Annual Report 2009

# A strategy for unlocking value

# Principal risks and uncertainties
continued

Specialist consultants are engaged to analyse such event risks on a rotational basis and provide recommendations for management action to prevent or limit the effects of such a loss. In addition, the Group seeks to purchase insurance to protect against the financial consequences of catastrophic event, subject to the availability and cost of such insurance.

### Employees

The ability to recruit, develop and retain appropriate skills for the Group is made challenging by global competition for skilled labour. The failure to retain skilled employees or to recruit new staff may lead to increased costs, interruptions to existing operations and delay in new projects.

A number of strategies are implemented to mitigate this risk, including attention to an appropriate suite of reward and benefit structures for existing employees and ongoing refinement of Anglo American as an attractive employee proposition.

Employees in the key countries where Anglo American operates are unionised and the risk of strike or other industrial relations disputes may have an adverse effect on the results of operations. Anglo American mitigates this risk through a process of constructive dialogue with trade unions and the maintenance of effective working relationships.

### Contractors

Mining contractors are used at a number of the Group's operations to mine and deliver ore to processing plants, for example. In periods of high commodity prices, demand for contractors may exceed supply, resulting in increased costs or lack of availability of key contractors. Disruption of operations or increased costs can occur should there be disputes with contractors or unavailability of certain skills.

### Business integrity

Many countries where the Group's operations are located have increased their emphasis on enforcement of laws to which the Group is subject, including safety, environmental, antitrust and anti-corruption. The Group has provided clear standards of conduct to promote full compliance with laws; however, non-compliance with these standards may lead to prosecution and other litigation and adverse effects on the Company's profits, licences and reputation.

### Operational performance and project delivery

Failure to meet production targets can result in increased unit costs, which are pronounced at operations with higher levels of fixed costs. Variable unit costs may also exceed forecasts, adversely affecting performance and the results of operations.

Failure to meet project delivery times and costs could have a negative effect on operational performance and lead to increased costs or reductions in revenue and profitability.

Increasing regulatory, environmental, land access and social approvals can result in significant increases in construction costs and/or significant delays in construction. These increases could materially and adversely affect the economics of a project, the Group's asset values, costs, revenues, earnings and cash flows.

A number of strategies have been implemented to mitigate these risks, including management oversight of operating performance and project delivery through regular executive management briefings, increased effectiveness of procurement activities through the One Anglo Supply Chain and other business improvement initiatives to reduce unit costs and improve delivery of capital projects.

### Acquisitions

The Group has undertaken a number of acquisitions in the recent past. With any such transaction there is the risk that any benefits or synergies identified at the time of acquisition may not be achieved as a result of changing or incorrect assumptions or materially different market conditions or deficiencies in the due diligence process, resulting in adverse effects on financial performance, production volumes or product quality. Furthermore, the Group could find itself liable for past acts or omissions of the acquired business without any adequate right of redress.

Rigorous guidelines are applied to the evaluation and execution of all acquisitions that require the approval of the Investment Committee and Group Management Committee and, subject to size, the Board.

### Infrastructure

Inadequate supporting facilities, services and installations (water, power, transportation, etc.) may affect the sustainability and growth of the business, leading to a loss of competitiveness, market share and reputation. The potential disruption of the ongoing generation and supply of power is a risk faced by the Group in a number of countries in which it operates, including South Africa. Anglo American's approach to addressing this risk is to work jointly on developing sustainable solutions to these problems with suppliers of infrastructure services and facilities.

Anglo American relies upon effective rail and port facilities for its products and will be expected to provide shipment of product in some circumstances to customers' premises. Failure of rail or port facilities may result in delays and increased costs as well as lost revenue and reputation with customers. Failure to procure shipping costs at market rates may reduce profit margins, thus reducing profit levels.

The Group seeks to work closely with suppliers of rail and port infrastructure to mitigate the risk of failure and establish contingency arrangements. Services are provided to customers who require product to be delivered to them and purchase of shipping capacity is aligned to the needs of Group companies.

### Community relations

The Group operates in several countries where ownership of rights in respect of land and resources is uncertain and where disputes in relation to ownership or other community matters may arise. These disputes are not always predictable and may cause disruption to projects or operations. The Group's operations can have an impact on local communities, including the need, from time to time, to relocate communities or infrastructure networks such as railways and utility services. Failure to manage relationships with local communities, government and non-governmental organisations may disrupt operations and adversely affect the Group's reputation, as well as its ability to bring projects into production.

The Group has developed comprehensive processes to enable its business units to effectively manage relationships with communities and actively seeks engagement with all affected communities impacted by the Group's operations.

### Joint venture relationships

Some of the Group's operations are controlled and managed by joint venture partners, associates or by other companies. Management of non-controlled assets may not comply with the Group's standards, for example, on safety, health and environment. This may lead to higher costs, lower production and have a negative bearing on operational results, asset values or the Group's reputation.

Anglo American seeks to mitigate this risk by way of a thorough evaluation process before committing to any joint venture and implementation of ongoing governance processes in existing joint ventures.

### 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 useful economic lives of assets and ore reserves, impairment of assets, restoration, rehabilitation and environmental costs and retirement benefits. These are detailed on page 67. The use of inaccurate assumptions in calculations for any of these estimates could result in a significant impact on financial results.

### Useful economic lives of assets and ore reserves estimates

The Group's mining properties, classified within tangible assets, are depreciated over the respective life of the mine using the unit of production (UOP) method based on proven and probable reserves. When determining ore reserves, 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 UOP 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 proven and probable mineral reserves;
- the grade of mineral 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; and
- adverse changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates used to determine mineral reserves.

The majority of other tangible assets are depreciated on a straight line basis over their useful economic lives. Management reviews the appropriateness of assets' useful economic lives at least annually and any changes could affect prospective depreciation rates and asset carrying values.

### Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of an asset, or CGU, is measured as the higher of fair value less costs to sell and value in use.

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 value in use calculation. Factors which could impact underlying cash flows include:

- Commodity prices and exchange rates;
- Timelines of granting of licences and permits;
- Capital and operating expenditure; and
- 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

Provision is made, based on net present values, for restoration, rehabilitation and environmental costs as soon as the obligation arises. Costs incurred at the start of each project are capitalised and charged to the income statement over the life of the project through depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage are provided at net present value and charged against profits as extraction progresses. 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 retirement benefits under defined benefit arrangements relating to employee service during the period are charged to the income statement. Any actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the Consolidated statement of comprehensive income.

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 earnings of the Group going forward.

## Basis of disclosure

This operating and financial review (OFR) describes the main trends and factors underlying the development, performance and position of Anglo American plc (the Group) during the year ended 31 December 2009, as well as those likely to affect the future development, performance and position. It has been prepared in line with the guidance provided in the reporting statement on the operating and finance review issued by the UK Accounting Standards Board in January 2006.

