	9,924
Dividends from associates		344	255
Dividends from financial asset investments		59	30
Income tax paid		(2,539)	(2,482)
<b>Net cash inflows from operating activities</b>		<b>9,362</b>	7,727
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(6,203)	(5,280)
Cash flows from derivatives related to capital expenditure	2	439	286
Investment in associates		(47)	(519)
Purchase of financial asset investments		(16)	(134)
Net repayment of loans granted		22	18
Interest received and other investment income		350	235
Disposal of subsidiaries, net of cash and cash equivalents disposed	32	514	2,539
Sale of interests in joint ventures	32	19	256
Repayment of capitalised loans by associates		4	33
Proceeds from disposal of property, plant and equipment		77	64
Other investing activities		(12)	32
<b>Net cash used in investing activities</b>		<b>(4,853)</b>	(2,470)
<b>Cash flows from financing activities</b>			
Interest paid		(807)	(837)
Cash flows from derivatives related to financing activities		226	217
Dividends paid to Company shareholders		(818)	(302)
Dividends paid to non-controlling interests		(1,404)	(617)
Repayment of short term borrowings		(1,261)	(2,338)
Net receipt of medium and long term borrowings		964	1,194
Movements in non-controlling interests		4,964	356
Sale of shares under employee share schemes		20	42
Purchase of shares by subsidiaries for employee share schemes <sup>(1)</sup>		(367)	(106)
Other financing activities		(43)	(9)
<b>Net cash inflows from/(used in) financing activities</b>		<b>1,474</b>	(2,400)
<b>Net increase in cash and cash equivalents</b>		<b>5,983</b>	2,857
<b>Cash and cash equivalents at start of year</b>	31c	<b>6,460</b>	3,319
Cash movements in the year		5,983	2,857
Effects of changes in foreign exchange rates		(711)	284
<b>Cash and cash equivalents at end of year</b>	31c	<b>11,732</b>	6,460

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

US\$ million	Total share capital <sup>(1)</sup>	Retained earnings	Share-based payment reserve	Cumulative translation adjustment reserve	Fair value and other reserves (note 30)	Total equity attributable to equity shareholders of the Company	Non-controlling interests	Total equity
Balance at 1 January 2010	3,451	21,291	401	(551)	1,529	26,121	1,948	28,069
Total comprehensive income	-	6,595	-	2,004	277	8,876	1,885	10,761
Dividends payable to Company shareholders	-	(302)	-	-	-	(302)	-	(302)
Dividends payable to non-controlling interests	-	-	-	-	-	-	(617)	(617)
Changes in ownership interest in subsidiaries	-	(471)	-	21	(107)	(557)	(112)	(669)
Issue of shares to non-controlling interests	-	90	-	-	-	90	572	662
Consolidation by De Beers of non-controlling interest	-	(128)	-	-	-	(128)	-	(128)
Equity settled share-based payment schemes	-	64	86	-	-	150	13	163
Other	-	7	(11)	-	(7)	(11)	43	32
<b>Balance at 1 January 2011</b>	<b>3,451</b>	<b>27,146</b>	<b>476</b>	<b>1,474</b>	<b>1,692</b>	<b>34,239</b>	<b>3,732</b>	<b>37,971</b>
Total comprehensive income	-	5,928	-	(3,404)	75	2,599	1,142	3,741
Dividends payable to Company shareholders	-	(834)	-	-	-	(834)	-	(834)
Dividends payable to non-controlling interests	-	-	-	-	-	-	(1,401)	(1,401)
Changes in ownership interest in subsidiaries	-	3,027	-	-	-	3,027	788	3,815
Issue of shares to non-controlling interests	-	-	-	-	-	-	16	16
Equity settled share-based payment schemes	-	(19)	(18)	-	-	(37)	(167)	(204)
IFRS 2 charges on black economic empowerment transactions	-	102	-	-	-	102	29	131
Other	1	7	(5)	-	(7)	(4)	(42)	(46)
<b>Balance at 31 December 2011</b>	<b>3,452</b>	<b>35,357</b>	<b>453</b>	<b>(1,930)</b>	<b>1,760</b>	<b>39,092</b>	<b>4,097</b>	<b>43,189</b>

<sup>(1)</sup> Total share capital comprises called-up share capital of \$738 million (2010: \$738 million) and the share premium account of \$2,714 million (2010: \$2,713 million).

## Dividends

	Note	2011	2010
Proposed ordinary dividend per share (US cents)	12	46	40
Proposed ordinary dividend (US\$ million)	12	557	483
Ordinary dividends payable during the year per share (US cents)	12	68	25
Ordinary dividends payable during the year (US\$ million)	12	834	302

# 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 IFRS Interpretations Committee (IFRIC) interpretations as adopted for use by the European Union, with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and with the requirements of the Disclosure and Transparency rules of the Financial 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.

### 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 117.

### Changes in accounting policies and disclosures

A number of amendments to accounting standards and new interpretations issued by the International Accounting Standards Board (IASB) were applicable from 1 January 2011. 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, the carrying value 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.

### 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.

## 1. ACCOUNTING POLICIES *continued*

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 mine life, 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 mine life stripping ratio is recalculated annually in light of additional knowledge and changes in estimates. Changes in the mine life 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 mine life, whichever is shorter. Estimated useful lives normally vary from up to 20 years for items of plant and equipment to a maximum of 50 years for buildings. Land is not depreciated.

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

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

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

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

### 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 its 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 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 or a weighted average cost 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 pension plans for its employees as well as post employment medical plans. For defined contribution plans the amount recognised in the income statement is the contributions paid or payable during the year.

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

**1. ACCOUNTING POLICIES** continued

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 plan 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 is committed to the sale and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) are classified as held for sale from the date these conditions are met and are measured at the lower of carrying amount and fair value (less costs to sell). Any resulting impairment loss is recognised in the income statement 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 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.

## 1. ACCOUNTING POLICIES *continued*

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.

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 of 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.

**1. ACCOUNTING POLICIES** continued**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, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are recognised in the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**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) except if they are linked to settlement and delivery of an unquoted equity instrument and the fair value cannot be measured reliably, in which case they are carried at cost. A derivative cannot be measured reliably where the range of reasonable fair value estimates is significant and the probabilities of various estimates cannot be reasonably assessed.

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

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged 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 right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

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

**New IFRS accounting standards and interpretations not yet adopted**

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

IFRS 9 *Financial Instruments – Classification and Measurement* reflects the first phase of the IASB's three stage project to replace IAS 39. The first phase deals with the classification and measurement of financial assets and financial liabilities. The standard applies to annual periods beginning on or after 1 January 2015.

IFRS 10 *Consolidated Financial Statements* replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 provides a single basis for consolidation with a new definition of control. The standard applies to annual periods beginning on or after 1 January 2013.

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. Under IFRS 11 a joint arrangement is classified as either a joint operation or a joint venture, and the option to proportionately consolidate joint ventures has been removed. Interests in joint ventures must be equity accounted. This standard applies to annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosures of Interests in Other Entities* will accompany IFRS 10 and IFRS 11. This standard combines the disclosure requirements previously covered by IAS 27, related to consolidated financial statements, IAS 31 and IAS 28 *Investments in Associates*, as well as including additional disclosure requirements. This standard applies to annual periods beginning on or after 1 January 2013.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* provides a model for accounting for costs associated with the removal of waste during the production phase of a surface mine, including guidance on the apportionment of the costs incurred for obtaining a current and future benefit and how capitalised costs are depreciated. This interpretation applies to annual periods beginning on or after 1 January 2013.

## 1. ACCOUNTING POLICIES *continued*

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

IFRS 13 *Fair Value Measurement* provides a single framework for all fair value measurements and applies to annual periods beginning on or after 1 January 2013.

The amendment to IAS 1 *Presentation of Financial Statements* requires items to be grouped in other comprehensive income based on whether those items are subsequently reclassified to profit or loss. The amendment is to be applied for annual periods beginning on or after 1 July 2012.

The amendment to IAS 12 *Income taxes* is to be applied for annual periods beginning on or after 1 January 2012.

The amendment to IAS 19 *Employee Benefits* is to be applied retrospectively for annual periods beginning on or after 1 January 2013.

Amendments have been made to IAS 27 and it has been reissued as IAS 27 *Separate Financial Statements*. The revised standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates in consolidated financial statements are prescribed by IFRS 10, IFRS 11 and IFRS 12. The revised standard is to be applied for annual periods beginning on or after 1 January 2013.

Amendments have been made to IAS 28 and it has been reissued as IAS 28 *Investments in Associates and Joint Ventures*. The revised standard prescribes the application of the equity method when accounting for investments in associates and joint ventures. The revised standard is to be applied for annual periods beginning on or after 1 January 2013.

The amendment to IFRS 7 *Financial Instruments: Disclosures* is effective for annual periods beginning on or after 1 July 2011.

### Critical accounting judgements and key sources of estimation and uncertainty

In the course of preparing financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. The most critical of these relate to estimation of the ore reserves and useful economic lives of assets and impairment of assets, restoration, rehabilitation and environmental costs, retirement benefits, financial assets and liabilities at fair value through profit and loss and contingent liabilities. These are detailed below. The use of inaccurate assumptions in calculations for any of these estimates could result in a significant impact on financial results.

#### Ore Reserve estimates and useful economic lives of assets

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

The calculation of the unit of production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proven and probable mineral reserves. Factors which could impact useful economic lives of assets and Ore Reserve estimates include:

- Changes to Proved and Probable Reserves
- The grade of Ore Reserves varying significantly from time to time
- Differences between actual commodity prices and commodity price assumptions used in the estimation of mineral reserves
- Renewal of mining licences
- Unforeseen operational issues at mine sites
- Adverse changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates used to determine mineral reserves.

For property, plant and equipment depreciated on a straight line basis over its useful economic life, management reviews the appropriateness of useful economic life at least annually and any changes could affect prospective depreciation rates and asset carrying values.

#### Impairment of assets

In making assessments for impairment, management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGUs, and also in estimating the timing and value of underlying cash flows within the calculation of recoverable amount. Factors which could impact underlying cash flows include:

- commodity prices and exchange rates
- timelines of granting of licences and permits
- capital and operating expenditure
- available reserves and resources.

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

#### Restoration, rehabilitation and environmental costs

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

#### Retirement benefits

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

Assumptions in respect of the expected costs are set after consultation with qualified actuaries. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the Group's other comprehensive income going forward.

#### Financial assets and liabilities at fair value through profit and loss

The fair value of the Group's financial assets and liabilities held at fair value through profit and loss represents the market value of quoted investments and other traded instruments where available. For financial assets and liabilities held at fair value through profit and loss for which market prices are not readily available, fair value is determined using discounted cash flows or other valuation techniques using assumptions considered to be reasonable and consistent with those that would be used by a market participant. The assessment of assumptions used in applying valuation techniques is inherently subjective and the use of inaccurate assumptions could result in a significant impact on financial results.

#### Contingent liabilities

On an ongoing basis the Group is a party to various legal disputes, the outcomes of which cannot be assessed with a high degree of certainty. A liability is recognised where, based on the Group's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. Disclosure of other contingent liabilities is made in note 34 unless the possibility of a loss arising is considered remote.

## 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).

Following a strategic review during the year, Peace River Coal is now managed as part of the Metallurgical Coal business unit, and accordingly is presented as part of the Metallurgical Coal segment. It was previously reported within the Other Mining and Industrial reporting segment. Comparatives have been reclassified to align with current year presentation.

Catalão and Copebrás, reported in the Other Mining and Industrial segment, are now considered core to the Group. Tarmac and Scaw, which were identified for divestment as part of the restructuring programme announced in October 2009, are not considered to be individually significant to the Group and are therefore also presented in the Other Mining and Industrial reporting segment. Until February 2011, this reporting segment also included the zinc operations.

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 – Iron Ore and Manganese: iron ore, manganese ore and alloys; Metallurgical Coal: metallurgical coal; Thermal Coal: thermal coal; Copper and Nickel: base metals; Platinum: platinum group metals; Diamonds: rough and polished diamonds and diamond jewellery; and Other Mining and Industrial: phosphates, niobium, heavy building materials, steel products and, until February 2011, zinc.

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

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

### Analysis by segment

#### Revenue and operating profit by segment

US\$ million	Revenue <sup>(1)</sup>		Operating profit/(loss) <sup>(2)</sup>	
	2011	2010	2011	2010
Iron Ore and Manganese	8,124	6,612	4,520	3,681
Metallurgical Coal	4,347	3,522	1,189	780
Thermal Coal	3,722	2,866	1,230	710
Copper	5,144	4,877	2,461	2,817
Nickel	488	426	57	96
Platinum	7,359	6,602	890	837
Diamonds	3,320	2,644	659	495
Other Mining and Industrial	4,039	5,375	195	664
Exploration	–	–	(121)	(136)
Corporate Activities and Unallocated Costs	5	5	15	(181)
<b>Segment measure</b>	<b>36,548</b>	<b>32,929</b>	<b>11,095</b>	<b>9,763</b>
<b>Reconciliation:</b>				
Less: associates	(5,968)	(4,969)	(1,427)	(1,255)
Operating special items and remeasurements	–	–	(229)	158
<b>Statutory measure</b>	<b>30,580</b>	<b>27,960</b>	<b>9,439</b>	<b>8,666</b>

<sup>(1)</sup> 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.

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

#### Associates' revenue and operating profit

US\$ million	Associates' revenue		Associates' operating profit/(loss) <sup>(1)</sup>	
	2011	2010	2011	2010
Iron Ore and Manganese	926	983	165	382
Metallurgical Coal	372	258	207	122
Thermal Coal	1,080	761	482	308
Platinum	269	237	(86)	(59)
Diamonds	3,320	2,644	659	495
Other Mining and Industrial	1	86	–	7
	<b>5,968</b>	<b>4,969</b>	<b>1,427</b>	<b>1,255</b>
<b>Reconciliation:</b>				
Associates' net finance costs			(48)	(88)
Associates' income tax expense			(385)	(313)
Associates' non-controlling interests			(16)	(9)
<b>Share of net income from associates (before special items and remeasurements)</b>			<b>978</b>	<b>845</b>
Associates' special items and remeasurements			(5)	(22)
Associates' special items and remeasurements tax			1	(2)
Associates' non-controlling interests on special items and remeasurements			3	1
<b>Share of net income from associates</b>			<b>977</b>	<b>822</b>

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

## 2. SEGMENTAL INFORMATION continued

### Non-cash items

Significant non-cash items included within operating profit before special items and remeasurements are as follows:

US\$ million	Depreciation and amortisation <sup>(1)</sup>		Other non-cash expenses <sup>(2)</sup>	
	2011	2010	2011	2010
Iron Ore and Manganese	180	142	127	90
Metallurgical Coal	375	343	104	76
Thermal Coal	128	113	30	40
Copper	289	269	124	97
Nickel	27	26	10	23
Platinum	729	750	76	57
Other Mining and Industrial	198	230	51	15
Exploration	–	–	3	4
Corporate Activities and Unallocated Costs	41	46	54	61
	<b>1,967<sup>(3)</sup></b>	<b>1,919<sup>(3)</sup></b>	<b>579</b>	<b>463</b>

<sup>(1)</sup> In addition the Group's attributable share of depreciation and amortisation in associates is \$286 million (2010: \$301 million). This is split by segment as follows: Iron Ore and Manganese \$33 million (2010: \$33 million), Metallurgical Coal \$13 million (2010: \$11 million), Thermal Coal \$52 million (2010: \$49 million), Platinum \$53 million (2010: \$37 million) and Diamonds \$135 million (2010: \$171 million).

<sup>(2)</sup> 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.

<sup>(3)</sup> In addition \$84 million (2010: \$97 million) of accelerated depreciation has been recorded within operating special items (see note 5) and \$39 million (2010: nil) of pre-commercial production depreciation has been capitalised.

### Capital expenditure and net debt

US\$ million	Capital expenditure <sup>(1)</sup>		Net debt <sup>(2)</sup>	
	2011	2010	2011	2010
Iron Ore and Manganese	1,732	1,195	1,211	89
Metallurgical Coal	695	235	(211)	(635)
Thermal Coal	190	274	81	(50)
Copper	1,570	1,530	(781)	(243)
Nickel	398	525	603	561
Platinum	970	1,011	20	(65)
Other Mining and Industrial	152	206	338	385
Exploration	1	–	(6)	(2)
Corporate Activities and Unallocated Costs	56	18	119	7,403
	<b>5,764</b>	<b>4,994</b>	<b>1,374</b>	<b>7,443</b>
<b>Reconciliation:</b>				
Remove: cash flows from derivatives relating to capital expenditure	439	286		
<b>Purchase of property, plant and equipment</b>	<b>6,203</b>	<b>5,280</b>		
Interest capitalised	321	247		
Non-cash movements <sup>(3)</sup>	27	305		
Net debt in disposal groups			–	(59)
	<b>6,551</b>	<b>5,832</b>	<b>1,374</b>	<b>7,384</b>
Property, plant and equipment additions in disposal groups <sup>(4)</sup>	(2)	(46)		
<b>Property, plant and equipment additions<sup>(5)</sup></b>	<b>6,549</b>	<b>5,786</b>		

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

<sup>(2)</sup> Segment net debt includes related hedges and excludes net debt in disposal groups. For a reconciliation of net debt to the balance sheet see note 31b.

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

<sup>(4)</sup> Relates to additions in businesses held in disposal groups, prior to their sale.

<sup>(5)</sup> Capital expenditure on an accruals basis is split by segment as follows: Iron Ore and Manganese \$2,125 million (2010: \$1,536 million), Metallurgical Coal \$681 million (2010: \$314 million), Thermal Coal \$231 million (2010: \$297 million), Copper \$1,877 million (2010: \$1,820 million), Nickel \$405 million (2010: \$602 million), Platinum \$1,014 million (2010: \$1,043 million), Other Mining and Industrial \$159 million (2010: \$153 million), Exploration \$1 million (2010: \$1 million) and Corporate Activities and Unallocated Costs \$56 million (2010: \$20 million).