## Forward looking statements

This OFR contains certain forward looking statements with respect to the financial condition, results, operations and businesses of the Group. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements.

# Remuneration report
continued

## 10. Remuneration outcomes during 2009

The information set out in this section and section 11 has been subject to audit.

### 10.1 Directors' emoluments

#### Executive directors

Figure 10 sets out an analysis of the pre-tax remuneration during the years ended 31 December 2009 and 2008, including bonuses but excluding pensions, for individual directors who held office in the Company during the year ended 31 December 2009.

#### Non-executive directors

Figure 11 sets out the fees and other emoluments paid to non-executive directors during the year ended 31 December 2009 which amounted to £1,260,000 (2008: £1,177,000).

### 10.2 Bonus Share Plan

Details of shares awarded under the BSP to executive directors during 2009 and their current holdings are shown in Figure 12.

Figure 11: Non-executive directors' emoluments[(1)(2)]

| | Total fees 2009 £000 | Total fees 2008 £000 |
|---|---|---|
| Sir John Parker | 273 | – |
| Sir Mark Moody-Stuart | 264 | 450 |
| David Challen | 93 | 89 |
| Sir CK Chow | 65 | 46 |
| Chris Fay | 80 | 80 |
| Sir Philip Hampton | 10 | – |
| Sir Rob Margetts | 80 | 84 |
| Nicky Oppenheimer[(3)] | 72 | 71 |
| Ray O'Rourke | 4 | – |
| Fred Phaswana[(3)] | 147 | 142 |
| Mamphela Ramphele | 65 | 65 |
| Jack Thompson | 9 | – |
| Karel Van Miert | 33 | 65 |
| Peter Woicke | 65 | 65 |

(1) Each non-executive director, with the exception of Sir John Parker and Sir Mark Moody-Stuart, was paid a fee of £65,000 (2008: £65,000) per annum, and those non-executive directors who act as chairmen of the Audit Committee, Safety and Sustainable Development Committee and Remuneration Committee were paid an additional sum of £15,000 (2008: £15,000) per annum. The chairman of the Nomination Committee was paid an additional sum of £7,500 (2008: £7,500) per annum. The senior independent director (SID) received fees of £13,000 per annum.

(2) In addition to the fees reported above for 2008, Bobby Godsell, who retired on 15 April 2008, received fees in 2008 of £20,000.

(3) Nicky Oppenheimer received fees for his services as a non-executive director of Anglo American South Africa Limited amounting to £7,000 (2008: £6,000), which are included in the above table. Fred Phaswana is the non-executive chairman of Anglo American South Africa Limited and of Anglo Platinum and received fees for these services amounting to £80,000 (2008: £69,000), which are included in the above table.

Figure 12: Bonus Share Plan

| BSP interests[(1)] | Total interest at 1 January 2009 | Number of Bonus Shares conditionally awarded during 2009[(2)] | Number of Enhancement Shares conditionally awarded during 2009 | Number of Bonus Shares vested during 2009[(3)] | Number of Enhancement Shares vested during 2009 | Number of Enhancement Shares lapsed during 2009 | Total interest at 31 December 2009 | Market price at date of 2009 award £ | Date of vesting of Bonus Shares awarded during 2009 | End date of performance period for Enhancement Shares awarded during 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cynthia Carroll[(4)] | 39,779 | 82,341 | 61,755 | (43,082) | – | – | 140,793 | 11.62 | 01/01/2012 | 31/12/2011 |
| René Médori | 68,269 | 53,674 | 40,255 | (35,864) | (6,542) | – | 119,792 | 11.62 | 01/01/2012 | 31/12/2011 |

(1) The performance period applicable to each award is three years. Cynthia Carroll did not receive a BSP award in 2006 (in respect of the 2005 financial year) and consequently no shares vested in 2009. René Médori was awarded BSP shares in 2006 which vested in 2009.

| Shares vested (2006 BSP Award) | Number of shares vested | Dates of conditional award | Market price at date of award £ | Market price at date of vesting £ | Money value at date of vesting £ |
|---|---|---|---|---|---|
| René Médori | 14,480 | 06/03/2006 | 21.59 | 10.70 | 154,936 |

In the case of the BSP awards granted in 2006, the determinant for the vesting of Enhancement Shares was real EPS growth, based on earnings per share growth against growth in the UK Retail Price Index (RPI) over the performance period. 44% of the Enhancement Shares would vest if EPS growth was RPI+9%, and 100% would vest if EPS growth was RPI+15%. As the EPS growth achieved was RPI+50% over the period, full vesting of the Enhancement Shares occurred.

(2) Where permitted by finance legislation, awards of Bonus Shares under the BSP are granted as forfeitable shares, which would be forfeited in the event that an executive director leaves service, other than as a 'good leaver', before the shares are released.

(3) Subsisting awards of Bonus Shares were reduced to meet income tax liabilities arising in 2009. The reduction in respect of Cynthia Carroll was 43,082 shares and in respect of René Médori was 27,926 shares (at a value of £1,118,026 and £724,711 respectively).

(4) In accordance with her terms upon joining, Cynthia Carroll was granted 132,718 forfeitable shares, in compensation for long-term incentives forgone at her previous employer. The market price of the shares at the date of this award was £24.91. These shares are forfeitable in the event that she leaves service before they are released to her. As a result of the share consolidation following the demerger of Mondi, 11,945 shares lapsed and the resultant forfeitable award was 120,773 forfeitable shares, of which 72,464 were released to her in February 2008, 24,155 were released to her in February 2009 and 24,154 will be released to her in February 2010, subject to her continued employment. These awards are as follows:

| Interests | Beneficial interest in forfeitable shares at 31 December 2008 | Number of forfeitable shares vested during the year | Number of forfeitable shares lapsed during the year | Beneficial interest in forfeitable shares at 31 December 2009 | Latest performance period end date |
|---|---|---|---|---|---|
| Cynthia Carroll | 48,309 | 24,155 | – | 24,154 | – |

| Shares vested | Number of shares vested | Date of conditional award | Market price at date of award £ | Market price at date of vesting £ | Market value at date of vesting £ |
|---|---|---|---|---|---|
| Cynthia Carroll | 24,155 | 21/02/2007 | 24.91 | 11.93 | 288,169 |

### 10.3 Long Term Incentive Plan

Conditional awards of shares were made in 2009 to executive directors under the LTIP as shown in Figure 13.

### 10.4 Directors' share options

No executive share options have been granted to any director since 2003 (Figure 14).

The highest and lowest mid-market prices of the Company's shares during the period 1 January 2009 to 31 December 2009 were £27.29 and £9.14 respectively. The mid-market price of the Company's shares at 31 December 2009 was £27.10.