**2. SEGMENTAL INFORMATION** continued**Segment assets and liabilities**

The following balance sheet segment measures are provided for information:

US\$ million	Segment assets <sup>(1)</sup>		Segment liabilities <sup>(2)</sup>		Net segment assets/(liabilities)	
	2011	2010	2011	2010	2011	2010
Iron Ore and Manganese	13,646	12,333	(577)	(632)	13,069	11,701
Metallurgical Coal	5,660	5,159	(968)	(827)	4,692	4,332
Thermal Coal	2,650	2,897	(764)	(786)	1,886	2,111
Copper	8,767	7,300	(1,124)	(1,009)	7,643	6,291
Nickel	2,655	2,443	(120)	(109)	2,535	2,334
Platinum	12,288	14,701	(1,097)	(1,223)	11,191	13,478
Other Mining and Industrial	3,923	4,148	(722)	(755)	3,201	3,393
Exploration	2	3	(3)	(12)	(1)	(9)
Corporate Activities and Unallocated Costs	375	402	(584)	(377)	(209)	25
	49,966	49,386	(5,959)	(5,730)	44,007	43,656
<b>Other assets and liabilities</b>						
Investments in associates <sup>(3)</sup>	5,240	4,900	–	–	5,240	4,900
Financial asset investments	2,896	3,220	–	–	2,896	3,220
Deferred tax assets/(liabilities)	530	389	(5,730)	(5,641)	(5,200)	(5,252)
Other financial assets/(liabilities) – derivatives	840	842	(1,112)	(835)	(272)	7
Cash and cash equivalents	11,732	6,401	–	–	11,732	6,401
Other non-operating assets/(liabilities)	1,238	1,518	(2,715)	(2,233)	(1,477)	(715)
Borrowings	–	–	(12,873)	(13,439)	(12,873)	(13,439)
Other provisions for liabilities and charges	–	–	(864)	(807)	(864)	(807)
<b>Net assets</b>	<b>72,442</b>	<b>66,656</b>	<b>(29,253)</b>	<b>(28,685)</b>	<b>43,189</b>	<b>37,971</b>

<sup>(1)</sup> Segment assets at 31 December 2011 are operating assets and consist of intangible assets of \$2,322 million (2010: \$2,316 million), property, plant and equipment of \$40,549 million (2010: \$39,810 million), biological assets of \$17 million (2010: \$2 million), environmental rehabilitation trusts of \$360 million (2010: \$379 million), retirement benefit assets of \$70 million (2010: \$112 million), inventories of \$3,517 million (2010: \$3,604 million) and operating receivables of \$3,131 million (2010: \$3,163 million).

<sup>(2)</sup> Segment liabilities at 31 December 2011 are operating liabilities and consist of non-interest bearing current liabilities of \$3,982 million (2010: \$3,834 million), environmental restoration and decommissioning provisions of \$1,338 million (2010: \$1,305 million) and retirement benefit obligations of \$639 million (2010: \$591 million).

<sup>(3)</sup> See 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	2011	2010
Iron ore	6,830	5,234
Manganese ore and alloys	926	983
Metallurgical coal	3,444	2,711
Thermal coal	4,621	3,707
Copper	5,023	4,782
Nickel	948	824
Platinum	4,578	4,053
Palladium	1,076	697
Rhodium	703	782
Diamonds	3,320	2,644
Phosphates	571	461
Heavy building materials	2,347	2,376
Steel products	931	1,568
Other	1,230	2,107
	36,548	32,929

**Geographical analysis****Revenue by destination and non-current segment assets by location**

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

US\$ million	Revenue		Non-current segment assets <sup>(1)</sup>	
	2011	2010	2011	2010
South Africa	3,589	3,307	15,215	17,389
Other Africa	618	502	357	373
Brazil	1,177	1,135	12,622	11,159
Chile	2,030	1,940	7,001	5,628
Other South America	50	207	655	589
North America	1,861	1,805	685	540
Australia	312	474	4,170	4,022
China	6,446	5,075	–	5
India	2,343	2,021	–	–
Japan	4,925	4,198	–	–
Other Asia	3,487	2,818	47	42
United Kingdom (Anglo American plc's country of domicile)	3,962	3,980	2,117	2,331
Other Europe	5,748	5,467	2	48
	36,548	32,929	42,871	42,126

<sup>(1)</sup> 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) are provided for information:

US\$ million	Revenue		Operating profit/(loss) before special items and remeasurements	
	2011	2010	2011	2010
South Africa	17,855	15,711	6,059	5,001
Other Africa	2,763	2,329	501	501
Brazil	1,404	1,127	152	82
Chile	5,170	5,224	2,581	2,967
Other South America	1,364	1,141	512	367
North America	615	679	256	14
Australia and Asia	5,058	4,141	1,318	911
Europe	2,319	2,577	(284)	(80)
	36,548	32,929	11,095	9,763

### 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, is provided for information:

US\$ million	Segment assets <sup>(1)</sup>		Segment liabilities		Net segment assets	
	2011	2010	2011	2010	2011	2010
South Africa	18,364	21,294	(2,620)	(2,815)	15,744	18,479
Other Africa	385	377	(20)	(26)	365	351
Brazil	13,188	11,576	(303)	(358)	12,885	11,218
Chile	7,950	6,727	(1,101)	(1,005)	6,849	5,722
Other South America	808	679	(48)	(21)	760	658
North America	782	611	(107)	(38)	675	573
Australia and Asia	5,450	4,849	(953)	(851)	4,497	3,998
Europe	3,039	3,273	(807)	(616)	2,232	2,657
	49,966	49,386	(5,959)	(5,730)	44,007	43,656

<sup>(1)</sup> Investments in associates of \$5,240 million (2010: \$4,900 million) 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	2011	2010
Group revenue	30,580	27,960
Cost of sales <sup>(1)</sup>	(17,343)	(15,949)
Gross profit	13,237	12,011
Selling and distribution costs	(1,788)	(1,740)
Administrative expenses	(2,034)	(1,815)
Other gains and losses (see below)	145	346
Exploration expenditure (see note 7)	(121)	(136)
<b>Operating profit from subsidiaries and joint ventures</b>	<b>9,439</b>	<b>8,666</b>

<sup>(1)</sup> Includes operating special item charges of \$164 million (2010: \$228 million), see note 5. Operating remeasurements are included in Other gains and losses (see below).

US\$ million	2011	2010
<b>Operating profit is stated after charging:</b>		
Depreciation of property, plant and equipment (see note 15) <sup>(1)</sup>	1,947	1,888
Amortisation of intangible assets (see note 14)	20	31
Rentals under operating leases	128	121
Research and development expenditure	38	29
Operating special items (see note 5)	164	228
Employee costs (see note 8)	4,707	4,367
Adjustment due to provisional pricing <sup>(2)</sup>	286	(168)
Royalties <sup>(3)</sup>	742	586
<b>Other gains and losses comprise:</b>		
Operating remeasurements (see note 5)	(65)	386
Other fair value (losses)/gains on derivatives – realised	(57)	84
Foreign exchange gains/(losses) on other monetary items	256	(124)
Gains on initial recognition of biological assets	11	–
<b>Total other gains and losses</b>	<b>145</b>	<b>346</b>

<sup>(1)</sup> In addition \$84 million (2010: \$97 million) of accelerated depreciation has been recorded within operating special items (see note 5) and \$39 million (2010: nil) of pre-commercial production depreciation has been capitalised.

<sup>(2)</sup> Provisionally priced contracts resulted in a total (realised and unrealised) loss in revenue of \$283 million (2010: gain of \$199 million) and total (realised and unrealised) loss in operating costs of \$3 million (2010: \$31 million).

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

**3. OPERATING PROFIT FROM SUBSIDIARIES AND JOINT VENTURES** continued

US\$ million	2011	2010
<b>Auditors' remuneration</b>		
Audit		
United Kingdom	2.4	2.6
Overseas	7.5	7.9
Other services provided by Deloitte <sup>(1)</sup>		
United Kingdom	1.1	1.3
Overseas	2.6	1.7

<sup>(1)</sup> Includes \$0.2 million (2010: \$0.1 million) for services required to be undertaken by Deloitte in their capacity as auditors.

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

US\$ million	2011				2010			
	Paid/payable to Deloitte			Paid/payable to auditor (if not Deloitte)	Paid/payable to Deloitte			Paid/payable to auditor (if not Deloitte)
	United Kingdom	Overseas	Total	Overseas	United Kingdom	Overseas	Total	Overseas
<b>Statutory audit services</b>								
Paid to the Company's auditor	1.7	–	1.7	–	1.7	–	1.7	–
Subsidiary entities – for purposes of Anglo American plc Annual Report	–	4.3	4.3	0.1	–	4.4	4.4	0.1
Subsidiary entities – additional local statutory requirements	0.7	3.2	3.9	0.6	0.9	3.5	4.4	0.4
Subsidiary entities – total	0.7	7.5	8.2	0.7	0.9	7.9	8.8	0.5
<b>Total</b>	<b>2.4</b>	<b>7.5</b>	<b>9.9</b>	<b>0.7</b>	<b>2.6</b>	<b>7.9</b>	<b>10.5</b>	<b>0.5</b>
<b>Other services<sup>(1)</sup></b>								
Other services pursuant to legislation	0.5	0.8	1.3	0.1	0.5	0.8	1.3	–
Tax services	0.4	0.4	0.8	0.3	0.1	0.4	0.5	0.2
Other	0.2 <sup>(2)</sup>	1.4	1.6	0.5	0.7 <sup>(2)</sup>	0.5	1.2	0.2
<b>Total</b>	<b>1.1</b>	<b>2.6</b>	<b>3.7</b>	<b>0.9</b>	<b>1.3</b>	<b>1.7</b>	<b>3.0</b>	<b>0.4</b>

<sup>(1)</sup> Includes \$0.1 million (2010: \$0.2 million) in respect of the audit of Group pension plans.

<sup>(2)</sup> Includes \$0.2 million (2010: \$0.1 million) for services required to be undertaken by Deloitte in their capacity as auditors.

**4. OPERATING PROFIT AND UNDERLYING EARNINGS BY SEGMENT**

The following table analyses operating profit (including attributable share of associates' operating profit) by segment and reconciles it to underlying earnings by segment. In 2011 Peace River Coal has been reclassified from Other Mining and Industrial to Metallurgical Coal to align with internal management reporting. Comparatives have been reclassified to align with current year presentation.

Underlying earnings is an alternative earnings measure, which the directors consider to be a useful additional measure of the Group's performance. Underlying earnings is profit for the financial year attributable to equity shareholders of the Company before special items and remeasurements and is therefore presented after net finance costs, income tax expense and non-controlling interests. For a reconciliation from 'Profit for the financial year attributable to equity shareholders of the Company' to 'Underlying earnings for the financial year', see note 13.

US\$ million	2011					2010				
	Operating profit/(loss) before special items and remeasurements <sup>(1)</sup>	Operating profit/(loss) after special items and remeasurements	Operating special items and remeasurements (note 5)	Net finance costs, income tax expense and non-controlling interests	Underlying earnings	Operating profit/(loss) before special items and remeasurements <sup>(1)</sup>	Operating profit/(loss) after special items and remeasurements	Operating special items and remeasurements (note 5)	Net finance costs, income tax expense and non-controlling interests	Underlying earnings
Iron Ore and Manganese	4,520	4,441	79	(2,995)	1,525	3,681	4,037	(356)	(2,258)	1,423
Metallurgical Coal	1,189	1,189	–	(345)	844	780	803	(23)	(194)	586
Thermal Coal	1,230	1,231	(1)	(328)	902	710	708	2	(198)	512
Copper	2,461	2,460	1	(851)	1,610	2,817	2,832	(15)	(1,096)	1,721
Nickel	57	(15)	72	(34)	23	96	45	51	(21)	75
Platinum	890	884	6	(480)	410	837	765	72	(412)	425
Diamonds	659	641	18	(216)	443	495	466	29	(193)	302
Other Mining and Industrial	195	125	70	(88)	107	664	564	100	(143)	521
Exploration	(121)	(121)	–	3	(118)	(136)	(136)	–	8	(128)
Corporate Activities and Unallocated Costs	15	13	2	359	374	(181)	(192)	11	(280)	(461)
<b>Total</b>	<b>11,095</b>	<b>10,848</b>	<b>247</b>	<b>(4,975)</b>	<b>6,120</b>	<b>9,763</b>	<b>9,892</b>	<b>(129)</b>	<b>(4,787)</b>	<b>4,976</b>
<b>Analysed as:</b>										
Core operations	11,088	10,911	177	(4,962)	6,126	9,245	9,460	(215)	(4,706)	4,539
Non-core operations <sup>(2)</sup>	7	(63)	70	(13)	(6)	518	432	86	(81)	437

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

<sup>(2)</sup> Non-core operations relate to Tarmac and Scaw Metals and, until February 2011, the zinc operations.

#### 4. OPERATING PROFIT AND UNDERLYING EARNINGS BY SEGMENT continued

##### Underlying earnings by origin

US\$ million	2011	2010
South Africa	2,726	2,218
Other Africa	326	350
South America	2,080	2,154
North America	218	(12)
Australia and Asia	967	668
Europe	(197)	(402)
	<b>6,120</b>	<b>4,976</b>

#### 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 paragraph 97. Special items that relate to the operating performance of the Group are classified as operating special items and principally include impairment charges and reversals and restructuring costs. Non-operating special items include profits and losses on disposals of investments and businesses as well as certain adjustments relating to business combinations.

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

- unrealised gains and losses on 'non-hedge' derivative instruments open at the year end (in respect of future transactions) and the reversal of the historical marked to market value of such instruments settled in the year. Where the underlying transaction is recorded in the income statement, the 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 impact arising in US dollar functional currency entities where tax calculations are generated based on local currency financial information and hence deferred tax is susceptible to currency fluctuations. Such amounts are included within income tax expense.

US\$ million	2011			2010		
	Subsidiaries and joint ventures	Associates <sup>(1)</sup>	Total	Subsidiaries and joint ventures	Associates <sup>(1)</sup>	Total
Impairment and related charges	(154)	–	(154)	(107)	(15)	(122)
Restructuring costs	(10)	(9)	(19)	(121)	(10)	(131)
<b>Operating special items</b>	<b>(164)</b>	<b>(9)</b>	<b>(173)</b>	<b>(228)</b>	<b>(25)</b>	<b>(253)</b>
<b>Operating remeasurements</b>	<b>(65)</b>	<b>(9)</b>	<b>(74)</b>	<b>386</b>	<b>(4)</b>	<b>382</b>
<b>Operating special items and remeasurements</b>	<b>(229)</b>	<b>(18)</b>	<b>(247)</b>	<b>158</b>	<b>(29)</b>	<b>129</b>
Disposal of Lisheen and Black Mountain	397	–	397	–	–	–
Platinum BEE transactions and related charges	(141)	–	(141)	–	–	–
Disposals of Tarmac businesses	(75)	–	(75)	(294)	–	(294)
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	–	–	–	244	–	244
Other	2	20	22	23	19	42
<b>Net profit on disposals</b>	<b>183</b>	<b>20</b>	<b>203</b>	<b>1,579</b>	<b>19</b>	<b>1,598</b>
<b>Financing special items</b>	<b>–</b>	<b>(9)</b>	<b>(9)</b>	<b>–</b>	<b>(13)</b>	<b>(13)</b>
<b>Financing remeasurements</b>	<b>203</b>	<b>2</b>	<b>205</b>	<b>105</b>	<b>1</b>	<b>106</b>
<b>Total special items and remeasurements before tax and non-controlling interests</b>	<b>157</b>	<b>(5)</b>	<b>152</b>	<b>1,842</b>	<b>(22)</b>	<b>1,820</b>
Special items and remeasurements tax	(119)	1	(118)	(110)	(2)	(112)
Non-controlling interests on special items and remeasurements	12	3	15	(141)	1	(140)
<b>Net total special items and remeasurements attributable to equity shareholders of the Company</b>	<b>50</b>	<b>(1)</b>	<b>49</b>	<b>1,591</b>	<b>(23)</b>	<b>1,568</b>

<sup>(1)</sup> Relates to the Diamonds segment.

##### Operating special items

Impairment and related charges were \$154 million in the year ended 31 December 2011 (2010: \$122 million). This principally comprises an impairment of Tarmac Building Products of \$70 million (Other Mining and Industrial segment) and accelerated depreciation of \$84 million (2010: \$97 million), mainly arising at Loma de Niquel (Nickel segment). The accelerated depreciation charge at Loma de Niquel has arisen due to ongoing uncertainty over the renewal of three concessions that expire in 2012 and over the restoration of 13 concessions that have been cancelled.

Restructuring costs principally relate to retrenchment and consultancy costs within the Platinum and Diamond segments (2010: Other Mining and Industrial, Platinum and Diamond segments).

##### Operating remeasurements

Operating remeasurements reflect a net loss of \$74 million (2010: gain of \$382 million) principally in respect of non-hedge derivatives of capital expenditure in Iron Ore Brazil. Derivatives which have been realised in the year had a cumulative net operating remeasurement gain since their inception of \$383 million (2010: gain of \$255 million).

**5. SPECIAL ITEMS AND REMEASUREMENTS** continued**Profits and losses on disposals**

In February 2011 the Group completed the disposal of its 100% interest in the Lisheen operation (Lisheen) and its 74% interest in Black Mountain Mining (Proprietary) Limited (Black Mountain), which holds 100% of the Black Mountain mine and Gamsberg project, resulting in a net cash inflow of \$499 million, generating a profit on disposal of \$397 million. Lisheen and Black Mountain were included in the Other Mining and Industrial segment.

The charge for Platinum BEE transactions principally relates to an IFRS 2 charge of \$131 million resulting from a community economic empowerment transaction involving certain of Platinum's host communities, which completed in December 2011.

The Group sold Tarmac's businesses in China, Turkey and Romania in July, October and November 2011 respectively. Tarmac is included in the Other Mining and Industrial segment.

**Financing remeasurements**

Financing remeasurements reflect a net gain of \$205 million (2010: gain of \$106 million) and relate to an embedded interest rate derivative, non-hedge derivatives of debt and other financing remeasurements.

**Special items and remeasurements tax**

Special items and remeasurements tax amounted to a charge of \$118 million (2010: charge of \$112 million). This relates to a credit for one-off tax items of \$137 million (2010: nil), a tax remeasurement charge of \$230 million (2010: credit of \$122 million) and a tax charge on special items and remeasurements of \$25 million (2010: charge of \$234 million).

The total tax charge relating to subsidiaries and joint ventures of \$119 million (2010: charge of \$110 million), comprises a current tax charge of \$12 million (2010: charge of \$107 million) and a deferred tax charge of \$107 million (2010: charge of \$3 million).