### 10.5 Share Incentive Plan (SIP)

During the year, Cynthia Carroll and René Médori purchased 90 and 89 shares under the SIP respectively, in addition to the shares held by them at 1 January 2009. If these shares are held for three years, they will be matched by the Company on a one-for-one basis, conditional upon the director's continued employment. In addition, Cynthia Carroll and René Médori were each awarded 301 free shares under the SIP in March 2009. Participants in the SIP are entitled to receive dividends on their shares.

The information provided in sections 10.2 to 10.5 is a summary. However, full details of directors' shareholdings and options are contained in the Register of Directors' Interests of the Company, which are open to inspection.

### 10.6 Pensions

#### 10.6.1 Directors' pension arrangements

Cynthia Carroll and René Médori participated in defined contribution pension arrangements in terms of their contracts with AAS. In 2009, normal contributions were payable on their behalf at the rate of 30% of their basic salaries payable under these contracts.

#### 10.6.2 Defined contribution pension schemes

The amounts payable into defined contribution pension schemes by the Group in respect of the individual directors were as shown in Figure 15.

#### 10.6.3 Defined benefit pension schemes

No director was eligible in 2009 for membership of any defined benefit pension scheme.

#### 10.6.4 Excess retirement benefits

No person who served as a director of the Company during or before 2009 has been paid or received retirement benefits in excess of the retirement benefits to which he was entitled on the date on which benefits first became payable (or 31 March 1997, whichever is later).

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

No consideration was paid to or became receivable by third parties for making available the services of any person as a director of the Company, or while a director of the Company, as a director of any of the Company's subsidiary undertakings, or as a director of any other undertaking of which he/she was (while a director of the Company) a director by virtue of the Company's nomination, or otherwise in connection with the management of the Company or any undertaking during the year to 31 December 2009.

## 12. Directors' share interests

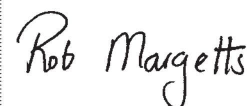
The interests of directors who held office during the period 1 January 2009 to 31 December 2009 in Ordinary Shares (Shares) of the Company and its subsidiaries were as shown in Figures 16 and 17.

Figures 18 and 19 outline the changes in the above interests which occurred between 1 January 2010 and the date of this report.

## Approval

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

Signed on behalf of the Board of directors.



**Sir Rob Margetts**
Chairman, Remuneration Committee
18 February 2010

Governance

Figure 13: Long Term Incentive Plan

| LTIP interests[1][2] | Total beneficial interest in LTIP at 1 January 2009 | Number of shares conditionally awarded during 2009 | Number of shares vested during 2009 | Number of shares lapsed during 2009 | Total beneficial interest in LTIP at 31 December 2009 | Latest performance period end date |
|---|---|---|---|---|---|---|
| Cynthia Carroll | 140,523 | 122,402 | – | – | 262,925 | 31/12/2011 |
| René Médori | 145,368 | 76,938 | (26,711) | (26,710) | 168,885 | 31/12/2011 |

[1] The LTIP awards made in 2009 are conditional on two performance conditions as outlined on pages 82 and 83: the first is based on the Company's TSR relative to a weighted group of international mining companies and to the constituents of the FTSE 100; the second is based on an underlying operating measure which focuses on raising the Company's ROCE in the medium term. Further details on the structure of the LTIP, the required level of performance for the 2009 award and how performance against targets is measured can be found on pages 82 and 83. The market price of the shares at the date of award was £12.61.

[2] The performance period applicable to each award is three years. The performance period relating to the LTIP awards in 2006 (which were granted on 5 April) ended on 31 December 2008. Vesting was subject to two performance conditions: the first based on the Company's TSR relative to a weighted group of international mining companies and the FTSE 100; with the second based on an underlying operating measure which focused on improvements in the Company's ROCE in the medium term. Part of each award was based on the TSR measure and part on the operating measure. These awards are as follows:

| Shares vested | Number of shares vested | Dates of conditional award | Market price at date of award £ | Market price at date of vesting £ | Money value at date of vesting £ |
|---|---|---|---|---|---|
| René Médori | 26,711 | 29/03/2006 | 20.72 | 13.36 | 356,859 |

In the case of the LTIP awards granted in 2006, the determinants for vesting were 50% on relative TSR and 50% on meeting specified Group ROCE targets. The ROCE targets are a function of targeted improvement in returns on existing capital employed at the start of the performance period and targeted returns in excess of the cost of capital on new capital investment over that period. The entry-level target for any LTIP has been the actual return achieved on the capital employed, excluding capital work in progress, in the year immediately preceding the commencement of the performance period. In order to maintain the effectiveness of the plan in driving long-term performance, the actual returns in the final performance year are adjusted for movements in commodity prices, certain foreign exchange rate effects (e.g. translation windfalls), capital in progress (to reflect the fact that mines under construction absorb large amounts of capital before producing a return), for relevant changes in the composition of the Group (e.g. significant acquisitions and disposals) and other one-off factors which would otherwise result in a misleading outcome.

The threshold blended target (i.e. the target on existing and new capital) for the performance period for the 2006 LTIP was 19.98% and the upper blended target 21.98%. The ROCE achieved was 24.93% and the outcome on this element of the LTIP was thus 100%. On the TSR measure, Anglo American achieved a TSR over the three-year performance period of -59 % which generated a nil% vesting in terms of the 2006 Sector Index Comparator Group (against a median target of -50%) and a nil% vesting against the FTSE 100 (being below the 50th percentile). The overall vesting level for those directors with a 50% Group ROCE, 25% Sectoral TSR and 25% FTSE 100 TSR split was therefore 50%.

Figure 14: Directors' share options

| Anglo American options | Beneficial holding at 1 January 2009[1] | Granted | Exercised | Lapsed | Beneficial holding at 31 December 2009 | Weighted average option price £ | Earliest date from which exercisable | Latest expiry date |
|---|---|---|---|---|---|---|---|---|
| René Médori | 951 | – | – | – | 951 | 17.97 | 1/9/2013 | 28/2/2014 |

[1] Beneficial holdings comprise SAYE options held in respect of shares by René Médori of 951 options with an option price of £17.97. The market price of the Company's shares at the end of the year and the highest and lowest mid-market prices during the period are disclosed in Section 10.4. There are no performance conditions attached to these options.

Figure 15: Defined contribution pension schemes

| Directors | Normal contributions 2009 £000 | Normal contributions 2008 £000 |
|---|---|---|
| Cynthia Carroll[1] | 331 | 315 |
| René Médori | 208 | 198 |

[1] The contributions payable into pension arrangements for Cynthia Carroll amounted in 2009 to £236,000 (2008: £225,000), the balance being payable in the form of a cash allowance to an equivalent-cost to the employer. The cost of this allowance is included in the pension figure above. The allowance does not form part of basic salary disclosed in the directors' emoluments table on page 85 nor is it included in determining awards under the BSP.