The credit relating to one-off tax items of \$137 million (2010: nil) principally relates to the recognition of deferred tax assets in Iron Ore Brazil which were originally written off as part of the impairment charges related to the Amapá iron ore system in 2009, and a capital gains tax refund related to a prior year disposal.

**6. EBITDA**

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	2011	2010
Iron Ore and Manganese	4,733	3,856
Metallurgical Coal <sup>(1)</sup>	1,577	1,134
Thermal Coal	1,410	872
Copper	2,750	3,086
Nickel	84	122
Platinum	1,672	1,624
Diamonds	794	666
Other Mining and Industrial <sup>(1)</sup>	393	894
Exploration	(121)	(136)
Corporate Activities and Unallocated Costs	56	(135)
<b>EBITDA</b>	<b>13,348</b>	<b>11,983</b>

<sup>(1)</sup> In 2011 Peace River Coal has been reclassified from Other Mining and Industrial to Metallurgical Coal to align with internal management reporting. Comparatives have been reclassified to align with current year presentation.

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	2011	2010
<b>Total profit from operations and associates</b>	<b>10,599</b>	<b>11,067</b>
Operating special items and remeasurements	229	(158)
Net profit on disposals	(183)	(1,579)
Associates' net special items and remeasurements	1	23
Share of associates' net finance costs, tax and non-controlling interests	449	410
<b>Operating profit, including associates, before special items and remeasurements</b>	<b>11,095</b>	<b>9,763</b>
Depreciation and amortisation: subsidiaries and joint ventures	1,967	1,919
Depreciation and amortisation: associates	286	301
<b>EBITDA</b>	<b>13,348</b>	<b>11,983</b>

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

US\$ million	2011	2010
<b>EBITDA</b>	<b>13,348</b>	<b>11,983</b>
Share of operating profit of associates before special items and remeasurements	(1,427)	(1,255)
Cash element of operating special items	(59)	(94)
Share of associates' depreciation and amortisation	(286)	(301)
Share-based payment charges	254	219
Provisions	6	(37)
Increase in inventories	(352)	(309)
Increase in operating receivables	(264)	(587)
Increase in operating payables	457	516
Deferred stripping	(171)	(196)
Other adjustments	(8)	(15)
<b>Cash flows from operations</b>	<b>11,498</b>	<b>9,924</b>

## 7. EXPLORATION EXPENDITURE

US\$ million	2011	2010
<b>By commodity</b>		
Iron ore	5	14
Metallurgical coal	5	3
Thermal coal	9	21
Copper	27	19
Nickel	26	27
Platinum group metals	5	11
Zinc	–	3
Central exploration activities	44	38
	<b>121</b>	<b>136</b>

## 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	2011	2010
<b>By segment</b>		
Iron Ore and Manganese	8	8
Metallurgical Coal	3	3
Thermal Coal	9	9
Copper	5	4
Nickel	2	2
Platinum	55	52
Other Mining and Industrial	16	20
Corporate Activities and Unallocated Costs	2	2
	<b>100</b>	<b>100</b>

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

Thousand	2011	2010
South Africa	79	77
Other Africa	1	1
South America	10	9
North America <sup>(1)</sup>	–	1
Australia and Asia	4	4
Europe	6	8
	<b>100</b>	<b>100</b>

<sup>(1)</sup> The average number of employees in North America during 2011 was less than 500, following the disposal of Moly-Cop and AltaSteel on 31 December 2010.

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

US\$ million	2011	2010
Wages and salaries	4,201	3,880
Social security costs	142	173
Post employment benefits <sup>(1)</sup>	343	281
Share-based payments (see note 29)	260	223
<b>Total payroll costs</b>	<b>4,946</b>	<b>4,557</b>
<b>Reconciliation:</b>		
Less: employee costs capitalised	(229)	(132)
Less: employee costs included within operating special items	(10)	(58)
<b>Employee costs included in operating costs</b>	<b>4,707</b>	<b>4,367</b>

<sup>(1)</sup> Includes contributions to defined contribution pension and medical plans, current and past service costs related to defined benefit pension and medical schemes and other benefits provided to certain employees during retirement.

In accordance with IAS 24 *Related Party Disclosures (Amended)*, 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	2011	2010
Salaries and short term employee benefits	23	19
Social security costs	2	5
Post employment benefits	8	2
Share-based payments	22	15
	<b>55</b>	<b>41</b>

Key management comprises 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 INCOME/(COSTS)**

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

The weighted average capitalisation rate applied to qualifying capital expenditure was 5.0% (2010: 4.8%).

US\$ million	2011	2010
<b>Investment income</b>		
Interest income from cash and cash equivalents	239	118
Other interest income	194	224
Expected return on defined benefit arrangements	199	205
Dividend income from financial asset investments	59	30
	691	577
Less: interest income capitalised	(23)	(9)
<b>Total investment income</b>	<b>668</b>	<b>568</b>
<b>Interest expense</b>		
Interest and other finance expense	(615)	(632)
Interest payable on convertible bond	(68)	(68)
Unwinding of discount on convertible bond	(71)	(65)
Interest cost on defined benefit arrangements	(205)	(219)
Unwinding of discount relating to provisions and other non-current liabilities	(80)	(73)
	(1,039)	(1,057)
Less: interest expense capitalised	344	256
<b>Total interest expense</b>	<b>(695)</b>	<b>(801)</b>
<b>Other financing gains/(losses)</b>		
Net foreign exchange (losses)/gains	(16)	17
Net fair value gains/(losses) on fair value hedges	16	(7)
Other net fair value gains/(losses)	7	(21)
<b>Total other financing gains/(losses)</b>	<b>7</b>	<b>(11)</b>
<b>Net finance costs before remeasurements</b>	<b>(20)</b>	<b>(244)</b>
Remeasurements (see note 5)	203	105
<b>Net finance income/(costs) after remeasurements</b>	<b>183</b>	<b>(139)</b>

**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	2011	2010
<b>At fair value through profit and loss</b>		
Cash flow hedge derivatives transferred from equity <sup>(1)</sup>	(5)	(4)
Fair value hedge derivatives	(263)	(112)
Fair value hedge underlying instruments	279	105
Foreign exchange (losses)/gains	(9)	9
Other fair value movements <sup>(2)</sup>	(198)	752
<b>Loans and receivables</b>		
Foreign exchange gains/(losses)	9	(292)
Interest income at amortised cost <sup>(3)</sup>	361	160
<b>Available for sale</b>		
Net gain transferred on sale from equity	10	-
Dividend income	59	30
<b>Other financial liabilities</b>		
Foreign exchange gains	240	167
Interest expense at amortised cost <sup>(3)</sup>	(345)	(376)

<sup>(1)</sup> These amounts are included in Group revenue.

<sup>(2)</sup> Includes the impact of provisional pricing, see note 3, and operating and financing remeasurements, see note 5.

<sup>(3)</sup> Interest income and expense at amortised cost are shown net of amounts capitalised. Comparatives have been adjusted accordingly.

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

US\$ million	2011	2010
United Kingdom corporation tax at 26.5% (2010: 28%)	16	24
South Africa tax	1,307	1,199
Other overseas tax	1,067	1,333
Prior year adjustments	(92)	(7)
<b>Current tax<sup>(1)</sup></b>	<b>2,298</b>	<b>2,549</b>
<b>Deferred tax</b>	<b>443</b>	<b>150</b>
<b>Income tax expense before special items and remeasurements</b>	<b>2,741</b>	<b>2,699</b>
<b>Special items and remeasurements tax</b>	<b>119</b>	<b>110</b>
<b>Income tax expense</b>	<b>2,860</b>	<b>2,809</b>

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

## 11. INCOME TAX EXPENSE continued

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

The effective tax rate for the year of 26.5% (2010: 25.7%) is the same as (2010: lower than) the applicable weighted average statutory rate of corporation tax in the United Kingdom of 26.5% (2010: 28%). The reconciling items, excluding the impact of associates, are:

US\$ million	2011	2010
Profit before tax	10,782	10,928
Less: share of net income from associates	(977)	(822)
Profit before tax (excluding associates)	9,805	10,106
Tax on profit (excluding associates) calculated at United Kingdom corporation tax rate of 26.5% (2010: 28%)	2,598	2,830
<b>Tax effects of:</b>		
<b>Items not taxable/deductible for tax purposes</b>		
Exploration expenditure	27	13
Non-deductible/taxable net foreign exchange loss/(gain)	24	(3)
Non-taxable/deductible net interest (income)/expense	(20)	2
Other non-deductible expenses	60	125
Other non-taxable income	(57)	(40)
<b>Temporary difference adjustments</b>		
Current year losses not recognised	38	19
Utilisation of losses not previously recognised	–	(8)
Recognition of losses not previously recognised	(103)	(61)
Enhanced tax depreciation	–	(41)
Other temporary differences	(57)	(69)
<b>Special items and remeasurements</b>	77	(406)
<b>Other adjustments</b>		
Secondary tax on companies and dividend withholding taxes	407	657
Effect of differences between local and United Kingdom rates	(61)	(218)
Prior year adjustments to current tax	(92)	(7)
Other adjustments	19	16
<b>Income tax expense</b>	<b>2,860</b>	<b>2,809</b>

IAS 1 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 2011 is \$384 million (2010: \$315 million). Excluding special items and remeasurements this becomes \$385 million (2010: \$313 million).

The effective rate of tax before special items and remeasurements including attributable share of associates' tax for the year ended 31 December 2011 was 28.3%. The decrease compared to the equivalent effective rate of 31.9% for the year ended 31 December 2010 is due to a number of non-recurring factors that include the recognition of previously unrecognised tax losses and the reassessment of certain withholding tax provisions across the Group. In future periods it is expected that the effective tax rate, including associates' tax, will remain above the United Kingdom statutory tax rate.

### 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	2011	2010
<b>Tax on items recognised directly in equity</b>		
Net gain on revaluation of available for sale investments	(26)	(46)
Net loss on cash flow hedges	20	(2)
Net exchange difference on translation of foreign operations	11	(82)
Actuarial net loss/(gain) on post employment benefit plans	19	(19)
	24	(149)
<b>Tax on items transferred from equity</b>		
Transferred to income statement: cash flow hedges	(2)	(1)
Transferred to initial carrying amount of hedged items: cash flow hedges	(12)	2
	(14)	1

### d) Tax amounts recognised directly in equity

Capital gains tax of \$1,017 million relating to the profit on sale of a 24.5% share in Anglo American Sur SA (AA Sur) in November 2011, has been charged directly to equity. There were no other material current tax amounts charged directly to equity in 2011 or 2010. Deferred tax of \$127 million has been charged (2010: \$68 million credited) directly to equity. See note 27.

## 12. DIVIDENDS

Dividends payable during the year are as follows:

US\$ million	2011	2010
Final ordinary dividend for 2010 – 40 US cents per ordinary share (2009: nil)	495	–
Interim ordinary dividend for 2011 – 28 US cents per ordinary share (2010: 25 US cents per ordinary share)	339	302
	834 <sup>(1)</sup>	302 <sup>(1)</sup>

<sup>(1)</sup> Of this, \$561 million (2010: \$212 million) was recognised in the parent Company.

Total dividends paid during the year were \$818 million (2010: \$302 million). The difference to dividends payable arises due to movements in exchange rates between the date of recognition and the date of payment.

The directors are proposing a final dividend in respect of the financial year ended 31 December 2011 of 46 US cents per share. Based on shares eligible for dividends at 31 December 2011, this will result in an estimated distribution of \$557 million of shareholders' funds, of which \$350 million will be distributed by the parent Company. These financial statements do not reflect this dividend payable as it is still subject to shareholder approval.

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\$	2011	2010
<b>Profit for the financial year attributable to equity shareholders of the Company</b>		
Basic earnings per share	5.10	5.43
Diluted earnings per share	4.89	5.18
<b>Headline earnings for the financial year<sup>(1)</sup></b>		
Basic earnings per share	4.89	4.27
Diluted earnings per share	4.69	4.09
<b>Underlying earnings for the financial year<sup>(1)</sup></b>		
Basic earnings per share	5.06	4.13
Diluted earnings per share	4.85	3.96

<sup>(1)</sup> Basic and diluted earnings per share are also 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 basic and diluted earnings per share is based on the following data:

US\$ million (unless otherwise stated)	2011	2010
<b>Earnings</b>		
Basic earnings, being profit for the financial year attributable to equity shareholders of the Company	6,169	6,544
Effect of dilutive potential ordinary shares		
Interest payable on convertible bond (net of tax)	50	49
Unwinding of discount on convertible bond (net of tax)	52	47
<b>Diluted earnings</b>	6,271	6,640
<b>Number of shares (million)</b>		
Basic number of ordinary shares outstanding <sup>(1)</sup>	1,210	1,206
Effect of dilutive potential ordinary shares <sup>(2)</sup>		
Share options and awards	10	14
Convertible bond	62	61
<b>Diluted number of ordinary shares outstanding<sup>(1)</sup></b>	1,282	1,281

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 2011 there were 270,095 (2010: nil) share options which were potentially dilutive but were not included in the calculation of diluted earnings because they were anti-dilutive.

The Group has \$1.7 billion of senior convertible notes in issue (see note 24). The impact of the potential conversion of these notes has been included in diluted earnings and the 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	2011	2010
<b>Profit for the financial year attributable to equity shareholders of the Company</b>	<b>6,169</b>	6,544
Operating special items	70	14
Operating special items – non-controlling interests	–	(3)
Net profit on disposals	(347)	(1,684)
Net profit on disposals – tax	36	123
Net profit on disposals – non-controlling interests	–	138
Financing special items	9	13
Tax special items	(24)	–
<b>Headline earnings for the financial year</b>	<b>5,913</b>	5,145
Operating special items <sup>(1)</sup>	103	239
Operating remeasurements	74	(382)
Net loss on disposals <sup>(2)</sup>	144	86
Financing remeasurements	(205)	(106)
Special items and remeasurements tax <sup>(3)</sup>	106	(11)
Non-controlling interests on special items and remeasurements	(15)	5
<b>Underlying earnings for the financial year</b>	<b>6,120</b>	4,976

<sup>(1)</sup> Includes restructuring costs, accelerated depreciation and related charges.

<sup>(2)</sup> Includes Platinum BEE transactions and related charges (2010: Anglo American Inyosi Coal BEE transaction).

<sup>(3)</sup> Includes certain tax special items.

### 14. INTANGIBLE ASSETS

US\$ million	2011			2010		
	Licences and other intangibles	Goodwill <sup>(1)</sup>	Total	Licences and other intangibles	Goodwill <sup>(1)</sup>	Total
<b>Net book value</b>						
At 1 January	85	2,231	2,316	82	2,694	2,776
Additions	26	–	26	43	–	43
Disposals and transfer to assets held for sale	–	(25)	(25)	(17)	(339)	(356)
Amortisation charge for the year	(20)	–	(20)	(31)	–	(31)
Impairments	–	(15)	(15)	–	–	–
Adjustments relating to deferred and contingent consideration	–	81	81	–	(90)	(90)
Currency movements	(8)	(33)	(41)	8	(34)	(26)
<b>At 31 December</b>	<b>83</b>	<b>2,239</b>	<b>2,322</b>	<b>85</b>	<b>2,231</b>	<b>2,316</b>
Cost	182	2,239	2,421	168	2,231	2,399
Accumulated amortisation	(99)	–	(99)	(83)	–	(83)

<sup>(1)</sup> The goodwill balances provided are net of cumulative impairment charges of \$337 million at 31 December 2011 (2010: \$323 million).

#### 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. 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. The allocation of goodwill to CGUs or groups of CGUs is as follows:

US\$ million	2011	2010
Iron Ore and Manganese		
Iron Ore Brazil	1,123	1,148
Thermal Coal	88	88
Copper	124	124
Nickel	10	10
Platinum	230	230
Other Mining and Industrial		
Tarmac	456	504
Other	208	127
	<b>2,239</b>	2,231

For the purposes of goodwill impairment testing, the recoverable amount of a CGU is determined based on a fair value less costs to sell basis, with the exception of Tarmac which is determined on a value in use 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 observable market 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 mine life plans or non-mine production plans, incorporating key assumptions as detailed below:

**Reserves and resources**

Ore reserves and, where considered appropriate, mineral resources are incorporated in projected cash flows, based on ore reserves and mineral resource statements and exploration and evaluation work undertaken by appropriately qualified persons. Mineral resources are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the requirements of reserve classification. 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 mine life 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 used in fair value less costs to sell impairment models are discounted based on a real post-tax discount rate of 6% (2010: 6%). The discount rate for Tarmac is a real pre-tax rate of 8% (2010: 8%). Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows.

**Foreign exchange rates**

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

**15. PROPERTY, PLANT AND EQUIPMENT**

US\$ million	2011					2010				
	Mining properties and leases <sup>(1)</sup>	Land and buildings	Plant and equipment	Other <sup>(2)</sup>	Total	Mining properties and leases <sup>(1)</sup>	Land and buildings	Plant and equipment	Other <sup>(2)</sup>	Total
<b>Net book value</b>										
At 1 January	15,376	2,004	10,839	11,591	39,810	14,776	1,807	10,003	8,612	35,198
Additions	352	76	287	5,834	6,549	296	48	237	5,205	5,786
Disposal of assets	(2)	(7)	(39)	(28)	(76)	(5)	(4)	(36)	(4)	(49)
Disposal of businesses	(39)	(4)	(13)	(1)	(57)	(260)	(5)	(39)	(110)	(414)
Depreciation charge for the year <sup>(3)</sup>	(414)	(113)	(1,501)	(42)	(2,070)	(465)	(89)	(1,392)	(39)	(1,985)
Net impairment (charge)/reversal	–	–	(61)	–	(61)	2	–	12	–	14
Reclassifications <sup>(4)</sup>	532	826	6,408	(7,929)	(163)	583	268	1,765	(2,616)	–
Reversal of contingent consideration <sup>(5)</sup>	–	–	–	–	–	(293)	–	–	–	(293)
Transfer to assets held for sale	–	–	–	–	–	(84)	(125)	(491)	(24)	(724)
Currency movements	(1,162)	(162)	(1,098)	(961)	(3,383)	826	104	780	567	2,277
<b>At 31 December</b>	<b>14,643</b>	<b>2,620</b>	<b>14,822</b>	<b>8,464</b>	<b>40,549</b>	<b>15,376</b>	<b>2,004</b>	<b>10,839</b>	<b>11,591</b>	<b>39,810</b>
Cost	19,532	3,450	24,116	8,648	55,746	20,289	2,792	19,651	11,863	54,595
Accumulated depreciation	(4,889)	(830)	(9,294)	(184)	(15,197)	(4,913)	(788)	(8,812)	(272)	(14,785)

<sup>(1)</sup> Includes amounts in relation to deferred stripping.

<sup>(2)</sup> Includes \$8,088 million (2010: \$11,190 million) of assets in the course of construction, which are not depreciated.

<sup>(3)</sup> Includes \$1,947 million (2010: \$1,888 million) of depreciation within operating profit, \$84 million (2010: \$97 million) of accelerated depreciation (see note 5) and \$39 million (2010: nil) of pre-commercial production depreciation which has been capitalised. See note 2 for a split of depreciation, and amortisation for intangibles, by segment.

<sup>(4)</sup> Relates mainly to amounts transferred from assets in the course of construction. The net amount of \$163 million (2010: nil) relates to federal tax credits on qualifying capital projects in Brazil. These credits have been reclassified, as appropriate, to reflect the expected realisation.

<sup>(5)</sup> Relates to Iron Ore Brazil.

Included in the additions above is \$321 million (2010: \$247 million) of net interest expense incurred on borrowings funding the construction of qualifying assets which has been capitalised during the year.

Assets held under finance leases relate to plant and equipment with a net book value of \$25 million (2010: \$18 million). Depreciation charges in the year amounted to \$9 million (2010: \$7 million).

## 15. PROPERTY, PLANT AND EQUIPMENT continued

The net book value of land and buildings comprises:

US\$ million	2011	2010
Freehold	2,604	1,989
Leasehold – long	8	6
Leasehold – short (less than 50 years)	8	9
	<b>2,620</b>	<b>2,004</b>

## 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 comprise the following investments:

US\$ million	2011	2010
Equity	146	121
Bonds	130	147
Cash	84	111
	<b>360</b>	<b>379</b>

These assets are primarily rand denominated. Cash is held in short term fixed deposits or earns interest at floating inter-bank rates. Bonds earn interest at a weighted average fixed rate of 6% (2010: 6%) for an average period of four years (2010: six 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	2011	2010
At 1 January	4,900	3,312
Net income from associates	977	822
Dividends received	(344)	(255)
Transfer from subsidiary/joint venture <sup>(1)</sup>	–	643
Share of expense recognised directly in equity, net of tax	(32)	(41)
Other equity movements	–	(140)
Investment in equity and capitalised loans <sup>(2)</sup>	47	632
Interest on capitalised loans	23	16
Repayment of capitalised loans	(4)	(33)
Transfer to available for sale investments	(66)	(100)
Disposals and transfer to assets held for sale	–	(126)
Other movements	(1)	19
Currency movements	(260)	151
<b>At 31 December<sup>(3)</sup></b>	<b>5,240</b>	<b>4,900</b>

<sup>(1)</sup> Year ended 31 December 2010 represents the transfer to investments in associates of Anglo American Platinum Limited's retained 33% holding in Bafokeng-Rasimone Platinum mine.

<sup>(2)</sup> Year ended 31 December 2010 includes \$450 million to subscribe to the Group's share of De Beers' rights issue.

<sup>(3)</sup> The fair value of the Group's investment in Anoroaq Resources Corporation at 31 December 2011 was \$51 million (2010: \$179 million).

The Group's total investments in associates comprise:

US\$ million	2011	2010
Equity	4,593	4,194
Loans <sup>(1)</sup>	647	706
	<b>5,240</b>	<b>4,900</b>

<sup>(1)</sup> 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	2011	2010
Non-current assets	6,111	6,923
Current assets	2,188	1,805
Current liabilities	(742)	(738)
Non-current liabilities	(2,317)	(3,090)
<b>Group's share of associates' net assets</b>	<b>5,240</b>	<b>4,900</b>

**17. INVESTMENTS IN ASSOCIATES** continued

Segmental information is provided as follows:

US\$ million	Share of net income		Aggregate investment	
	2011	2010	2011	2010
<b>By segment</b>				
Iron Ore and Manganese	142	287	936	880
Metallurgical Coal	141	84	294	223
Thermal Coal	317	220	932	749
Platinum	(65)	(44)	848	1,112
Diamonds	442	270	2,230	1,936
Other Mining and Industrial	–	5	–	–
	<b>977</b>	<b>822</b>	<b>5,240</b>	<b>4,900</b>

US\$ million	Aggregate investment	
	2011	2010
<b>By geography</b>		
South Africa	1,950	2,334
Other Africa	996	1,220
South America	917	729
North America	343	376
Australia and Asia	794	698
Europe	240	(457)
	<b>5,240</b>	<b>4,900</b>

The Group's share of associates' contingent liabilities incurred jointly by investors is \$112 million (2010: \$75 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	2011	2010
Non-current assets	2,546	2,308
Current assets	572	872
Current liabilities	(434)	(516)
Non-current liabilities	(703)	(869)
<b>Group's share of joint venture entities' net assets</b>	<b>1,981</b>	<b>1,795</b>
Revenue	1,932	2,014
Operating costs	(944)	(761)
Net finance costs	(44)	(61)
Income tax expense	(230)	(272)
<b>Group's share of joint venture entities' profit for the financial year</b>	<b>714</b>	<b>920</b>

The Group's share of joint venture entities' contingent liabilities incurred jointly with other venturers is \$32 million (2010: \$33 million) and its share of capital commitments is \$74 million (2010: \$12 million).

Within the Metallurgical Coal segment, the Group also holds interests in a number of proportionately consolidated jointly controlled operations. The Group's share of net assets of such operations is \$1,538 million (2010: \$1,693 million) and its share of profit for the financial year is \$615 million (2010: \$593 million). The Group's share of these operations' contingent liabilities incurred jointly with other venturers is \$19 million (2010: \$19 million) and its share of capital commitments is \$80 million (2010: \$65 million).

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

**19. FINANCIAL ASSET INVESTMENTS**

US\$ million	2011			2010		
	Loans and receivables	Available for sale investments	Total	Loans and receivables	Available for sale investments	Total
At 1 January	1,920	1,300	3,220	1,595	1,131	2,726
Additions	4	84	88	124	187	311
Interest receivable	76	–	76	84	–	84
Net repayments	(22)	–	(22)	(15)	–	(15)
Disposals	–	(14)	(14)	–	(440)	(440)
Movements in fair value	(10)	115	105	(5)	316	311
Currency movements	(278)	(279)	(557)	137	106	243
<b>At 31 December</b>	<b>1,690</b>	<b>1,206</b>	<b>2,896</b>	<b>1,920</b>	<b>1,300</b>	<b>3,220</b>

No provision for impairment is recorded against financial assets classified as Loans and receivables (2010: nil).

## 20. INVENTORIES

US\$ million	2011	2010
Raw materials and consumables	837	823
Work in progress	1,488	1,520
Finished products	1,192	1,261
	<b>3,517</b>	<b>3,604</b>

The cost of inventories recognised as an expense and included in cost of sales amounted to \$16,146 million (2010: \$14,262 million).

Inventories held at net realisable value amounted to \$285 million (2010: \$352 million).

Write-down of inventories (net of revaluation of provisionally priced purchases) amounted to \$16 million (2010: \$38 million).

There were no inventory write-downs reversed and recognised as a reduction in the inventory expense for the year (2010: \$29 million).

## 21. TRADE AND OTHER RECEIVABLES

US\$ million	2011			2010		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Trade receivables	2,704	168	2,872	2,816	178	2,994
Other receivables	744	236	980	755	134	889
Prepayments and accrued income	226	33	259	160	9	169
	<b>3,674</b>	<b>437</b>	<b>4,111</b>	<b>3,731</b>	<b>321</b>	<b>4,052</b>

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

US\$ million	2011	2010
Less than one month	137	130
Greater than one month, less than two months	16	18
Greater than two months, less than three months	7	12
Greater than three months	19	21
	<b>179</b>	<b>181</b>

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

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

US\$ million	2011	2010
At 1 January	53	51
Charge for the year	6	4
Disposals and transfer to assets held for sale	(3)	(2)
Currency movements	(2)	-
<b>At 31 December</b>	<b>54</b>	<b>53</b>

## 22. TRADE AND OTHER PAYABLES

US\$ million	2011	2010
Trade payables	3,001	2,748
Amounts owed to related parties	-	59
Tax and social security	177	162
Other payables	939	954
Accruals and deferred income	981	1,027
	<b>5,098</b>	<b>4,950</b>

## 23. FINANCIAL ASSETS

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

US\$ million	2011		2010	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
<b>At fair value through profit and loss</b>				
Trade and other receivables <sup>(1)</sup>	596	596	777	777
Other financial assets (derivatives) <sup>(2)</sup>	840	840	842	842
<b>Loans and receivables</b>				
Cash and cash equivalents	11,732	11,732	6,401	6,401
Trade and other receivables <sup>(1)</sup>	3,256	3,256	3,106	3,106
Financial asset investments	1,647	1,690	1,871	1,920
<b>Available for sale investments</b>				
Financial asset investments	1,206	1,206	1,300	1,300
<b>Total financial assets</b>	<b>19,277</b>	<b>19,320</b>	<b>14,297</b>	<b>14,346</b>

<sup>(1)</sup> Trade and other receivables exclude prepayments and accrued income.

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

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

### Fair value hierarchy

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

US\$ million	2011				2010			
	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Level 3 <sup>(3)</sup>	Total	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Level 3 <sup>(3)</sup>	Total
<b>At fair value through profit and loss</b>								
Trade and other receivables	–	596	–	596	–	777	–	777
Other financial assets (derivatives)	–	677	163	840	–	801	41	842
<b>Available for sale investments</b>								
Financial asset investments	1,142	10	54	1,206	1,223	22	55	1,300
	<b>1,142</b>	<b>1,283</b>	<b>217</b>	<b>2,642</b>	<b>1,223</b>	<b>1,600</b>	<b>96</b>	<b>2,919</b>

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

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

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

There have been no significant transfers between levels in 2011 or 2010. The movements in the fair value of the level 3 financial assets are shown in the following table:

US\$ million	2011	2010
At 1 January	96	71
Net gain/(loss) recorded in remeasurements	37	(6)
Net gain recorded in the statement of comprehensive income	9	10
Cash flow	(29)	–
Additions	9	3
Disposals and transfer to assets held for sale	(12)	(26)
Reclassification from/to level 3 financial liabilities	123	41
Currency movements	(16)	3
<b>At 31 December</b>	<b>217</b>	<b>96</b>

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

US\$ million	Change in assumption	2011	2010
		Increase/(decrease) in fair value of assets	Increase/(decrease) in fair value of assets
Other financial assets (derivatives)	Increase of 5% in dividend forecast	10	11
	Decrease of 5% in dividend forecast	(10)	(11)
	Shift of TJLP curve <sup>(1)</sup>	n/a	38
Financial asset investments	Decrease of 10% in liquidity discount percentage	11	14
	Increase of 10% in liquidity discount percentage	(11)	(14)

<sup>(1)</sup> TJLP is a Brazilian domestic interest rate. The sensitivities at 31 December 2011 are provided on the net liability position of such level 3 financial instruments and are disclosed in note 24.

Financial asset risk exposures are set out in note 25.

## 24. FINANCIAL LIABILITIES

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

US\$ million	2011		2010	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
<b>At fair value through profit and loss</b>				
Trade and other payables <sup>(1)</sup>	262	262	434	434
Other financial liabilities (derivatives) <sup>(2)</sup>	1,112	1,112	835	835
<b>Designated into fair value hedge</b>				
Borrowings	8,867	8,074	8,815	8,192
<b>Financial liabilities at amortised cost</b>				
Trade and other payables <sup>(1)</sup>	4,637	4,637	4,317	4,317
Borrowings <sup>(3)</sup>	5,526	4,799	7,216	5,247
Other non-current liabilities <sup>(4)</sup>	55	55	87	87
<b>Total financial liabilities</b>	<b>20,459</b>	<b>18,939</b>	21,704	19,112

<sup>(1)</sup> Trade and other payables exclude tax and social security and deferred income.

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

<sup>(3)</sup> The fair value of the convertible bond represents the quoted price of the debt and therefore includes the portion accounted for in equity.

<sup>(4)</sup> Other non-current liabilities exclude non-current deferred income.

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

### Fair value hierarchy

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

US\$ million	2011				2010			
	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Level 3 <sup>(3)</sup>	Total	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Level 3 <sup>(3)</sup>	Total
<b>At fair value through profit and loss</b>								
Trade and other payables	–	262	–	262	–	434	–	434
Other financial liabilities (derivatives)	–	924	188	1,112	–	775	60	835
	–	1,186	188	1,374	–	1,209	60	1,269

<sup>(1)</sup> Valued using unadjusted quoted prices in active markets for identical financial instruments.

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

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

There have been no significant transfers between levels in 2011 or 2010. The movements in the fair value of the level 3 financial liabilities are shown in the following table:

US\$ million	2011	2010
At 1 January	60	113
Net gain recorded in remeasurements	(5)	(121)
Cash flow	15	–
Reclassification to/from level 3 financial assets	123	41
Currency movements	(5)	27
<b>At 31 December</b>	<b>188</b>	60

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

US\$ million	Change in assumption	2011	2010
		Increase in fair value of liabilities	Increase in fair value of liabilities
Other financial liabilities (derivatives)	Shift of TJLP curve <sup>(1)</sup>	21	n/a

<sup>(1)</sup> TJLP is a Brazilian domestic interest rate. The sensitivities at 31 December 2011 are provided on the net liability position of such level 3 financial instruments.

Financial liability risk exposures are set out in note 25.

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

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

US\$ million	2011			2010		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
<b>Secured</b>						
Bank loans and overdrafts <sup>(1)</sup>	55	276	331	57	404	461
Obligations under finance leases <sup>(2)</sup>	4	17	21	5	5	10
	<b>59</b>	<b>293</b>	<b>352</b>	62	409	471
<b>Unsecured</b>						
Bank loans and overdrafts	673	1,722	2,395	1,276	1,536	2,812
Bonds issued under EMTN programme	163	4,167	4,330	62	4,346	4,408
US bonds	–	3,408	3,408	–	3,249	3,249
Convertible bond <sup>(3)</sup>	–	1,504	1,504	–	1,434	1,434
Other loans	123	761	884	135	930	1,065
	<b>959</b>	<b>11,562</b>	<b>12,521</b>	1,473	11,495	12,968
<b>Total</b>	<b>1,018</b>	<b>11,855</b>	<b>12,873</b>	1,535	11,904	13,439

<sup>(1)</sup> Assets with a book value of \$408 million (2010: \$569 million) have been pledged as security, of which \$170 million (2010: \$212 million) are property, plant and equipment, \$113 million (2010: \$183 million) are financial assets and \$125 million (2010: \$174 million) are inventories. Related to these assets are borrowings of \$331 million (2010: \$461 million) in respect of project financing arrangements.

<sup>(2)</sup> Details of assets held under finance leases are provided in note 15. The minimum lease payments under finance leases fall due as follows:

US\$ million	2011	2010
Within one year	4	5
Greater than one year, less than five years	12	4
Greater than five years	13	1
	<b>29</b>	10
Future finance charges on finance leases	(8)	–
Present value of finance lease liabilities	<b>21</b>	10

<sup>(3)</sup> The debt component of the convertible bond includes cumulative unwinding of discount of \$175 million (2010: \$104 million) and the effect of conversions during the year of \$1 million (2010: nil).

Net additional medium and long term borrowings were \$964 million (2010: \$1,194 million) and net repayments of short term borrowings were \$1,261 million (2010: \$2,338 million) as disclosed in the Consolidated cash flow statement. Additional borrowings during 2011 primarily comprised funding from the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) for the Barro Alto and Minas-Rio projects in Brazil.

During 2010 the Group raised \$150 million through the issuance of notes under the Euro Medium Term Note (EMTN) programme, R1 billion (\$151 million) through the issuance of notes under the South African Domestic Medium Term Note programme and \$1.25 billion through the issuance of senior notes (US bonds).

**Convertible bond**

During 2009 the Group issued \$1.7 billion of 4% senior convertible notes (the Notes) which, at the holders' election, could be exchanged for ordinary shares of Anglo American plc at a conversion price of £18.6370. The Group will have the option to call the Notes after three years from the date of issuance subject to certain conditions and, unless the Notes are redeemed, converted or cancelled, they will mature in 2014. Following the 2010 final dividend declaration and in accordance with the terms and conditions of the Notes, the conversion price was adjusted to £18.3600 with effect from 13 April 2011.

On issuance of the Notes, the fair values of the debt and equity conversion feature were \$1,330 million and \$355 million respectively. The equity conversion feature is presented in equity within Fair value and other reserves.

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

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

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

**Credit risk**

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

US\$ million	2011	2010
Cash and cash equivalents	11,732	6,401
Trade and other receivables <sup>(1)</sup>	3,852	3,883
Financial asset investments <sup>(2)</sup>	1,690	1,920
Other financial assets (derivatives)	840	842
Financial guarantees <sup>(3)</sup>	51	92
	<b>18,165</b>	13,138

<sup>(1)</sup> Trade and other receivables exclude prepayments and accrued income.

<sup>(2)</sup> Financial asset investments exclude available for sale investments.

<sup>(3)</sup> Financial guarantees issued by the Group in respect of third party liabilities represent an exposure to credit risk in excess of the Group's financial assets.