Figure 16: Shares in Anglo American plc
As at 31 December 2009 (or, if earlier, date of resignation)

| Directors | Beneficial | Conditional SIP | Conditional LTIP | Conditional BSP Bonus Shares | Conditional BSP Enhancement Shares | Conditional Other |
|---|---|---|---|---|---|---|
| Cynthia Carroll[1] | 14,433 | 573 | 262,925 | 61,990 | 78,803 | 24,154 |
| René Médori[2] | 66,082 | 591 | 168,885 | 55,822 | 63,970 | – |
| Sir Mark Moody-Stuart[3][4] | 28,422 | – | – | – | – | – |
| Sir John Parker[4][5] | 777 | – | – | – | – | 31,000 |
| David Challen | 1,820 | – | – | – | – | – |
| Sir CK Chow | 5,500 | – | – | – | – | – |
| Chris Fay | 6,827 | – | – | – | – | – |
| Sir Philip Hampton[4] | 637 | – | – | – | – | – |
| Sir Rob Margetts[6] | 15,030 | – | – | – | – | – |
| Ray O'Rourke[4] | 0 | – | – | – | – | – |
| Nicky Oppenheimer[7] | 33,557,017 | – | – | – | – | – |
| Fred Phaswana[4] | 13,610 | – | – | – | – | – |
| Mamphela Ramphele | 2,762 | – | – | – | – | – |
| Jack Thompson[4][8] | 2,500 | – | – | – | – | – |
| Karel Van Miert[9] | 455 | – | – | – | – | – |
| Peter Woicke | 5,177 | – | – | – | – | – |

See page 90 for footnotes.

# Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Financial statements

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# Responsibility statements
for the year ended 31 December 2009

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 auditors' report to the members of Anglo American plc

We have audited the financial statements of Anglo American plc for the year ended 31 December 2009 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 40 and the Balance sheet of the Company and related information in note 41. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As 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 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.

### 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 2009 and of the Group'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; and
- the part of the Corporate governance section relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

**Timothy Powell (Senior Statutory Auditor) for and on behalf of Deloitte LLP**
Chartered Accountants and Statutory Auditors
London, United Kingdom

18 February 2010

# Consolidated income statement
for the year ended 31 December 2009

| US$ million | Note | 2009 Before special items and remeasurements | 2009 Special items and remeasurements (note 7) | 2009 Total | 2008 Before special items and remeasurements | 2008 Special items and remeasurements (note 7) | 2008 Total |
|---|---|---|---|---|---|---|---|
| **Group revenue** | 2 | 20,858 | – | 20,858 | 26,311 | – | 26,311 |
| **Total operating costs** | | (16,481) | (1,637) | (18,118) | (18,330) | (1,131) | (19,461) |
| **Operating profit from subsidiaries and joint ventures** | 2,4 | 4,377 | (1,637) | 2,740 | 7,981 | (1,131) | 6,850 |
| Net profit on disposals | 7 | – | 1,612 | 1,612 | – | 1,009 | 1,009 |
| Share of net income from associates | 2,16 | 318 | (234) | 84 | 1,303 | (190) | 1,113 |
| **Total profit from operations and associates** | | 4,695 | (259) | 4,436 | 9,284 | (312) | 8,972 |
| Investment income | | 514 | – | 514 | 589 | – | 589 |
| Interest expense | | (780) | – | (780) | (850) | – | (850) |
| Other financing losses | | (7) | (134) | (141) | (191) | 51 | (140) |
| **Net finance costs** | 8 | (273) | (134) | (407) | (452) | 51 | (401) |
| **Profit before tax** | | 4,422 | (393) | 4,029 | 8,832 | (261) | 8,571 |
| Income tax expense | 10 | (1,305) | 188 | (1,117) | (2,545) | 94 | (2,451) |
| **Profit for the financial year** | | 3,117 | (205) | 2,912 | 6,287 | (167) | 6,120 |
| **Attributable to:** | | | | | | | |
| Minority interests | | 548 | (61) | 487 | 1,050 | (145) | 905 |
| **Equity shareholders of the Company** | 3 | 2,569 | (144) | 2,425 | 5,237 | (22) | 5,215 |
| **Earnings per share (US$)** | | | | | | | |
| Basic | 12 | | | 2.02 | | | 4.34 |
| Diluted | 12 | | | 1.98 | | | 4.29 |

Underlying earnings and underlying earnings per share are set out in note 12.

# Consolidated statement of comprehensive income
for the year ended 31 December 2009

| US$ million | Note | 2009 | 2008 |
|---|---|---|---|
| **Profit for the financial year** | | 2,912 | 6,120 |
| Net gain/(loss) on revaluation of available for sale investments | | 741 | (888) |
| Net gain/(loss) on cash flow hedges | | 122 | (874) |
| Net (loss)/gain on cash flow hedges – associates | | (2) | 4 |
| Net exchange gain/(loss) on translation of foreign operations | | 3,819 | (4,514) |
| Actuarial net loss on post retirement benefit schemes | | (217) | (129) |
| Actuarial net loss on post retirement benefit schemes – associates | | (5) | (7) |
| Deferred tax | 29 | (74) | 167 |
| **Net income/(expense) recognised directly in equity** | | 4,384 | (6,241) |
| Transferred to income statement: sale of available for sale investments | | (1,554) | (476) |
| Transferred to income statement: cash flow hedges | | 162 | 380 |
| Transferred to initial carrying amount of hedged items: cash flow hedges | | 30 | 637 |
| Transferred to income statement: exchange differences on disposal of foreign operations | | (2) | 2 |
| Tax on items transferred from equity | 29 | 77 | (94) |
| **Total transferred from equity** | | (1,287) | 449 |
| **Total comprehensive income for the financial year** | | 6,009 | 328 |
| **Attributable to:** | | | |
| Minority interests | | 783 | 487 |
| **Equity shareholders of the Company** | | 5,226 | (159) |