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

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

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

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

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

### Liquidity risk

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

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

US\$ million	2011						2010					
	Within one year			One to two years			Within one year			One to two years		
	Fixed interest	Floating interest	Capital repayment	Fixed interest	Floating interest	Capital repayment	Fixed interest	Floating interest	Capital repayment	Fixed interest	Floating interest	Capital repayment
Financial liabilities (excluding derivatives)	(549)	(181)	(5,962) <sup>(1)</sup>	(549)	(127)	(2,433)	(566)	(148)	(6,356) <sup>(1)</sup>	(566)	(126)	(1,155)
Net settled derivatives <sup>(2)</sup>	470	(246)	2	470	(250)	(140)	485	(303)	13	486	(306)	3
	(79)	(427)	(5,960)	(79)	(377)	(2,573)	(81)	(451)	(6,343)	(80)	(432)	(1,152)

  

US\$ million	2011						2010					
	Two to five years			Greater than five years			Two to five years			Greater than five years		
	Fixed interest	Floating interest	Capital repayment	Fixed interest	Floating interest	Capital repayment	Fixed interest	Floating interest	Capital repayment	Fixed interest	Floating interest	Capital repayment
Financial liabilities (excluding derivatives)	(798)	(254)	(6,551) <sup>(3)</sup>	(354)	(104)	(3,952)	(1,197)	(137)	(7,504) <sup>(3)</sup>	(530)	(1,400)	(3,241)
Net settled derivatives <sup>(2)</sup>	761	(305)	(468)	350	(127)	(219)	1,083	(619)	(337)	530	(282)	(291)
	(37)	(559)	(7,019)	(4)	(231)	(4,171)	(114)	(756)	(7,841)	-	(1,682)	(3,532)

<sup>(1)</sup> Assumes maximum cash outflow in respect of third party guarantees issued by the Group and repayment of all short term borrowings with no refinancing.

<sup>(2)</sup> The expected maturities are not materially different from the contracted maturities.

<sup>(3)</sup> Includes the full outstanding value of the convertible bond and assumes no further conversion.

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

US\$ million	2011	2010
<b>Expiry date</b>		
Within one year <sup>(1)</sup>	1,781	3,781
Greater than one year, less than two years	1,268	12
Greater than two years, less than five years	5,294	7,269
Greater than five years	76	58
	<b>8,419<sup>(2)</sup></b>	11,120

<sup>(1)</sup> Includes undrawn facilities equivalent to \$1.6 billion (2010: \$1.7 billion) in respect of a series of facilities with 364 day maturities which roll automatically on a daily basis, unless notice is served.

<sup>(2)</sup> In February 2011 the Group retired a \$2.25 billion revolving credit facility maturing in June 2011.

### Market risk

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

### Foreign exchange risk

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

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

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

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

US\$ million	2011				2010			
	Financial assets (excluding derivatives)	Impact of currency derivatives <sup>(1)</sup>	Derivative assets	Total financial assets – exposure to currency risk	Financial assets (excluding derivatives)	Impact of currency derivatives <sup>(1)</sup>	Derivative assets	Total financial assets – exposure to currency risk
US dollar	10,639	(186)	742	11,195	5,293	(140)	765	5,918
Rand	5,761	186	98	6,045	6,065	140	77	6,282
Brazilian real	839	–	–	839	571	–	–	571
Sterling	467	–	–	467	386	–	–	386
Australian dollar	383	–	–	383	811	–	–	811
Euro	9	–	–	9	20	–	–	20
Other currencies	382	–	–	382	358	–	–	358
<b>Total financial assets</b>	<b>18,480</b>	<b>–</b>	<b>840</b>	<b>19,320</b>	<b>13,504</b>	<b>–</b>	<b>842</b>	<b>14,346</b>

  

US\$ million	2011				2010			
	Financial liabilities (excluding derivatives)	Impact of currency derivatives <sup>(1)</sup>	Derivative liabilities	Total financial liabilities – exposure to currency risk	Financial liabilities (excluding derivatives)	Impact of currency derivatives <sup>(1)</sup>	Derivative liabilities	Total financial liabilities – exposure to currency risk
US dollar	(6,970)	(5,282)	(1,096)	(13,348)	(6,444)	(5,797)	(813)	(13,054)
Rand	(3,595)	(37)	(16)	(3,648)	(3,906)	(22)	(22)	(3,950)
Brazilian real	(1,608)	1,138	–	(470)	(1,098)	462	–	(636)
Sterling	(1,181)	740	–	(441)	(2,136)	1,796	–	(340)
Australian dollar	(564)	–	–	(564)	(595)	–	–	(595)
Euro	(3,436)	3,428	–	(8)	(3,500)	3,486	–	(14)
Other currencies	(473)	13	–	(460)	(598)	75	–	(523)
<b>Total financial liabilities</b>	<b>(17,827)</b>	<b>–</b>	<b>(1,112)</b>	<b>(18,939)</b>	<b>(18,277)</b>	<b>–</b>	<b>(835)</b>	<b>(19,112)</b>

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

**Interest rate risk**

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

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

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

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

US\$ million	2011					2010				
	Interest bearing financial assets		Non-interest bearing financial assets			Interest bearing financial assets		Non-interest bearing financial assets		
	Floating rate	Fixed rate <sup>(1)</sup>	Equity investments	Other	Total	Floating rate	Fixed rate <sup>(1)</sup>	Equity investments	Other	Total
Financial assets (excluding derivatives) <sup>(2)</sup>	12,623	689	1,206	3,962	18,480	6,981	1,068	1,300	4,155	13,504
Derivative assets	638	–	–	202	840	315	–	–	527	842
<b>Financial asset exposure to interest rate risk</b>	<b>13,261</b>	<b>689</b>	<b>1,206</b>	<b>4,164</b>	<b>19,320</b>	<b>7,296</b>	<b>1,068</b>	<b>1,300</b>	<b>4,682</b>	<b>14,346</b>

<sup>(1)</sup> Includes \$534 million (2010: \$643 million) of preference shares in BEE entities.

<sup>(2)</sup> At 31 December 2011 and 31 December 2010 no interest rate swaps were held in respect of financial asset exposures.

Floating rate financial assets consist mainly of cash and bank term deposits. Interest on floating rate financial assets is based on the relevant national inter-bank rates. Fixed rate financial assets consist mainly of financial asset investments and cash, and have a weighted average interest rate of 12.7% (2010: 11.7%) for an average period of three years (2010: three years). Equity investments have no maturity period and the majority are fully liquid.

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

US\$ million	2011				2010			
	Interest bearing financial liabilities		Non-interest bearing financial liabilities		Interest bearing financial liabilities		Non-interest bearing financial liabilities	
	Floating rate	Fixed rate	Equity investments	Total	Floating rate	Fixed rate	Equity investments	Total
Financial liabilities (excluding derivatives)	(3,254)	(9,610)	(4,963)	(17,827)	(3,921)	(9,507)	(4,849)	(18,277)
Impact of interest rate swaps <sup>(1)</sup>	(8,074)	8,074	–	–	(8,046)	8,046	–	–
Derivative liabilities	(158)	–	(954)	(1,112)	(44)	–	(791)	(835)
<b>Financial liability exposure to interest rate risk</b>	<b>(11,486)</b>	<b>(1,536)</b>	<b>(5,917)</b>	<b>(18,939)</b>	<b>(12,011)</b>	<b>(1,461)</b>	<b>(5,640)</b>	<b>(19,112)</b>

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

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

Interest on floating rate financial liabilities is based on the relevant national inter-bank rates. Remaining fixed rate borrowings accrue interest at a weighted average interest rate of 9.3% (2010: 9.3%) for an average period of two years (2010: three years). Average maturity on non-interest bearing instruments is 12 months (2010: 14 months).

### Commodity price risk

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

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

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

US\$ million	2011				2010			
	Commodity price linked		Not linked to commodity price	Total	Commodity price linked		Not linked to commodity price	Total
	Subject to price movements	Fixed price <sup>(1)</sup>			Subject to price movements	Fixed price <sup>(1)</sup>		
Total net financial instruments (excluding derivatives)	352	945	(644)	653	(136)	1,322	(5,959)	(4,773)
Commodity derivatives (net)	(17)	–	–	(17)	(26)	–	–	(26)
Non-commodity derivatives (net)	–	–	(255)	(255)	–	–	33	33
<b>Total financial instrument exposure to commodity risk</b>	<b>335</b>	<b>945</b>	<b>(899)</b>	<b>381</b>	<b>(162)</b>	<b>1,322</b>	<b>(5,926)</b>	<b>(4,766)</b>

<sup>(1)</sup> Includes receivables and payables for commodity sales and purchases not subject to price adjustment at the balance sheet date.

### Derivatives

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

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

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

### Embedded derivatives

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

### Cash flow hedges

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

### Fair value hedges

The majority of interest rate swaps (taken out to swap the Group's fixed rate borrowings to floating rate, in accordance with the Group's policy) have been designated as fair value hedges. The carrying value of the hedged debt is adjusted at each balance sheet date to reflect the impact on its fair value of changes in market interest rates. Changes in the fair value of the hedged debt are offset against fair value changes in the interest rate swap and classified within net finance costs in the income statement.

### Non-hedges

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

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

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

US\$ million	Current				Non-current			
	2011		2010		2011		2010	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
<b>Cash flow hedge</b>								
Forward foreign currency contracts	6	(1)	50	-	-	-	-	-
<b>Fair value hedge</b>								
Interest rate swaps	-	-	-	-	538	-	309	(44)
Forward commodity contracts	-	(5)	-	-	-	-	-	-
<b>Non-hedge ('Held for trading')</b>								
Forward foreign currency contracts	117	(121)	307	(34)	11	(33)	119	-
Cross currency swaps	49	-	20	-	55	(908)	3	(676)
Other	-	(35)	-	(46)	64	(9)	34	(35)
	<b>172</b>	<b>(162)</b>	<b>377</b>	<b>(80)</b>	<b>668</b>	<b>(950)</b>	<b>465</b>	<b>(755)</b>

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

**Normal purchase and normal sale contracts**

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

**Capital risk management**

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

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

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

US\$ million	2011	2010
Net assets	43,189	37,971
Net debt including hedges (see note 31c)	1,374	7,384
<b>Total capital</b>	<b>44,563</b>	<b>45,355</b>
<b>Gearing</b>	<b>3.1%</b>	<b>16.3%</b>

The decrease in gearing since 31 December 2010 reflects the 81% reduction in net debt in the year. Net assets at 31 December 2011 were 14% higher than at 31 December 2010 due to retained profit for the year and other net gains in equity. A significant portion of these profits and gains were realised in cash, which is excluded from the calculation of total capital. Consequently, total capital remained broadly flat year on year.

**Financial instrument sensitivities**

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

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

The following assumptions were made in calculating the sensitivity analysis:

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

Using the above assumptions, the following table shows the illustrative effect on the income statement and equity that would result from reasonably possible changes in the relevant commodity price. The Group has determined that at 31 December 2011 and 31 December 2010, based on the above assumptions there is no significant sensitivity to changes in market interest rates.

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

US\$ million	2011		2010	
	Income statement	Equity	Income statement	Equity
<b>Foreign currency sensitivities<sup>(1)</sup></b>				
+10% US dollar to rand	(81)	(77)	(76)	(76)
-10% US dollar to rand	81	77	76	76
+10% US dollar to Brazilian real <sup>(2)</sup>	402	405	456	482
-10% US dollar to Brazilian real <sup>(2)</sup>	(279)	(282)	(297)	(302)
+10% US dollar to Australian dollar	36	36	23	23
-10% US dollar to Australian dollar	(36)	(36)	(23)	(23)
+10% US dollar to Chilean peso <sup>(2)</sup>	15	15	38	60
-10% US dollar to Chilean peso <sup>(2)</sup>	(18)	(18)	(46)	(73)
<b>Commodity price sensitivities</b>				
10% increase in the copper price	37	37	59	59
10% decrease in the copper price	(37)	(37)	(59)	(59)
10% increase in the platinum price	(15)	(15)	(19)	(19)
10% decrease in the platinum price	15	15	19	19

<sup>(1)</sup> + represents strengthening of US dollar against the respective currency.

<sup>(2)</sup> Includes sensitivities for non-hedge derivatives related to capital expenditure.

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

- fluctuating trade receivable and trade payable balances
- derivative instruments and borrowings settled throughout the year
- fluctuating cash balances
- changes in currency mix.

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

## 26. PROVISIONS FOR LIABILITIES AND CHARGES

US\$ million	2011				
	Environmental restoration <sup>(1)</sup>	Decommissioning <sup>(1)</sup>	Employee benefits	Other	Total
At 1 January	931	374	262	545	2,112
Charged to the income statement	112	1	121	164	398
Capitalised	21	25	-	71	117
Unwinding of discount	51	19	1	6	77
Amounts applied	(9)	(1)	(117)	(153)	(280)
Unused amounts reversed	(12)	(27)	-	(25)	(64)
Disposal of businesses	(1)	(1)	-	(1)	(3)
Currency movements	(104)	(41)	(10)	-	(155)
<b>At 31 December</b>	<b>989</b>	<b>349</b>	<b>257</b>	<b>607</b>	<b>2,202</b>

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

Maturity analysis of total provisions:

US\$ million	2011	2010
Current	372	446
Non-current	1,830	1,666
	<b>2,202</b>	<b>2,112</b>

### Environmental restoration

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

### Decommissioning

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

### Employee benefits

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

### Other

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

**27. DEFERRED TAX**

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

US\$ million	2011	2010
<b>Deferred tax assets</b>		
At 1 January	389	288
Credited to the income statement	207	69
Credited/(charged) to the statement of comprehensive income	15	(16)
(Charged)/credited directly to equity	(21)	51
Transfers	-	(27)
Disposal of businesses	(1)	-
Currency movements	(59)	24
<b>At 31 December</b>	<b>530</b>	<b>389</b>

US\$ million	2011	2010
<b>Deferred tax liabilities</b>		
At 1 January	(5,641)	(5,192)
Charged to the income statement	(757)	(222)
Charged to the statement of comprehensive income	(5)	(76)
(Charged)/credited directly to equity	(106)	17
Acquired/released in respect of business combinations	-	98
Transfers	-	52
Disposal of businesses	6	119
Currency movements	773	(437)
<b>At 31 December</b>	<b>(5,730)</b>	<b>(5,641)</b>

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

US\$ million	2011	2010
<b>Deferred tax assets</b>		
Tax losses	273	105
Post employment benefits	35	45
Share-based payments	15	55
Other temporary differences	207	184
	<b>530</b>	<b>389</b>
<b>Deferred tax liabilities</b>		
Capital allowances in excess of depreciation	(3,334)	(3,121)
Fair value adjustments	(1,806)	(1,903)
Tax losses	103	103
Derivatives	(167)	(211)
Provisions	(435)	(507)
Other temporary differences	(91)	(2)
	<b>(5,730)</b>	<b>(5,641)</b>

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

US\$ million	2011	2010
Capital allowances in excess of depreciation	(615)	(162)
Fair value adjustments	(118)	168
Tax losses	167	42
Derivatives	36	(105)
Provisions	82	(44)
Other temporary differences	(102)	(52)
	<b>(550)</b>	<b>(153)</b>

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

US\$ million	2011	2010
<b>Deferred tax assets</b>		
Recoverable within one year	52	49
Recoverable after one year	478	340
	<b>530</b>	<b>389</b>
<b>Deferred tax liabilities</b>		
Payable within one year	(505)	(283)
Payable after one year	(5,225)	(5,358)
	<b>(5,730)</b>	<b>(5,641)</b>

## 27. DEFERRED TAX continued

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

US\$ million	2011				2010			
	Tax losses – revenue	Tax losses – capital	Other temporary differences	Total	Tax losses – revenue	Tax losses – capital	Other temporary differences	Total
<b>Expiry date</b>								
Within one year	–	–	–	–	–	–	–	–
Greater than one year, less than five years	–	–	–	–	15	–	–	15
Greater than five years	111	–	–	111	84	–	–	84
No expiry date	3,082	1,067	403	4,552	3,023	1,252	8	4,283
	<b>3,193</b>	<b>1,067</b>	<b>403</b>	<b>4,663</b>	<b>3,122</b>	<b>1,252</b>	<b>8</b>	<b>4,382</b>

The Group also has unused tax credits of \$18 million (2010: \$84 million) for which no deferred tax asset is recognised in the balance sheet. None of these credits expire within five years.

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with such investments in subsidiaries, branches and associates and interests in joint ventures is represented by the contribution of those investments to the Group's retained earnings and amounted to \$25,876 million (2010: \$20,277 million).

## 28. RETIREMENT BENEFITS

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

### Defined contribution plans

The defined contribution pension and medical cost represents the actual contributions payable by the Group to the various plans. At 31 December 2011 there were no material outstanding or prepaid contributions and so no accrual or prepayment has been disclosed in the balance sheet in relation to these plans.

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans is calculated on the basis of the contribution payable by the Group in the financial year. The charge for the year for defined contribution pension plans (net of amounts capitalised) was \$254 million (2010: \$216 million) and for defined contribution medical plans (net of amounts capitalised) was \$57 million (2010: \$23 million).

### Defined benefit pension plans and post employment medical plans

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

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

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

Independent qualified actuaries carry out full valuations every three years using the projected unit credit method. The actuaries have updated the valuations to 31 December 2011.

### Actuarial assumptions

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

%	2011			2010		
	Southern Africa	The Americas	Europe	Southern Africa	The Americas	Europe
<b>Defined benefit pension plans</b>						
Average discount rate for plan liabilities	8.5	7.8	4.8	8.5	8.5	5.4
Average rate of inflation	6.5	3.6	2.7	5.8	3.8	3.2
Average rate of increase in salaries	7.8 <sup>(1)</sup>	6.5	n/a <sup>(2)</sup>	7.0	6.8	0.4
Average rate of increase of pensions in payment	6.5	3.3	3.0	5.8	3.6	3.5
Average long term rate of return on plan assets <sup>(3)</sup>	5.2	12.8	5.0	9.1	12.4	6.1
<b>Post employment medical plans</b>						
Average discount rate for plan liabilities	8.5	n/a	n/a	8.5	n/a	n/a
Average rate of inflation	6.5	n/a	n/a	5.8	n/a	n/a
Expected average increase in healthcare costs	7.9	n/a	n/a	7.2	n/a	n/a

<sup>(1)</sup> Plans in southern Africa have ceased future accrual of benefits but some benefits remain linked to salary increases.

<sup>(2)</sup> European plans have ceased future accrual of benefits.

<sup>(3)</sup> The long term expected return on plan assets has been set with reference to current market yields on government and corporate bonds, plus expected equity and corporate bond-outperformance over government bonds in the relevant jurisdictions. The expected return on cash assets has been set with reference to current bank base rates. The overall long term expected rate of return for each asset class is weighted by the asset allocation to the asset class at the balance sheet date.

**28. RETIREMENT BENEFITS** continued

Mortality assumptions are determined based on standard mortality tables with adjustments, as appropriate, to reflect experience of conditions locally. In southern Africa, the PA90 tables (2010: PA90 tables) are used. The main plans in Europe use the SAPS tables (2010: SAPS tables). The main plans in the Americas use the RV2009 and AT2000 tables (2010: RV2009 and AT2000 tables). The mortality tables used imply that a male or female aged 60 at the balance sheet date has the following future life expectancy:

Years	Male		Female	
	2011	2010	2011	2010
Southern Africa	20.9	20.6	25.8	25.5
The Americas	23.2	23.2	27.2	27.2
Europe	27.4	27.4	30.0	30.0

**Summary of plans by geography**

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

US\$ million	2011				2010			
	Southern Africa	The Americas	Europe	Total	Southern Africa	The Americas	Europe	Total
<b>Assets<sup>(1)</sup></b>								
Defined benefit pension plans in surplus	70	–	–	70	112	–	–	112
<b>Liabilities</b>								
Defined benefit pension plans in deficit	–	(181)	(171)	(352)	–	(178)	(101)	(279)
Post employment medical plans in deficit	(287)	–	–	(287)	(312)	–	–	(312)
	(287)	(181)	(171)	(639)	(312)	(178)	(101)	(591)

<sup>(1)</sup> Amounts are included in Other non-current assets.

**Five year summary of plan assets and liabilities**

US\$ million	2011	2010	2009	2008	2007
<b>Defined benefit pension plans</b>					
Fair value of plan assets	2,583	2,732	2,731	2,073	3,148
Present value of plan liabilities	(2,792)	(2,840)	(2,975)	(2,157)	(3,095)
Net (deficit)/surplus	(209)	(108)	(244)	(84)	53
Surplus restriction	(73)	(59)	(106)	(61)	(136)
Net deficit after surplus restriction	(282)	(167)	(350)	(145)	(83)
Actuarial (loss)/gain on plan assets <sup>(1)</sup>	(32)	76	184	(392)	39
Actuarial (loss)/gain on plan liabilities <sup>(2)</sup>	(135)	19	(361)	208	(48)
<b>Post employment medical plans</b>					
Fair value of plan assets	22	25	20	17	20
Present value of plan liabilities	(309)	(337)	(322)	(241)	(329)
Net deficit	(287)	(312)	(302)	(224)	(309)
Actuarial gain on plan assets <sup>(3)</sup>	1	2	–	1	1
Actuarial (loss)/gain on plan liabilities <sup>(4)</sup>	(22)	(13)	(10)	16	(29)

<sup>(1)</sup> Net experience losses on pension plan assets were \$32 million (2010: gains of \$76 million; 2009: gains of \$184 million; 2008: losses of \$392 million; 2007: gains of \$32 million).

<sup>(2)</sup> Net experience losses on pension plan liabilities were \$10 million (2010: gains of \$38 million; 2009: losses of \$17 million; 2008: losses of \$29 million; 2007: losses of \$112 million).

<sup>(3)</sup> Net experience gains on medical plan assets were \$1 million (2010: gains of \$2 million; 2009: nil; 2008: gains of \$1 million; 2007: losses of \$1 million).

<sup>(4)</sup> Net experience losses on medical plan liabilities were \$1 million (2010: gains of \$5 million; 2009: losses of \$3 million; 2008: losses of \$7 million; 2007: losses of \$4 million).

The actuarial loss recognised in the Consolidated statement of comprehensive income of \$214 million (2010: gain of \$131 million) includes a charge for the increase in the surplus restriction of \$26 million (2010: credit for the decrease of \$57 million) and, in 2010, an actuarial loss of \$10 million related to disposal groups. The movement in the surplus restriction in the Consolidated statement of comprehensive income differs from that in the table above due to exchange differences. Cumulative net actuarial losses recognised in the Consolidated statement of comprehensive income are \$592 million (2010: \$378 million; 2009: \$509 million; 2008: \$292 million; 2007: \$163 million).

**Income statement**

The amounts recognised in the income statement are as follows:

US\$ million	2011			2010		
	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
<b>Analysis of the amount charged to operating profit</b>						
Current service costs	18	3	21	28	3	31
Past service costs and effects of settlements and curtailments	–	–	–	9	(6)	3
<b>Total within operating costs</b>	18	3	21	37	(3)	34
<b>Analysis of the amount charged to net finance costs</b>						
Expected return on plan assets <sup>(1)</sup>	(197)	(2)	(199)	(203)	(2)	(205)
Interest costs on plan liabilities <sup>(2)</sup>	181	24	205	193	26	219
<b>Net charge to net finance costs</b>	(16)	22	6	(10)	24	14
<b>Total charge to the income statement</b>	2	25	27	27	21	48

<sup>(1)</sup> Included in Investment income. See note 9.

<sup>(2)</sup> Included in Interest expense. See note 9.

## 28. RETIREMENT BENEFITS *continued*

### Pension plan assets and liabilities by geography

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

	2011							2010						
	Southern Africa		The Americas		Europe		Total	Southern Africa		The Americas		Europe		Total
	Rate of return %	Fair value US\$ million	Rate of return %	Fair value US\$ million	Rate of return %	Fair value US\$ million	Fair value US\$ million	Rate of return %	Fair value US\$ million	Rate of return %	Fair value US\$ million	Rate of return %	Fair value US\$ million	Fair value US\$ million
Equity	7.5	283	14.6	13	7.0	726	1,022	11.3	359	16.8	13	7.7	822	1,194
Bonds	4.1	512	12.6	124	3.7	715	1,351	8.0	597	12.0	128	4.7	582	1,307
Other	2.9	42	11.8	5	1.4	163	210	6.5	62	10.8	6	3.0	163	231
Fair value of pension plan assets <sup>(1)</sup>		837	142		1,604	2,583		1,018		147		1,567	2,732	
Present value of funded obligations <sup>(1)</sup>		(718)	(150)		(1,751)	(2,619)		(847)		(155)		(1,667)	(2,669)	
Present value of unfunded obligations		-	(173)		-	(173)		-		(170)		(1)	(171)	
Present value of pension plan liabilities		(718)	(323)		(1,751)	(2,792)		(847)		(325)		(1,668)	(2,840)	
Net surplus/(deficit) in pension plans		119	(181)		(147)	(209)		171		(178)		(101)	(108)	
Surplus restriction related to pension plans		(49)	-		(24)	(73)		(59)		-		-	(59)	
<b>Recognised pension plan assets/(liabilities)</b>		70	(181)		(171)	(282)		112		(178)		(101)	(167)	
<b>Amounts in the balance sheet</b>														
Pension assets		70	-		-	70		112		-		-	112	
Pension liabilities		-	(181)		(171)	(352)		-		(178)		(101)	(279)	
		70	(181)		(171)	(282)		112		(178)		(101)	(167)	

<sup>(1)</sup> The fair value of assets was used to determine the funding level of the plans. The fair value of the assets of the funded plans was sufficient to cover 99% (2010: 102%) of the benefits that had accrued to members after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions as required in accordance with local actuarial advice.

### Movement analysis

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

US\$ million	2011			2010		
	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	2,732	25	2,757	2,731	20	2,751
Past service costs and effects of settlements and curtailments	(31)	-	(31)	(127)	-	(127)
Expected return	197 <sup>(1)</sup>	2	199	203 <sup>(1)</sup>	2	205
Actuarial (losses)/gains	(32) <sup>(1)</sup>	1	(31)	76 <sup>(1)</sup>	2	78
Contributions paid by employer <sup>(2)</sup>	81	-	81	53	-	53
Benefits paid	(136)	(1)	(137)	(160)	(1)	(161)
Contributions paid by plan participants	1	-	1	2	-	2
Transfer to liabilities directly associated with assets held for sale	-	-	-	(113)	-	(113)
Currency movements	(229)	(5)	(234)	67	2	69
<b>At 31 December</b>	<b>2,583</b>	<b>22</b>	<b>2,605</b>	<b>2,732</b>	<b>25</b>	<b>2,757</b>

<sup>(1)</sup> The actual return on assets in respect of pension plans was \$165 million (2010: \$279 million).

<sup>(2)</sup> The Group expects to contribute approximately \$38 million to its pension plans and \$16 million to its post employment medical plans in 2012.

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

US\$ million	2011			2010		
	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	(2,840)	(337)	(3,177)	(2,975)	(322)	(3,297)
Current service costs	(18)	(3)	(21)	(28)	(3)	(31)
Past service costs and effects of settlements and curtailments	31	-	31	118	6	124
Interest costs	(181)	(24)	(205)	(193)	(26)	(219)
Actuarial (losses)/gains	(135)	(22)	(157)	19	(13)	6
Benefits paid	136	16	152	160	17	177
Contributions paid by plan participants	(1)	-	(1)	(2)	-	(2)
Transfer to liabilities directly associated with assets held for sale	-	-	-	128	40	168
Reclassification	-	-	-	(8)	-	(8)
Currency movements	216	61	277	(59)	(36)	(95)
<b>At 31 December</b>	<b>(2,792)</b>	<b>(309)</b>	<b>(3,101)</b>	<b>(2,840)</b>	<b>(337)</b>	<b>(3,177)</b>

**28. RETIREMENT BENEFITS** continued**Healthcare sensitivity analysis**

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

US\$ million	1% increase		1% decrease	
	2011	2010	2011	2010
Effect on the sum of service costs and interest costs	4	3	(3)	(3)
Effect on defined benefit obligations	35	37	(28)	(31)

**29. CALLED-UP SHARE CAPITAL AND SHARE-BASED PAYMENTS****Called-up share capital**

	2011		2010	
	Number of shares	US\$ million	Number of shares	US\$ million
Called-up, allotted and fully paid:				
5% cumulative preference shares of £1 each	50,000	–	50,000	–
Ordinary shares of 54 <sup>86</sup> / <sub>91</sub> US cents each:				
At 1 January	1,342,932,714	738	1,342,927,138	738
Allotted during the year	34,744	–	5,576	–
<b>At 31 December</b>	<b>1,342,967,458</b>	<b>738</b>	<b>1,342,932,714</b>	<b>738</b>

During 2011 5,487 ordinary shares of 54<sup>86</sup>/<sub>91</sub> US cents each were allotted to certain non-executive directors by subscription of their after tax directors' fees (2010: 5,576 ordinary shares). In addition, 29,257 ordinary shares of 54<sup>86</sup>/<sub>91</sub> US cents each were allotted upon the conversion of Anglo American plc convertible bonds due 2014 (2010: nil), see note 24.

Excluding shares held in treasury (but including the shares held by the Group in other structures, as outlined in the Tenon and Employee benefit trust sections below) the number and carrying value of called-up, allotted and fully paid ordinary shares as at 31 December 2011 was 1,323,428,547 and \$727 million (2010: 1,320,052,246; \$725 million).

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

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

No ordinary shares were allotted on exercise of employee share option plans (2010: nil).

**Treasury shares**

At 31 December 2011 the Company held 19,538,911 ordinary shares of 54<sup>86</sup>/<sub>91</sub> US cents in treasury (2010: 22,880,468 ordinary shares). During 2011 3,341,557 treasury shares (2010: 3,553,042 treasury shares) were transferred to employees in settlement of share awards.

**Tenon**

Tenon Investment Holdings (Pty) Limited (Tenon), a wholly owned subsidiary of Anglo American South Africa Limited (AASA), has entered into agreements with Epoch Investment Holdings Limited (Epoch), Epoch Two Investment Holdings Limited (Epoch Two) and Tarl Investment Holdings Limited (Tarl) (collectively the Investment Companies), each owned by independent charitable trusts whose trustees are independent of the Group. Under the terms of these agreements, the Investment Companies have purchased Anglo American plc shares on the market and have granted to Tenon the right to nominate a third party (which may include Anglo American plc but not any of its subsidiaries) to take transfer of the Anglo American plc shares each has purchased on the market. Tenon paid the Investment Companies 80% of the cost of the Anglo American plc shares including associated costs for this right to nominate, which together with subscriptions by Tenon for non-voting participating redeemable preference shares in the Investment Companies, provided all the funding required to acquire the Anglo American plc shares through the market. These payments by Tenon were sourced from the cash resources of AASA. Tenon is able to exercise its right of nomination at any time up to 31 December 2025 against payment of an average amount of \$6.69 per share to Epoch, \$10.41 per share to Epoch Two and \$8.64 per share to Tarl which will be equal to 20% of the total costs respectively incurred by Epoch, Epoch Two and Tarl in purchasing shares nominated for transfer to the third party. These funds will then become available for redemption of the preference shares issued by the Investment Companies. The amount payable by the third party on receipt of the Anglo American plc shares will accrue to Tenon and, in accordance with paragraph 33 of IAS 32, any resulting gain or loss recorded by Tenon will not be recognised in the income statement of Anglo American plc.

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

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

At 31 December 2011 the Investment Companies together held 112,300,129 (2010: 112,300,129) Anglo American plc shares with a market value of \$4,125 million (2010: \$5,852 million) which represented 8.5% (2010: 8.5%) of the ordinary shares in issue (excluding treasury shares). The Investment Companies are not permitted to hold more than an aggregate of 10% of the issued share capital of Anglo American plc at any one time.

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

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

### Employee benefit trust

The provision of shares to certain of the Company's share option and share incentive schemes may be facilitated by an employee benefit trust or settled by the issue of treasury shares. During 2011 no shares (2010: 948,259 shares) from the trust were transferred to employees in settlement of share awards. The cost of shares purchased by the trust is presented against retained earnings. The employee benefit trust has waived the right to receive dividends on these shares.

The market value of the 985 shares (2010: 985 shares) held by the trust at 31 December 2011 was \$36,000 (2010: \$51,000).

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

### Share-based payments

During the year ended 31 December 2011, the Group had share-based payment arrangements with employees relating to shares of the Company, the details of which are described in the Remuneration report. All of these Company schemes are equity settled, either by award of ordinary shares (BSP, LTIP and SIP) or award of options to acquire ordinary shares (ESOS and SAYE). The ESOS is now closed to new participants, having been replaced with the BSP. The DOP has since replaced the ESOS for use in special circumstances, relating to the recruitment or retention of key executives. No options have been granted under the DOP.

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

US\$ million	2011	2010
BSP	92	69
LTIP	36	41
Other schemes	15	16
<b>Share-based payment charge relating to Anglo American plc shares<sup>(1)</sup></b>	<b>143</b>	<b>126</b>

<sup>(1)</sup> There are equity settled employee share-based payment charges of \$47 million (2010: \$27 million) relating to Kumba Iron Ore Limited shares and \$72 million (2010: \$61 million) relating to Anglo American Platinum Limited shares. In addition business units had a net cash settled employee share-based payment credit of \$2 million (2010: charge of \$9 million).

### Schemes settled by award of ordinary shares

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

Arrangement <sup>(1)</sup>	2011				2010			
	BSP	LTIP	LTIP – AOSC	LTIP – TSR	BSP	LTIP	LTIP – AOSC	LTIP – TSR
Date of grant	04/03/11	04/03/11	04/03/11	04/03/11	19/03/10	12/03/10	12/03/10	12/03/10
Number of instruments	3,364,610	879,630	267,407	267,407	3,007,996	871,864	220,369	220,369
Share price at the date of grant (£)	32.08	31.99	31.99	31.99	23.80	25.69	25.69	25.69
Contractual life (years)	3	3	3	3	3	3	3	3
Vesting conditions	<sup>(2)</sup>	<sup>(3)</sup>	<sup>(4)</sup>	<sup>(5)</sup>	<sup>(2)</sup>	<sup>(3)</sup>	<sup>(4)</sup>	<sup>(5)</sup>
Expected volatility	40%	40%	40%	40%	40%	40%	40%	40%
Risk free interest rate	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Expected departures	5% pa	5% pa	5% pa	5% pa	5% pa	5% pa	5% pa	5% pa
Expected outcome of meeting performance criteria (at date of grant)	100%	100%	100%	n/a	100%	100%	100%	n/a
Fair value at date of grant (weighted average) (£)	33.25	33.25	33.25	21.80	26.64	27.08	27.08	23.56

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

<sup>(2)</sup> Three years of continuous employment with enhancement shares having variable vesting based on non-market based performance conditions.

<sup>(3)</sup> Three years of continuous employment.

<sup>(4)</sup> Variable vesting dependent on three years of continuous employment and Group AOSC target being achieved.

<sup>(5)</sup> Variable vesting dependent on three years of continuous employment and market based performance conditions being achieved.

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

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

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

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

**Bonus Share Plan<sup>(1)</sup>**

Ordinary shares of 54<sup>86</sup>/<sub>91</sub> US cents may be awarded under the terms of this scheme for no consideration.

	2011	2010
Outstanding at 1 January	9,020,260	8,589,412
Conditionally awarded in year	3,366,076	3,009,494
Vested in year	(1,052,193)	(1,592,468)
Forfeited in year	(1,227,770)	(986,178)
<b>Outstanding at 31 December</b>	<b>10,106,373</b>	<b>9,020,260</b>

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

**Long Term Incentive Plan<sup>(1)(2)</sup>**

Ordinary shares of 54<sup>86</sup>/<sub>91</sub> US cents may be awarded under the terms of this scheme for no consideration.

	2011	2010
Outstanding at 1 January	4,012,568	4,790,915
Conditionally awarded in year	1,414,444	1,312,602
Vested in year	(730,807)	(1,195,667)
Forfeited in year	(975,670)	(895,282)
<b>Outstanding at 31 December</b>	<b>3,720,535</b>	<b>4,012,568</b>

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

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

**Share Incentive Plan**

Ordinary shares of 54<sup>86</sup>/<sub>91</sub> US cents may be awarded under the terms of this scheme for no consideration.

	Awards outstanding at 31 December 2011	Awards outstanding at 31 December 2010	Latest release date
Share Incentive Plan	1,016,074	915,652	7 December 2014

**Schemes settled by award of options**

The fair value of options granted under the SAYE scheme, being the only material option scheme, was calculated using a Black Scholes model. No ESOS awards were granted in 2011 or 2010. The assumptions used in these calculations for the current and prior years are set out in the table below:

Arrangement <sup>(1)</sup>	2011 SAYE	2010 SAYE
Date of grant	20/04/11	26/04/10
Number of instruments	115,026	172,650
Exercise price (£)	25.47	22.99
Share price at the date of grant (£)	31.85	28.74
Contractual life (years)	3.5-7.5	3.5-7.5
Vesting conditions <sup>(2)</sup>	3-7	3-7
Expected volatility	40%	40%
Expected option life (years)	3.5-7.5	3.5-7.5
Risk free interest rate (weighted average)	2.3%	2.7%
Expected departures	5% pa	5% pa
Fair value per option granted (weighted average) (£)	11.77	13.29

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

<sup>(2)</sup> Number of years of continuous employment.