# Consolidated balance sheet
as at 31 December 2009

| US$ million | Note | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| Intangible assets | 13 | 2,776 | 3,006 | 1,556 |
| Tangible assets | 14 | 35,198 | 29,545 | 23,534 |
| Environmental rehabilitation trusts | 15 | 342 | 244 | 252 |
| Investments in associates | 16 | 3,312 | 3,612 | 3,341 |
| Financial asset investments | 18 | 2,726 | 3,115 | 4,780 |
| Trade and other receivables | 20 | 206 | 94 | 159 |
| Deferred tax assets | 26 | 288 | 258 | 474 |
| Other financial assets (derivatives)[(1)] | 24 | 238 | 117 | 160 |
| Other non-current assets | | 191 | 167 | 105 |
| **Total non-current assets** | | 45,277 | 40,158 | 34,361 |
| Inventories | 19 | 3,212 | 2,702 | 2,344 |
| Trade and other receivables | 20 | 3,348 | 2,929 | 3,572 |
| Current tax assets | | 214 | 471 | 223 |
| Other financial assets (derivatives)[(1)] | 24 | 365 | 259 | 375 |
| Financial asset investments | 18,30b | 3 | 173 | – |
| Cash and cash equivalents | 30b | 3,269 | 2,771 | 3,129 |
| **Total current assets** | | 10,411 | 9,305 | 9,643 |
| Assets classified as held for sale | 34 | 620 | 275 | 758 |
| **Total assets** | | 56,308 | 49,738 | 44,762 |
| Trade and other payables | 21 | (4,395) | (4,770) | (3,950) |
| Short term borrowings | 23,30b | (1,499) | (6,784) | (5,895) |
| Short term provisions | 25 | (209) | (168) | (142) |
| Current tax liabilities | | (566) | (804) | (992) |
| Other financial liabilities (derivatives)[(1)] | 24 | (76) | (598) | (375) |
| **Total current liabilities** | | (6,745) | (13,124) | (11,354) |
| Medium and long term borrowings | 23,30b | (12,816) | (7,211) | (2,404) |
| Retirement benefit obligations | 27 | (706) | (401) | (444) |
| Other financial liabilities (derivatives)[(1)] | 24 | (583) | (899) | (211) |
| Deferred tax liabilities | 26 | (5,192) | (4,555) | (4,650) |
| Provisions for liabilities and charges | 25 | (1,583) | (1,317) | (1,082) |
| Other non-current liabilities | | (423) | (395) | – |
| **Total non-current liabilities** | | (21,303) | (14,778) | (8,791) |
| Liabilities directly associated with assets classified as held for sale | 34 | (191) | (80) | (287) |
| **Total liabilities** | | (28,239) | (27,982) | (20,432) |
| **Net assets** | | 28,069 | 21,756 | 24,330 |
| | | | | |
| **Equity** | | | | |
| Called-up share capital | 28 | 738 | 738 | 738 |
| Share premium account | | 2,713 | 2,713 | 2,713 |
| Other reserves | | 1,379 | (2,057) | 3,155 |
| Retained earnings | | 21,291 | 18,827 | 15,855 |
| **Equity attributable to equity shareholders of the Company** | | 26,121 | 20,221 | 22,461 |
| Minority interests | | 1,948 | 1,535 | 1,869 |
| **Total equity** | | 28,069 | 21,756 | 24,330 |

(1) Comparatives have been adjusted in accordance with IAS 1 *Presentation of Financial Statements – Improvements*, as described in note 1.

The financial statements of Anglo American plc, registered number 3564138, were approved by the Board of directors on 18 February 2010.

**Cynthia Carroll**
Chief executive

**René Médori**
Finance director

# Consolidated cash flow statement

for the year ended 31 December 2009

| US$ million | Note | 2009 | 2008 |
|---|---|---|---|
| **Cash inflows from operations** | 30a | 4,904 | 9,579 |
| Dividends from associates | | 616 | 609 |
| Dividends from financial asset investments | | 23 | 50 |
| Income tax paid | | (1,456) | (2,173) |
| **Net cash inflows from operating activities** | | 4,087 | 8,065 |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries, net of cash and cash equivalents acquired[(1)] | 32 | (79) | (5,887) |
| Investment in joint ventures | 32 | (5) | (609) |
| Investment in associates | | (31) | (9) |
| Cash flows from derivatives related to acquisitions | | – | (661) |
| Purchase of tangible assets | 2 | (4,607) | (5,146) |
| Purchase of financial asset investments | | (269) | (741) |
| Investment of advance received in anticipation of disposal[(2)] | | – | (281) |
| Loans granted | | (134) | (108) |
| Interest received and other investment income | | 244 | 291 |
| Disposal of subsidiaries, net of cash and cash equivalents disposed | 33 | 69 | 468 |
| Sale of interests in associates | | 662 | 205 |
| Repayment of loans and capital by associates | | – | 42 |
| Proceeds from disposal of tangible assets | | 46 | 30 |
| Proceeds from sale of financial asset investments | | 2,041 | 851 |
| Cash flows from derivatives related to investing activities (excluding acquisitions) | | (150) | (166) |
| Other investing activities | | (10) | (29) |
| **Net cash used in investing activities** | | (2,223) | (11,750) |
| | | | |
| **Cash flows from financing activities** | | | |
| Issue of shares by subsidiaries to minority interests | | 96 | 62 |
| Sale of treasury shares to employees | | 29 | 40 |
| Purchase of treasury shares | | (75) | (710) |
| Interest paid | | (741) | (741) |
| Dividends paid to minority interests | | (472) | (796) |
| Dividends paid to Company shareholders | | – | (1,550) |
| (Repayment)/receipt of short term borrowings | | (6,624) | 1,432 |
| Net proceeds from issue of convertible bond | | 1,685 | – |
| Net proceeds from issue of US bond | | 1,992 | – |
| Net proceeds from bonds issued under EMTN programme | | 2,215 | 2,404 |
| Receipt of other medium and long term borrowings | | 361 | 2,777 |
| Cash flows from derivatives related to net debt | | (85) | 380 |
| Advance received in anticipation of disposal[(2)] | | – | 307 |
| Other financing activities | | 14 | (63) |
| **Net cash (used in)/inflows from financing activities** | | (1,605) | 3,542 |
| **Net increase/(decrease) in cash and cash equivalents** | | 259 | (143) |
| | | | |
| **Cash and cash equivalents at start of year** | 30c | 2,744 | 3,074 |
| Cash movements in the year | | 259 | (143) |
| Effects of changes in foreign exchange rates | | 316 | (187) |
| **Cash and cash equivalents at end of year** | 30c | 3,319 | 2,744 |

(1) Includes amounts paid to acquire minority interests in subsidiaries.

(2) Advance received in the year ended 31 December 2008 in respect of anticipated disposal of the Group's 50% interest in the Booysendal joint venture, invested in unlisted preference shares and an escrow account, pending completion of the transaction which occurred in June 2009. Following completion of the transaction the preference shares were sold and the proceeds are shown within 'Proceeds from sale of financial asset investments'. At 31 December 2009 a further amount of $72 million remains in an escrow account pending completion of documentation.