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

A reconciliation of option movements for the more significant share-based payment arrangements over the year to 31 December 2011 and the prior year is shown below. All options outstanding at 31 December 2011 with an exercise date on or prior to 31 December 2011 are deemed exercisable. Options were exercised regularly during the year and the weighted average share price for the year ended 31 December 2011 was £27.96 (2010: £26.71).

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

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

Options to acquire ordinary shares of 54<sup>86</sup>/<sub>91</sub> US cents were outstanding under the terms of this scheme as follows:

	2011		2010	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January	3,488,329	11.22	4,774,568	10.90
Exercised in year	(949,341)	10.75	(1,228,787)	9.99
Forfeited in year	(38,881)	10.09	(57,452)	10.49
<b>Outstanding at 31 December</b>	<b>2,500,107</b>	<b>11.42</b>	<b>3,488,329</b>	<b>11.22</b>

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

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

Options to acquire ordinary shares of 54<sup>86</sup>/<sub>91</sub> US cents were outstanding under the terms of this scheme as follows:

	2011		2010	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January	1,669,812	12.33	2,037,426	11.49
Granted in year	115,026	25.47	172,650	22.99
Exercised in year	(125,333)	14.99	(330,368)	12.41
Forfeited in year	(138,828)	14.47	(209,896)	12.77
<b>Outstanding at 31 December</b>	<b>1,520,677</b>	<b>12.91</b>	<b>1,669,812</b>	<b>12.33</b>

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

## 30. CONSOLIDATED EQUITY ANALYSIS

Fair value and other reserves comprise:

US\$ million	Convertible debt reserve	Available for sale reserve	Cash flow hedge reserve	Other reserves <sup>(1)</sup>	Total fair value and other reserves
Balance at 1 January 2010	355	305	31	838	1,529
Total comprehensive income	-	270	7	-	277
Changes in ownership interest in subsidiaries	-	(107)	-	-	(107)
Other	-	-	-	(7)	(7)
Balance at 1 January 2011	355	468	38	831	1,692
Total comprehensive income	-	108	(33)	-	75
Other	-	-	-	(7)	(7)
<b>Balance at 31 December 2011</b>	<b>355</b>	<b>576</b>	<b>5</b>	<b>824</b>	<b>1,760</b>

<sup>(1)</sup> Other reserves comprise a legal reserve of \$675 million (2010: \$682 million), a revaluation reserve of \$34 million (2010: \$34 million) and a capital redemption reserve of \$115 million (2010: \$115 million).

## 31. CONSOLIDATED CASH FLOW ANALYSIS

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

US\$ million	2011	2010
<b>Profit before tax</b>	<b>10,782</b>	<b>10,928</b>
Depreciation and amortisation	1,967	1,919
Share-based payment charges	254	219
Net profit on disposals	(183)	(1,579)
Operating and financing remeasurements	(138)	(491)
Non-cash element of operating special items	105	134
Net finance costs before remeasurements	20	244
Share of net income from associates	(977)	(822)
Provisions	6	(37)
Increase in inventories	(352)	(309)
Increase in operating receivables	(264)	(587)
Increase in operating payables	457	516
Deferred stripping	(171)	(196)
Other adjustments	(8)	(15)
<b>Cash flows from operations</b>	<b>11,498</b>	<b>9,924</b>

## 31. CONSOLIDATED CASH FLOW ANALYSIS continued

## b) Reconciliation to the balance sheet

US\$ million	Cash and cash equivalents		Short term borrowings		Medium and long term borrowings	
	2011	2010	2011	2010	2011	2010
Balance sheet	11,732	6,401	(1,018)	(1,535)	(11,855)	(11,904)
Balance sheet – disposal groups <sup>(1)</sup>	–	59	–	–	–	–
<b>Net debt classifications</b>	<b>11,732</b>	<b>6,460</b>	<b>(1,018)</b>	<b>(1,535)</b>	<b>(11,855)</b>	<b>(11,904)</b>

<sup>(1)</sup> Disposal group balances are shown within Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale on the balance sheet.

## c) Movement in net debt

US\$ million	Cash and cash equivalents <sup>(1)</sup>	Debt due within one year	Debt due after one year	Current financial asset investments	Net debt excluding hedges	Hedges <sup>(2)</sup>	Net debt including hedges
Balance at 1 January 2010	3,319	(1,498)	(12,819)	3	(10,995)	(285)	(11,280)
Cash flow	2,857	2,338	(1,194)	(7)	3,994	(217)	3,777
Unwinding of discount on convertible bond	–	–	(65)	–	(65)	–	(65)
Disposal of businesses	–	1	2	–	3	–	3
Reclassifications	–	(2,359)	2,359	–	–	–	–
Movement in fair value	–	(6)	(180)	–	(186)	95	(91)
Other non-cash movements	–	–	(11)	3	(8)	–	(8)
Currency movements	284	(11)	4	1	278	2	280
Balance at 1 January 2011	6,460	(1,535)	(11,904)	–	(6,979)	(405)	(7,384)
Cash flow	5,983	1,261	(964)	–	6,280	(226)	6,054
Unwinding of discount on convertible bond	–	–	(71)	–	(71)	–	(71)
Disposal of businesses	–	5	–	–	5	–	5
Reclassifications	–	(777)	777	–	–	–	–
Movement in fair value	–	–	(264)	–	(264)	404	140
Other non-cash movements	–	(18)	(38)	–	(56)	–	(56)
Currency movements	(711)	46	609	–	(56)	(6)	(62)
<b>Balance at 31 December 2011</b>	<b>11,732</b>	<b>(1,018)</b>	<b>(11,855)</b>	<b>–</b>	<b>(1,141)</b>	<b>(233)</b>	<b>(1,374)</b>

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

<sup>(2)</sup> Derivative instruments that provide an economic hedge of assets and liabilities in net debt are included above to reflect the true net debt position of the Group at the year end. These consist of net current derivative assets of \$82 million (2010: \$2 million) and net non-current derivative liabilities of \$315 million (2010: \$407 million) which are classified within Other financial assets (derivatives) and Other financial liabilities (derivatives) on the balance sheet.

## 32. DISPOSALS OF SUBSIDIARIES AND JOINT VENTURES

US\$ million	2011			2010	
	Lisheen and Black Mountain	Tarmac disposals	Other	Total	Total
<b>Net assets disposed</b>					
Property, plant and equipment	110	54	3	167	1,443
Other non-current assets	53	25	1	79	658
Current assets	431	15	15	461	852
Current liabilities	(39)	(7)	(9)	(55)	(240)
Non-current liabilities	(100)	(7)	(1)	(108)	(412)
<b>Net assets</b>	<b>455</b>	<b>80</b>	<b>9</b>	<b>544</b>	<b>2,301</b>
Non-controlling interests	(42)	–	–	(42)	(14)
<b>Group's share of net assets immediately prior to disposal</b>	<b>413</b>	<b>80</b>	<b>9</b>	<b>502</b>	<b>2,287</b>
Fair value adjustment to retained investments <sup>(1)</sup>	–	–	–	–	440
Less: retained investments	–	–	–	–	(826)
<b>Net assets disposed</b>	<b>413</b>	<b>80</b>	<b>9</b>	<b>502</b>	<b>1,901</b>
Cumulative translation differences recycled from reserves	42	5	(2)	45	(40)
Net gain/(loss) on disposals <sup>(1)</sup>	397	(75)	15	337	1,246
<b>Net sale proceeds</b>	<b>852</b>	<b>10</b>	<b>22</b>	<b>884</b>	<b>3,107</b>
Net cash and cash equivalents disposed	(356)	(2)	–	(358)	(280)
Non-cash/deferred consideration	–	–	–	–	(83)
Accrued transaction costs and similar items	3	–	–	3	51
<b>Net cash inflow from disposals<sup>(2)</sup></b>	<b>499</b>	<b>8</b>	<b>22</b>	<b>529</b>	<b>2,795</b>

<sup>(1)</sup> Included in net profit on disposals, see note 5.

<sup>(2)</sup> In addition, in the year ended 31 December 2011, there was a net cash inflow of \$4 million in respect of disposals in 2010, resulting in a total net cash inflow from disposals of \$533 million (2010: \$2,795 million). Of this, a net cash inflow of \$514 million (2010: \$2,539 million) related to disposals of subsidiaries and \$19 million (2010: \$256 million) related to the sale of interests in joint ventures.

### 32. DISPOSALS OF SUBSIDIARIES AND JOINT VENTURES *continued*

#### Disposals in 2011

Disposals of subsidiaries during the year ended 31 December 2011 mainly related to the disposal of Lisheen and a 74% interest in Black Mountain (the Group's remaining zinc operations) and disposals of Tarmac businesses (China, Turkey and Romania) in the Other Mining and Industrial segment.

#### Lisheen and Black Mountain

The Group announced the sale of its zinc portfolio to Vedanta Resources plc on 10 May 2010, for a total consideration of \$1,338 million, on an attributable debt and cash free basis. The completion of the sale of Lisheen and Black Mountain took place in February 2011 for a combined net cash inflow of \$499 million.

#### Disposals in 2010

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

Disposals in the Other Mining and Industrial segment related to Moly-Cop and AltaSteel, the Skorpion zinc operation and Tarmac's Polish and French and Belgian concrete products businesses and the majority of the European aggregates businesses. Disposals in the Platinum segment mainly related to the Bafokeng-Rasimone Platinum mine transaction and disposals in the Metallurgical Coal segment related to undeveloped coal assets.

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

There were no assets or liabilities in disposal groups or non-current assets classified as held for sale at 31 December 2011.

US\$ million	2010 <sup>(1)</sup>
Intangible assets	4
Property, plant and equipment	117
Other non-current assets	49
<b>Total non-current assets</b>	<b>170</b>
Inventories	26
Trade and other receivables	75
Cash and cash equivalents	59
<b>Total current assets</b>	<b>160</b>
<b>Total assets</b>	<b>330</b>
Trade and other payables	(40)
<b>Total current liabilities</b>	<b>(40)</b>
Deferred tax liabilities	(23)
Provisions for liabilities and charges	(72)
Other non-current liabilities	(7)
<b>Total non-current liabilities</b>	<b>(102)</b>
<b>Total liabilities</b>	<b>(142)</b>
<b>Net assets</b>	<b>188</b>

<sup>(1)</sup> Related to the Group's portfolio of zinc operations for which disposal transactions had not completed at 31 December 2010 (Lisheen and a 74% interest in Black Mountain). Lisheen and Black Mountain were sold during 2011. See note 32.

### 34. CONTINGENT LIABILITIES

#### Contingent liabilities

The Group is subject to various claims which arise in the ordinary course of business. Additionally, and as set out in the 2007 demerger agreement, Anglo American and the Mondi Group have agreed to indemnify each other, subject to certain limitations, against certain liabilities. Anglo American has also provided Mitsubishi Corporation LLC with indemnities against certain liabilities as part of the sale of a 24.5% interest in AA Sur. Having taken appropriate legal advice, the Group believes that a material liability arising from the indemnities provided is unlikely.

At 31 December 2011 the Group and its subsidiaries had provided aggregate amounts of \$873 million (2010: \$813 million) of loan and performance guarantees to banks and other third parties primarily in respect of environmental restoration and decommissioning obligations. For information relating to contingent liabilities in respect of associates and joint ventures, see notes 17 and 18 respectively.

No contingent liabilities were secured on the assets of the Group at 31 December 2011 or 31 December 2010.

#### Other

##### Anglo American Sur SA (AA Sur)

Anglo American and Enami, a wholly owned Chilean state controlled minerals company, amended an agreement Anglo American inherited when it acquired AA Sur in 2002. In 2008 the option under this agreement was transferred by Enami to Codelco, the Chilean state copper company. AA Sur is majority owned by the Group and owns the Los Bronces and El Soldado copper mines and the Chagres smelter. The agreement granted Codelco the right, subject to certain conditions and limitations, to acquire up to a 49% interest in AA Sur. The right to exercise the option was restricted to a window that occurred once every three years in the month of January until January 2027. The previous option exercise window was in January 2009.

The calculations of the price at which Codelco could have exercised its rights take account of company profitability over a five year period, shareholder loans and undistributed earnings. Under IAS 39, the fair valuation of an option is required to be performed from the perspective of a market participant in an arm's length transaction and does not take into account specific factors relevant to any individual counterparty. In particular, the IAS 39 valuation does not incorporate any capital gains tax payable by the Group on exercise of the option to Codelco's shareholder, the Chilean government. The valuation also excludes any commercial or strategic benefit to Anglo American in extinguishing the option.

The option's fair value is calculated as the difference between the estimated fair value of the underlying assets to which the option relates and the estimated option price. The estimated fair value of the underlying assets may vary based on a market participant's assumptions at any point in time, including, *inter alia*, commodity prices, foreign exchange rates and discount rates. In addition, the option price cannot be finalised in advance of the option window and must be estimated based on assumptions about inputs that are subject to significant fluctuations.

Further, Anglo American had a right to sell up to 100% of its interest in AA Sur to a third party at any time prior to the exercise of the option, which would correspondingly reduce any value attributed to the option during the non-exercise period.

**34. CONTINGENT LIABILITIES** *continued*

Based on a range of scenarios for these key variables, it was concluded that the option had insufficient value to warrant recognition on the balance sheet at 31 December 2010 and 30 June 2011.

In the fourth quarter of 2011 Anglo American entered into discussions with Mitsubishi to sell 24.5% of AA Sur, as it was entitled to do under the option agreement. This highlighted new information about the value of AA Sur from a third party which was not previously available. The fair value of a 24.5% equity interest in AA Sur, based on the consideration received by the Group from its disposal of a 24.5% equity interest in AA Sur to Mitsubishi in November 2011, was \$5.4 billion. The option exercise price in the January 2012 option exercise window would have been \$2.8 billion, representing a 24.5% equity interest in AA Sur for \$2.5 billion, plus 24.5% of shareholder loans.

On 22 December 2011 Anglo American filed a writ with the Court of Appeals in Santiago against Codelco for breach of contract. The breach consisted of Codelco's premature attempt to exercise the option outside of a contractual exercise window and Codelco's actions aimed at preventing Anglo American from exercising its contractual rights under the option agreement. The writ seeks to render ineffective the potential future exercise of the option by Codelco and also seeks damages. In accordance with Anglo American's legal advice, as a result of Codelco's breach of contract, it is no longer entitled to enforce the option to acquire shares of AA Sur and any attempt to do so is ineffective. The Group remains confident that this position will be upheld should the various claims and counter claims proceed to judgment. As a liability would only be recognised by the Group where a present obligation, that could be measured reliably, existed at the balance sheet date, no liability has been recognised as at 31 December 2011. If the option over 24.5% of AA Sur had been legally enforceable at 31 December 2011 an option liability of \$2.9 billion would have been recognised by the Group. Had the option been validly exercised in January 2012 this liability would have been reversed and, in addition, an accounting gain of approximately \$1.0 billion would have been recognised in equity. The Group remains open to reaching a commercial settlement with Codelco but to date no settlement has been reached.

**Kumba Iron Ore (Kumba)*****Sishen Supply Agreement arbitration***

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

As a result, a dispute arose between SIOC and ArcelorMittal, which SIOC has referred to arbitration. During 2011, three arbitrators were appointed and May 2012 was set as the date for the arbitration to begin. On 9 December 2011, SIOC and ArcelorMittal agreed to postpone the arbitration until the final resolution of the mining right dispute (see below).

SIOC and ArcelorMittal reached an interim pricing arrangement in respect of the supply of iron ore to ArcelorMittal from the Sishen mine. This interim arrangement endured until 31 July 2011. SIOC and ArcelorMittal agreed to an addendum to the interim supply agreement which extended the terms and conditions of the current interim agreement. The new interim pricing agreement, which is on the same terms and conditions as the first interim pricing agreement, commenced on 1 August 2011 and will endure to 31 July 2012.

***21.4% undivided share of the Sishen mine mineral rights***

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

The High Court Review, in which SIOC challenged the award of the 21.4% prospecting right over Sishen mine by the DMR to ICT, was presided over by Judge Raymond Zondo in the North Gauteng High Court in Pretoria, South Africa, from 15 to 18 August 2011.

On 21 December 2011 judgment was delivered in the High Court regarding the status of the mining rights at the Sishen mine. The High Court held that, upon the conversion of SIOC's old order mining right relating to the Sishen mine properties in 2008, SIOC became the exclusive holder of a converted mining right for iron ore and quartzite in respect of the Sishen mine properties. The High Court held further that as a consequence, any decision taken by the DMR after such conversion in 2008, to accept or grant any further rights to iron ore at the Sishen mine properties was void. Finally, the High Court reviewed and set aside the decision of the Minister of Mineral Resources or her delegate to grant a prospecting right to ICT relating to iron ore as to a 21.4% share in respect of the Sishen mine properties. On 3 February 2012, both the DMR and ICT submitted applications for leave to appeal against the High Court judgment.

The High Court order does not affect the interim supply agreement between ArcelorMittal and SIOC, which will endure until 31 July 2012 as indicated above.

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

**Anglo American South Africa Limited (AASA)**

AASA, a wholly owned subsidiary of the Company, is a defendant in 24 separate lawsuits in South Africa each one of them brought by a former mineworker (or his dependant) who allegedly contracted silicosis working for gold mining companies in which AASA was a shareholder and to which AASA provided various technical and administrative services. In addition, AASA is a defendant in one lawsuit filed in England on behalf of 19 former mineworkers, and a claim form for a second lawsuit has been filed in the High Court in London on behalf of 756 claimants and a 'representative claim' on behalf of all black underground miners in 'Anglo gold mines' seeking damages in relation to silicosis and related diseases, although this second claim has not yet been served.

The aggregate amount of the 24 South African claims is less than \$5 million. No specific amount of damages has been specified in the claims filed in England. If these claims are determined adversely to AASA there are a substantial number of additional former mineworkers (or their dependants) who may seek to bring similar claims or whose claims could become part of the representative claim filed in England. The first trials of the South African claims are not expected before 2013. AASA is contesting the jurisdiction of the English courts to hear the claims filed against it in that jurisdiction.