# Consolidated statement of changes in equity

for the year ended 31 December 2009

| US$ million | Total share capital[1] | Retained earnings | Share-based payment reserve | Cumulative translation adjustment reserve | Fair value and other reserves (note 29) | Total equity attributable to equity shareholders of the Company | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2008 | 3,451 | 15,855 | 262 | 20 | 2,873 | 22,461 | 1,869 | 24,330 |
| Total comprehensive income | – | 5,113 | – | (4,097) | (1,175) | (159) | 487 | 328 |
| Dividends paid | – | (1,538) | – | – | – | (1,538) | – | (1,538) |
| Dividends paid to minority interests | – | – | – | – | – | – | (796) | (796) |
| Acquisition and disposal of businesses (including issue of shares to minority interests) | – | 6 | – | – | – | 6 | (45) | (39) |
| Minority conversion of Anglo Platinum's preference shares | – | 6 | – | – | – | 6 | (6) | – |
| Share buybacks | – | (595) | – | – | – | (595) | – | (595) |
| Purchase of shares for share schemes | – | (88) | – | – | – | (88) | – | (88) |
| Share-based payment charges on equity settled schemes | – | – | 146 | – | – | 146 | 11 | 157 |
| Issue of shares under employee share schemes | – | 97 | (70) | – | – | 27 | – | 27 |
| Current tax on exercised employee share schemes | – | 10 | – | – | – | 10 | – | 10 |
| Issue/purchase of treasury shares in subsidiary entities | – | 6 | – | – | – | 6 | – | 6 |
| Other | – | (45) | (50) | – | 34 | (61) | 15 | (46) |
| Balance at 1 January 2009 | 3,451 | 18,827 | 288 | (4,077) | 1,732 | 20,221 | 1,535 | 21,756 |
| Total comprehensive income | – | 2,257 | – | 3,526 | (557) | 5,226 | 783 | 6,009 |
| Dividends paid to minority interests | – | – | – | – | – | – | (472) | (472) |
| Acquisition and disposal of businesses (including issue of shares to minority interests) | – | – | (14) | – | (1) | (15) | 57 | 42 |
| Purchase of shares for share schemes | – | (32) | – | – | – | (32) | – | (32) |
| Share-based payment charges on equity settled schemes | – | – | 194 | – | – | 194 | 16 | 210 |
| Issue of shares under employee share schemes | – | 108 | (87) | – | – | 21 | – | 21 |
| Current tax on exercised employee share schemes | – | (1) | – | – | – | (1) | – | (1) |
| Issue/purchase of treasury shares in subsidiary entities | – | (11) | – | – | – | (11) | 15 | 4 |
| Issue of convertible bond | – | – | – | – | 355 | 355 | – | 355 |
| Other | – | 143 | 20 | – | – | 163 | 14 | 177 |
| **Balance at 31 December 2009** | **3,451** | **21,291** | **401** | **(551)** | **1,529** | **26,121** | **1,948** | **28,069** |

[1] Total share capital comprises called-up share capital of $738 million (2008: $738 million) and the share premium account of $2,713 million (2008: $2,713 million).

## Dividends

| | Note | 2009 | 2008 |
|---|---|---|---|
| Proposed ordinary dividend per share (US cents) | | – | – |
| Proposed ordinary dividend (US$ million) | | – | – |
| Ordinary dividends paid during the year per share (US cents) | 11 | – | 130 |
| Ordinary dividends paid during the year (US$ million) | 11 | – | 1,538 |

Financial statements

# Notes to the financial statements

## 1. Accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations 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 details of the elections made on conversion to IFRS were set out in the 31 December 2005 Annual Report.

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

Details of the Group's significant accounting policies and critical accounting estimates are set out in the 'Operating and financial review' and form part of these financial statements; these are set out on pages 66 and 67.

Significant areas of estimation uncertainty include:
- useful economic lives of assets and ore reserves estimates;
- impairment of assets;
- restoration, rehabilitation and environmental costs; and
- retirement benefits.

### Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting in preparing the financial statements continues to be adopted. Further details are contained in the Directors' report on page 71.

### Adoption of standards and changes in accounting policies

The Group has adopted, with effect from 1 January 2009, IFRS 8 *Operating Segments*, IAS 1 *Presentation of Financial Statements – Revised*, IAS 1 *Presentation of Financial Statements – Improvements* and IFRS 7 *Financial Instruments: Disclosures – Amendment*.

The adoption of IFRS 8 has resulted in the segmental disclosures previously required by IAS 14 *Segment Reporting* being replaced by those required under IFRS 8. The segments identified in accordance with IFRS 8 are aligned to the Group's structure of Business Units based around core commodities. In addition assets identified for divestment are managed as a separate Business Unit, Other Mining and Industrial.

The adoption of the revision to IAS 1 has resulted in the Consolidated statement of changes in equity being presented as a primary statement (previously disclosed as a note titled 'Reconciliation of changes in equity') and disclosure of the tax impact of individual items in the Consolidated statement of comprehensive income (by way of note). In addition, the Group has elected to continue to present a separate income statement and statement of comprehensive income.

The adoption of the improvements to IAS 1 has resulted in non-hedge derivatives whose expected settlement date is more than one year from the period end being reclassified from current to non-current and therefore the comparative information in the Consolidated balance sheet has been adjusted as follows:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| US$ million | Current | Non-current | Current | Non-current |
| **Other financial assets (derivatives)** | | | | |
| As previously reported | 372 | 4 | 535 | – |
| Reclassification | (113) | 113 | (160) | 160 |
| **As reported** | 259 | 117 | 375 | 160 |
| **Other financial liabilities (derivatives)** | | | | |
| As previously reported | (1,436) | (61) | (501) | (85) |
| Reclassification | 838 | (838) | 126 | (126) |
| **As reported** | (598) | (899) | (375) | (211) |
| **Assets** | | | | |
| As previously reported | 9,418 | 40,045 | 9,803 | 34,201 |
| Reclassification | (113) | 113 | (160) | 160 |
| **As reported** | 9,305 | 40,158 | 9,643 | 34,361 |
| **Liabilities** | | | | |
| As previously reported | (13,962) | (13,940) | (11,480) | (8,665) |
| Reclassification | 838 | (838) | 126 | (126) |
| **As reported** | (13,124) | (14,778) | (11,354) | (8,791) |

Due to the adoption of the revision and improvements to IAS 1, certain 2007 information has been included in the 2009 Financial statements.

IFRS 7 *Financial Instruments: Disclosures – Amendment* has resulted in additional disclosures in relation to financial assets and liabilities which are carried at fair value on the balance sheet. The amendment also reinforces existing principles for disclosure about liquidity risk. The amendment does not require comparative information to be provided in respect of the additional disclosures.

A number of other amendments to accounting standards and new interpretations issued by the International Accounting Standards Board (IASB) were applicable from 1 January 2009. 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) made up to 31 December each year. 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 Consolidated 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 for the financial year and net assets is attributed to the minority interests as shown in the Consolidated income statement and Consolidated balance sheet. Any losses applicable to the minority interests in excess of the total recognised minority interests are allocated against the interests of the parent until such time as future profits have exceeded the losses previously absorbed.

### 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.

## 1. Accounting policies continued

The total carrying values of investments in associates represent the cost of each investment including the carrying value of goodwill, the share of post acquisition retained earnings, any other movements in reserves and any long term debt interests which in substance form part of the Group's net investment. The carrying values of associates are reviewed on a regular basis and if an impairment in value has occurred, it is written off in the period in which those 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.

### Joint venture entities

A joint venture 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.

### Joint venture 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 recorded 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. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. 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 credited to the income statement in the period of acquisition.

For non-wholly owned subsidiaries, minority interests are initially recorded at the minorities' proportion of the fair values of the assets and liabilities recognised at acquisition.

### Tangible assets

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

Mining properties are depreciated down to their residual values using the unit of production method based on proven and probable reserves. 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, a write down to the recoverable amount is charged to 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 in the early years of a mine's production phase, the costs associated with this process are deferred and charged to operating costs using the expected average stripping ratio over the life of the area being mined. This reflects the fact that waste removal is necessary to gain access to the orebody and therefore realise future economic benefit. The average stripping ratio is calculated as the number of tonnes of waste material expected to be removed during the life of mine, per tonne of ore mined. The average life of mine cost per tonne is calculated as the total expected costs to be incurred to mine the orebody divided by the number of tonnes expected to be mined. The cost of stripping in any period will therefore be reflective of the average stripping rates for the orebody as a whole. However, where the pit profile is such that the actual stripping ratio is below the average in the early years no deferral takes place as this would result in recognition of a liability for which there is no obligation. Instead this position is monitored and when the cumulative calculation reflects a debit balance deferral commences. The average life of mine stripping ratio and the average life of mine cost per tonne are recalculated annually in light of additional knowledge and changes in estimates. Changes in the life of mine stripping ratio are accounted for prospectively as a change in estimate.

Land and properties in the course of construction are carried at cost less any recognised impairment. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated down to their residual values at varying rates on a straight line basis over their estimated useful lives or the life of mine, whichever is shorter. Estimated useful lives normally vary from up to 20 years for items of plant and equipment to a maximum of 50 years for buildings.

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.

### Non-mining licences and other intangibles

Non-mining licences and other intangibles are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful lives. Estimated useful lives are usually between three and five years.

### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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.

## 1. Accounting policies continued

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

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

Where an impairment 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 in prior years. A reversal of an impairment is reported through 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. Details of the CGUs to which goodwill is allocated are provided in note 13. 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 is recognised immediately in the income statement. Impairments of goodwill are not subsequently reversed.

### Research and exploration expenditure

Research and exploration expenditure is written off in the year in which it is incurred. When a decision is taken that a mining property is economically feasible and should be developed for commercial production, all further directly attributable, pre-production expenditure is capitalised within tangible assets. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Exploration properties acquired are recognised in the balance sheet at cost less provision for any impairment. Such properties and capitalised pre-production 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 valued 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 valued at cost on a first in, first out (FIFO) basis.
- Finished products are valued at raw material cost, labour cost and a proportion of manufacturing overhead expenses.
- Metal and coal stocks are included within finished products and are valued at average cost.

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

### Retirement benefits

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

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

Actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the Consolidated 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 become vested.

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

### Tax

The tax expense includes the current tax charge and deferred tax charged to 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 balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. 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 balance sheet 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.

## 1. Accounting policies continued

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. 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 charged to the income statement in equal annual amounts over the lease term.

Assets held under finance leases 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 charged against profit so as to produce a constant periodic rate of interest on the remaining balance of the liability, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's general policy on borrowing costs set out below.

### Non-current assets held for sale and discontinued operations

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

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

An asset or business is considered to be a 'discontinued operation' if it has been sold or is classified as held for sale and is part of a single co-ordinated 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.

### Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a 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 charged against profits over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

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 on pages 101 and 102.

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 recognised separately on the balance sheet as non-current assets at fair value. Interest earned on funds invested in the environmental rehabilitation trusts is accrued on a time proportion basis and recognised as interest income.

### Foreign currency transactions and translation

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the balance sheet 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 equity 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 most of its business is 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.

# Notes to the financial statements
continued

## 1. Accounting policies continued

### 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.

### 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, however, shown within short term borrowings in current liabilities on the balance sheet. Cash and cash equivalents in the Consolidated cash flow statement are shown net of overdrafts.

### Trade receivables
Trade receivables do not carry any interest and are stated 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.

### Trade payables
Trade payables are not interest bearing and are stated 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.

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

### Investments
Investments, other than investments in subsidiaries, joint ventures and associates, are financial asset investments and are initially recorded 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. 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 investments. Both sub-categories are measured at each reporting date at fair value. Where investments are held for trading purposes, unrealised gains and losses for the period are included in the income statement within other gains and losses. For available for sale investments, unrealised gains and losses are recognised in equity until the investment is disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement. Impairment losses are recognised in the income statement when the difference between the acquisition cost and current fair value is considered significant or prolonged.

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 recorded on the amortised cost basis. Debt securities that are not intended to be held to maturity are recorded at the lower of cost and market value.

Provision is raised against these assets when there is doubt over the future realisation of value as a result of a known event or circumstance.

### Convertible debt
Convertible bonds are regarded 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 recorded 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.

### 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.

## 1. Accounting policies continued

### Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis and charged to the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### Derivative financial instruments and hedge accounting

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

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

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows 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 a 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 a 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 profit or loss. 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. The ineffective portion is recognised immediately in the income statement. Gains or losses accumulated in equity are included in the income statement on disposal of the foreign operations to which they relate.

Changes in the fair value of any derivative instruments that are not hedge accounted 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 the derivative relates to.

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 in equity 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.

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 liabilities

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

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

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

IFRS 3 (Revised) *Business Combinations* makes a number of changes to the accounting for and disclosure of business combinations. The revised standard introduces changes to the accounting for contingent consideration and transaction costs, as well as allowing an option to calculate goodwill based on the parent's share of net assets only or including goodwill relating to minority interests (non-controlling interests). Once adopted the Group will account for subsequent business combinations in accordance with this standard. The revised standard is effective prospectively for annual periods beginning on or after 1 July 2009.

IAS 27 (Revised) *Consolidated and Separate Financial Statements* requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Once adopted any transaction within this scope will be accounted for in accordance with the revised standard. The revised standard is effective prospectively for annual periods beginning on or after 1 July 2009.

IFRS 9 *Financial Instruments* is 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. The standard applies for annual periods beginning on or after 1 January 2013. Early application is permitted, although IFRS 9 has not yet been endorsed for use in the European Union. Once adopted, all financial assets within the scope of IFRS 9 will be accounted for in accordance with the standard.

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

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* prohibits designating inflation as a hedgeable component of a fixed rate debt and inclusion of time value in the one-sided hedged risk when designating options as hedges. The amendment is effective for accounting periods beginning on or after 1 July 2009.