### 35. COMMITMENTS

At 31 December the Group had the following outstanding capital commitments:

US\$ million	2011	2010
Contracted but not provided	2,131	2,669

In addition, Kumba Iron Ore Limited had outstanding commitments under contracts relating to shipping services of \$1,186 million (2010: \$11 million).

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

US\$ million	2011	2010
<b>Expiry date</b>		
Within one year	161	135
Greater than one year, less than two years	112	85
Greater than two years, less than five years	185	158
Greater than five years	347	339
	<b>805</b>	<b>717</b>

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

### 36. RELATED PARTY TRANSACTIONS

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

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

Dividends received from associates during the year totalled \$344 million (2010: \$255 million), as disclosed in the Consolidated cash flow statement.

At 31 December 2011 the Group had provided loans to joint ventures of \$263 million (2010: \$319 million). These loans are included in Financial asset investments. No amounts were payable to joint ventures at 31 December 2011 (2010: \$59 million).

In addition to Investments in associates as disclosed on the Consolidated balance sheet, the Group had provided loans to associates at 31 December 2011 of \$572 million (2010: \$531 million). These are included in Financial asset investments.

At 31 December 2011 the directors of the Company and their immediate relatives controlled 0.1% (2010: 2.5%) of the voting shares of the Company.

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

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

#### Related party transactions with De Beers

The Group has in prior years entered into various transactions with DB Investments SA and De Beers SA (together De Beers) which were considered to be related party transactions for the purposes of the United Kingdom Listing Authority Listing Rules as a result of the interest in De Beers held by CHL Holdings Limited (CHL) and certain of its subsidiaries in which Mr N. F. Oppenheimer, a director of the Company at the time of these transactions, had a relevant interest for the purpose of the rules. The related party transactions entered into and which continue to be relevant in the current year are detailed below.

At 31 December 2011 the amount of outstanding loans owed by De Beers (and included in the loans to associates amount disclosed above) was \$301 million (2010: \$355 million), which includes accrued interest of \$10 million (2010: net unamortised discount of \$3 million). These loans are subordinated in favour of third party lenders and include:

- dividend reinvestment loans of \$133 million (2010: \$133 million) advanced during 2008 and 2009. These loans were interest free for two years from the date of advance and subsequently became interest bearing in line with market rates at the date of the initial reinvestment.
- a further shareholder loan of \$158 million (2010: \$225 million) advanced in 2009. This loan was interest free for two years after which it reverted to a rate of interest equal to LIBOR plus 700 basis points. From April 2016, provided all interest payments are up to date, the rate of interest reduces to LIBOR plus 300 basis points. During 2011, De Beers repaid \$67 million of this loan, along with accrued interest of \$5 million.

On 4 November 2011 Anglo American announced it had entered into an agreement with CHL and Centhold International Limited ('CHL Sellers'), together representing the Oppenheimer family interests in De Beers, to acquire their 40% interest in De Beers for a total cash consideration of \$5.1 billion, subject to adjustment and conditions as provided for in the agreement (the 'Transaction').

Under the terms of the existing shareholders' agreement between Anglo American, CHL and the Government of the Republic of Botswana (GRB), the GRB has pre-emption rights in respect of the interests in De Beers to be sold, enabling it to participate in the Transaction and to increase its interest in De Beers, on a pro rata basis, to up to 25%. In the event that the GRB does not exercise pre-emption rights, in whole or in part, Anglo American's interest in De Beers will, assuming satisfaction of the conditions to the Transaction, increase to 85%.

In the event that the GRB exercises its pre-emption rights in full, Anglo American, under the Transaction, would acquire an incremental 30% interest in De Beers, taking its total interest to 75%, and the consideration payable by Anglo American to the sellers would be reduced proportionately.

In view of the fact that the CHL Sellers are ultimately controlled through intermediary companies by trusts (the 'Seller Trusts') of which Mr N. F. Oppenheimer is a potential discretionary beneficiary and Mr N. F. Oppenheimer has been a director of Anglo American within the 12 months preceding agreement of the Transaction, the Transaction is categorised as a related party transaction. As a result, the Transaction required the approval of Anglo American shareholders (other than Mr N. F. Oppenheimer and his associates), which approval was obtained at a general meeting of the Company held on 6 January 2012. The Transaction remains conditional on the satisfaction or waiver of certain specified regulatory and government approvals. Further information in relation to the Transaction is set out in the circular posted to the Company's shareholders in December 2011.

**37. GROUP COMPANIES**

The principal subsidiaries, joint ventures, associates and proportionately consolidated joint arrangements of the Group at 31 December 2011, and the Group percentage of equity capital, joint arrangements and joint venture interests are set out below. All these interests are held indirectly by the parent company and are consolidated within these financial statements. As permitted by section 410 of the Companies Act 2006, the Group has restricted the information provided to its principal subsidiaries in order to avoid a statement of excessive length.

Subsidiary undertakings	Country of incorporation	Business	Percentage of equity owned <sup>(1)</sup>	
			2011	2010
<b>Iron Ore and Manganese</b>				
Kumba Iron Ore Limited	South Africa	Iron ore	65.2%	65.3%
Anglo Ferrous Brazil SA	Brazil	Iron ore	100%	100%
Anglo Ferrous Minas-Rio Mineração SA	Brazil	Iron ore project	100%	100%
Anglo Ferrous Amapá Mineração Limitada	Brazil	Iron ore system	70%	70%
<b>Metallurgical Coal</b>				
Anglo American Metallurgical Coal Holdings Limited	Australia	Coal	100%	100%
Peace River Coal Inc. <sup>(2)</sup>	Canada	Coal	100%	74.8%
<b>Thermal Coal</b>				
Anglo Coal <sup>(3)</sup>	South Africa	Coal	100%	100%
<b>Copper</b>				
Anglo American Sur SA	Chile	Copper	75.5%	100%
Anglo American Norte SA	Chile	Copper	99.9%	99.9%
Minera Quellaveco SA	Peru	Copper project	81.9%	81.9%
<b>Nickel</b>				
Anglo American Brasil Limitada (Barro Alto)	Brazil	Nickel project	100%	100%
Anglo American Brasil Limitada (Codemin)	Brazil	Nickel	100%	100%
Minera Loma de Níquel, CA	Venezuela	Nickel	91.4%	91.4%
<b>Platinum</b>				
Anglo American Platinum Limited <sup>(4)</sup>	South Africa	Platinum	79.8%	79.7%
<b>Other Mining and Industrial</b>				
Copebrás Limitada	Brazil	Fertilisers and acid	100%	100%
Mineração Catalão de Goiás Limitada	Brazil	Niobium	100%	100%
Tarmac Group Limited	UK	Construction materials	100%	100%
Tarmac Building Products Limited	UK	Construction materials	100%	100%
Anglo American Aggregates (Huzhou) Limited <sup>(5)</sup>	China	Construction materials	–	100%
Tarmac Agrega Mining and Construction Industry and Trading Company Limited <sup>(5)</sup>	Turkey	Construction materials	–	100%
Tarmac SRL <sup>(5)</sup>	Romania	Construction materials	–	100%
Lisheen <sup>(6)</sup>	Ireland	Zinc and lead	–	100%
Black Mountain Mining (Proprietary) Limited <sup>(7)</sup>	South Africa	Zinc, lead and copper	–	74%
Gamsberg Zinc <sup>(7)</sup>	South Africa	Zinc project	–	74%
Scaw South Africa (Proprietary) Limited	South Africa	Steel, engineering works and grinding media	74%	74%

See page 173 for footnotes.

### 37. GROUP COMPANIES continued

Joint ventures	Country of incorporation	Business	Percentage of equity owned <sup>(8)</sup>	
			2011	2010
LLX Minas-Rio Logística Comercial Exportadora SA	Brazil	Port	49%	49%
Compañía Minera Doña Inés de Collahuasi SCM	Chile	Copper	44%	44%
Al Futtain Tarmac Quarry Products Limited	Dubai	Construction materials	49%	49%
Midland Quarry Products Limited	UK	Construction materials	50%	50%
Tarmac Oman Limited	Hong Kong	Construction materials	50%	50%
Midmac Tarmac Qatar LLC	Qatar	Construction materials	50%	50%

Associates	Country of incorporation	Business	Percentage of equity owned <sup>(8)</sup>	
			2011	2010
Samancor Holdings (Pty) Limited <sup>(9)</sup>	South Africa	Manganese	40%	40%
Groote Eylandt Mining Company (Pty) Limited (GEMCO) <sup>(9)</sup>	Australia	Manganese	40%	40%
Tasmanian Electro Metallurgical Company (Pty) Limited (TEMCO) <sup>(9)</sup>	Australia	Manganese	40%	40%
Jellinbah Group (Pty) Limited <sup>(10)</sup>	Australia	Coal	33.3%	33.3%
Cerrejón Zona Norte SA	Colombia	Coal	33.3%	33.3%
Carbones del Cerrejón LLC	Anguilla	Coal	33.3%	33.3%
DB Investments SA	Luxembourg	Diamonds	45%	45%

Proportionately consolidated jointly controlled operations <sup>(11)</sup>	Location	Business	Percentage owned	
			2011	2010
Drayton	Australia	Coal	88.2%	88.2%
Moranbah North	Australia	Coal	88%	88%
German Creek <sup>(12)</sup>	Australia	Coal	70%	70%
Foxleigh	Australia	Coal	70%	70%
Dawson	Australia	Coal	51%	51%

<sup>(1)</sup> The proportion of voting rights of subsidiaries held by the Group is the same as the proportion of equity owned.

<sup>(2)</sup> During 2011 Peace River Coal Inc. purchased the non-controlling interests of the Peace River Coal Partnership which was subsequently dissolved. Peace River Coal Inc. is now the principal subsidiary for the Canadian coal operations.

<sup>(3)</sup> A division of Anglo Operations Limited, a wholly owned subsidiary.

<sup>(4)</sup> Anglo Platinum Limited changed its name to Anglo American Platinum Limited in 2011.

<sup>(5)</sup> The Group sold Tarmac's businesses in China, Turkey and Romania in July, October and November 2011 respectively.

<sup>(6)</sup> The Group's interest in Lisheen was held through Anglo American Lisheen Mining Limited, Killoran Lisheen Mining Limited and Lisheen Milling Limited. The Group owned 100% of the equity of each of these companies at 31 December 2010. Lisheen was sold in February 2011. See note 32.

<sup>(7)</sup> Gamsberg Zinc was a division of Black Mountain Mining (Proprietary) Limited, which was sold in February 2011. See note 32.

<sup>(8)</sup> All equity interests shown are ordinary shares.

<sup>(9)</sup> These entities have a 30 June year end.

<sup>(10)</sup> Queensland Coal Mine Management (Pty) Limited changed its name to Jellinbah Group (Pty) Limited during 2011. The Group's effective interest in the Jellinbah operation is 23.3%.

<sup>(11)</sup> The wholly owned subsidiary Anglo American Metallurgical Coal Holdings Limited holds the proportionately consolidated jointly controlled operations.

<sup>(12)</sup> The German Creek operation includes both Capcoal Open Cut and Underground operations.

### Changes in ownership interests in subsidiaries

In September 2011 the Group completed the purchase of the non-controlling interests in the Peace River Coal Partnership for \$166 million.

In November 2011 the Group sold a 24.5% interest in AA Sur to Mitsubishi Corporation LLC for proceeds of \$5.39 billion. As disclosed in note 11d, capital gains tax of \$1,017 million relating to the profit on sale has been charged directly to equity.

### 38. EVENTS OCCURRING AFTER END OF YEAR

On 6 January 2012 the Group's shareholders approved, by way of resolution, the acquisition of an incremental interest in De Beers, to take the Group's holding from 45% to up to 85%. The transaction remains subject to regulatory and government approvals.

With the exception of the above and the proposed final dividend for 2011, see note 12, there have been no material reportable events since 31 December 2011.

**39. FINANCIAL STATEMENTS OF THE PARENT COMPANY****a) Balance sheet of the Company, Anglo American plc, as at 31 December 2011**

US\$ million	Note	2011	2010
<b>Fixed assets</b>			
Fixed asset investments	39c	<b>13,046</b>	12,904
<b>Current assets</b>			
Amounts due from subsidiaries		<b>13,496</b>	7,209
Prepayments and other debtors		<b>4</b>	8
Cash at bank and in hand		<b>23</b>	74
		<b>13,523</b>	7,291
<b>Creditors due within one year</b>			
Amounts owed to subsidiaries		<b>(236)</b>	(190)
Amounts owed to other group undertakings		<b>(159)</b>	(25)
Other creditors		<b>(12)</b>	(14)
		<b>(407)</b>	(229)
<b>Net current assets</b>		<b>13,116</b>	7,062
<b>Total assets less current liabilities</b>		<b>26,162</b>	19,966
<b>Liabilities due after more than one year</b>			
Convertible bond		<b>(1,504)</b>	(1,434)
<b>Net assets</b>		<b>24,658</b>	18,532
<b>Capital and reserves</b>			
Called-up share capital	39b	<b>738</b>	738
Share premium account	39b	<b>2,714</b>	2,713
Capital redemption reserve	39b	<b>115</b>	115
Other reserves	39b	<b>1,955</b>	1,955
Share-based payment reserve	39b	<b>1</b>	6
Convertible debt reserve	39b	<b>355</b>	355
Profit and loss account	39b	<b>18,780</b>	12,650
<b>Total shareholders' funds (equity)</b>		<b>24,658</b>	18,532

The financial statements of Anglo American plc, registered number 3564138, were approved by the Board of directors on 16 February 2012 and signed on its behalf by:

**Cynthia Carroll**

Chief Executive

**René Médori**

Finance Director

### 39. FINANCIAL STATEMENTS OF THE PARENT COMPANY continued

#### b) Reconciliation of movements in equity shareholders' funds

US\$ million	Called-up share capital	Share premium account	Capital redemption reserve	Other reserves <sup>(1)</sup>	Share-based payment reserve	Convertible debt reserve	Profit and loss account <sup>(2)</sup>	Total
Balance at 1 January 2010	738	2,713	115	1,955	15	355	10,106	15,997
Profit for the financial year	-	-	-	-	-	-	2,582	2,582
Dividends paid <sup>(3)</sup>	-	-	-	-	-	-	(212)	(212)
Issue of treasury shares under employee share schemes	-	-	-	-	-	-	42	42
Share-based payments	-	-	-	-	3	-	-	3
Capital contribution to Group undertakings	-	-	-	-	-	-	120	120
Transfer between share-based payment reserve and profit and loss account	-	-	-	-	(12)	-	12	-
Balance at 1 January 2011	738	2,713	115	1,955	6	355	12,650	18,532
Profit for the financial year	-	-	-	-	-	-	6,520	6,520
Dividends paid <sup>(3)</sup>	-	-	-	-	-	-	(561)	(561)
Issue of treasury shares under employee share schemes	-	-	-	-	-	-	18	18
Share-based payments	-	-	-	-	1	-	-	1
Capital contribution to Group undertakings	-	-	-	-	-	-	147	147
Shares issued on conversion of bond	-	1	-	-	-	-	-	1
Transfer between share-based payment reserve and profit and loss account	-	-	-	-	(6)	-	6	-
<b>Balance at 31 December 2011</b>	<b>738</b>	<b>2,714</b>	<b>115</b>	<b>1,955</b>	<b>1</b>	<b>355</b>	<b>18,780</b>	<b>24,658</b>

<sup>(1)</sup> At 31 December 2011 other reserves of \$1,955 million (2010: \$1,955 million) were not distributable under the Companies Act 2006.

<sup>(2)</sup> At 31 December 2011 \$2,685 million (2010: \$385 million) of the Company profit and loss account of \$18,780 million (2010: \$12,650 million) was not distributable under the Companies Act 2006.

<sup>(3)</sup> Dividends paid relate only to shareholders on the United Kingdom principal register excluding dividends waived by Greenwood Nominees Limited as nominees for Butterfield Trust (Guernsey) Limited, the trustee for the Anglo American employee share scheme. Dividends paid to shareholders on the Johannesburg branch register are distributed by a South African subsidiary in accordance with the terms of the Dividend Access Share Provisions of Anglo American plc's Articles of Association. The directors are proposing a final dividend in respect of the year ended 31 December 2011 of 46 US cents per share (see note 12).

The audit fee in respect of the parent company was \$7,156 (2010: \$7,000). Fees payable to Deloitte for non-audit services to the Company are not required to be disclosed because they are included within the consolidated disclosure in note 3.

#### c) Fixed asset investments

US\$ million	Investment in subsidiaries	
	2011	2010
<b>Cost</b>		
At 1 January	13,232	13,112
Capital contributions <sup>(1)</sup>	140	120
Additions	2	-
<b>At 31 December</b>	<b>13,374</b>	<b>13,232</b>
<b>Provisions for impairment</b>		
At 1 January	(328)	(8)
Impairment charge	-	(320)
<b>At 31 December</b>	<b>(328)</b>	<b>(328)</b>
Net book value	13,046	12,904

<sup>(1)</sup> This amount is net of \$7 million (2010: nil) of intra-group recharges.

#### Impairment testing of fixed asset investments

As a result of the Group's ongoing disposal of non-core operations during the year, the Company's investment in Anglo American Finance (UK) plc (AA Finance) was tested for impairment at 31 December 2011 and 31 December 2010. The carrying value of the Company's investment in AA Finance is supported by a number of businesses, including the Tarmac group. In 2010, consistent with the Group's loss on disposal of certain Tarmac European businesses during the year, the Company recognised an impairment charge of \$320 million.

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

#### d) Accounting policies: Anglo American plc, the Company

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

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

The preparation of financial statements in accordance with UK GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimated.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit after tax for the year of the Company amounted to \$6,520 million (2010: \$2,582 million).

#### Significant accounting policies

##### Deferred tax

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

**39. FINANCIAL STATEMENTS OF THE PARENT COMPANY** continued**Share-based payments**

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

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

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

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

Accounting for share-based payments is the same as under IFRS 2 and details on the schemes and option pricing models relevant to the charge included in the Company financial statements are set out in note 29 to the consolidated financial statements of the Group for the year ended 31 December 2011.

**Investments**

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

**Convertible debt**

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

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

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