Amendment to IFRS 2 *Share-based payments on Group Cash-settled Share-based Payment Transactions* clarifies the scope and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. The amendment is effective for annual periods commencing on or after 1 January 2010, subject to adoption by the European Union.

Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Prior to the amendment, such rights issues were accounted for as derivative liabilities. The amendment states that, if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of any currency, they should be classified as equity, regardless of the currency in which the exercise price is denominated. The amendment is effective for annual periods commencing on or after 1 February 2010.

# Notes to the financial statements
continued

## 1. Accounting policies continued

*Annual improvements to IFRSs 2009* amends a number of standards including changes in presentation, recognition and measurement plus terminology and editorial changes. The 2009 amendments are effective for annual periods commencing on or after 1 January 2010, subject to adoption by the European Union.

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

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements on the Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*.

Amendments to IFRS 1 on *Additional Exemptions for First-time Adopters*.

IFRIC 12 *Service Concession Arrangements*.

IFRIC 17 *Distributions of Non-cash Assets to Owners*.

IFRIC 18 *Transfers of Assets from Customers*.

## 2. Segmental information

The Group's segments are aligned to the structure of Business Units based around core commodities. In addition assets identified for divestment are managed as a separate Business Unit, Other Mining and Industrial. 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). Each Business Unit has a management team that is accountable to the Chief executive.

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

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

The Corporate Activities and Unallocated Costs segment includes insurance costs.

Due to the portfolio and management structure changes announced in October 2009, the segments have changed from those reported at 31 December 2008. Comparatives have been reclassified to align with current year presentation.

| | Revenue[1] | | Operating profit/(loss)[2] | |
|---|---|---|---|---|
| US$ million | 2009 | 2008 | 2009 | 2008 |
| Platinum | 4,535 | 6,327 | 32 | 2,169 |
| Diamonds | 1,728 | 3,096 | 64 | 508 |
| Copper | 3,967 | 3,907 | 2,010 | 1,892 |
| Nickel | 348 | 408 | 2 | 123 |
| Iron Ore and Manganese | 3,419 | 4,099 | 1,489 | 2,554 |
| Metallurgical Coal | 2,239 | 3,119 | 451 | 1,110 |
| Thermal Coal | 2,490 | 3,051 | 721 | 1,078 |
| Other Mining and Industrial | 5,908 | 8,951 | 506 | 1,082 |
| Exploration | – | – | (172) | (212) |
| Corporate Activities and Unallocated Costs | 3 | 6 | (146) | (219) |
| **Segment measure** | 24,637 | 32,964 | 4,957 | 10,085 |
| **Reconciliation:** | | | | |
| Less: Associates | (3,779) | (6,653) | (580) | (2,104) |
| Operating special items and remeasurements | – | – | (1,637) | (1,131) |
| **Statutory measure** | 20,858 | 26,311 | 2,740 | 6,850 |

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

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

Associates' revenue and operating profit are as follows:

| | Associates' revenue | | Associates' operating profit/(loss)[1] | |
|---|---|---|---|---|
| US$ million | 2009 | 2008 | 2009 | 2008 |
| Platinum | 47 | 39 | (26) | 20 |
| Diamonds | 1,728 | 3,096 | 64 | 508 |
| Iron Ore and Manganese | 603 | 1,526 | 143 | 980 |
| Metallurgical Coal | 164 | 170 | 48 | 102 |
| Thermal Coal | 742 | 841 | 303 | 375 |
| Other Mining and Industrial | 495 | 981 | 48 | 119 |
| | 3,779 | 6,653 | 580 | 2,104 |
| **Reconciliation:** | | | | |
| Associates' net finance costs (before special items and remeasurements) | | | (28) | (147) |
| Associates' income tax expense (before special items and remeasurements) | | | (235) | (623) |
| Associates' minority interests (before special items and remeasurements) | | | 1 | (31) |
| **Share of net income from associates (before special items and remeasurements)** | | | 318 | 1,303 |
| Associates' special items and remeasurements | | | (184) | (223) |
| Associate's tax special item | | | (45) | – |
| Associates' tax on special items and remeasurements | | | (6) | 17 |
| Associates' minority interests on special items and remeasurements | | | 1 | 16 |
| **Share of net income from associates** | | | 84 | 1,113 |

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

## 2. Segmental information continued

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

| US$ million | Depreciation and amortisation[1] | | Other non-cash expenses[2] | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Platinum | 636 | 507 | 92 | 7 |
| Copper | 244 | 212 | 71 | 50 |
| Nickel | 26 | 27 | 9 | 4 |
| Iron Ore and Manganese | 81 | 52 | 4 | 51 |
| Metallurgical Coal | 249 | 205 | 26 | 43 |
| Thermal Coal | 107 | 78 | 13 | 61 |
| Other Mining and Industrial | 360 | 404 | 94 | 108 |
| Exploration | – | – | 4 | – |
| Corporate Activities and Unallocated Costs | 22 | 24 | 79 | 67 |
| | 1,725 | 1,509 | 392 | 391 |

[1] The Group's attributable share of depreciation and amortisation in associates is $248 million (2008: $253 million) and is split by segment as follows: Platinum $9 million (2008: $2 million), Diamonds $151 million (2008: $157 million), Iron Ore and Manganese $23 million (2008: $19 million), Metallurgical Coal $6 million (2008: $4 million), Thermal Coal $47 million (2008: $44 million) and Other Mining and Industrial $12 million (2008: $27 million).

[2] Other non-cash expenses include equity settled share-based payment charges and amounts included in operating costs in respect of provisions.

Balance sheet measures are as follows:

| US$ million | Capital expenditure[1] | | Net debt[2] | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Platinum | 1,150 | 1,563 | 196 | 995 |
| Copper | 1,068 | 808 | (187) | (622) |
| Nickel | 554 | 530 | 380 | (66) |
| Iron Ore and Manganese | 1,044 | 783 | 874 | 698 |
| Metallurgical Coal | 96 | 467 | (9) | (18) |
| Thermal Coal | 400 | 365 | 23 | (139) |
| Other Mining and Industrial | 268 | 603 | 341 | 354 |
| Exploration | – | 1 | – | – |
| Corporate Activities and Unallocated Costs | 27 | 26 | 9,425 | 9,849 |
| | 4,607 | 5,146 | 11,043 | 11,051 |
| **Reconciliation:** | | | | |
| Interest capitalised | 246 | 215 | | |
| Non-cash movements[3] | 379 | 365 | | |
| **Tangible asset additions** | 5,232 | 5,726 | | |
| Tangible assets acquired through business combinations | 28 | 7,358 | | |
| Intangible asset additions | 50 | 1,731 | | |
| Net debt in disposal groups | | | (48) | (8) |
| | 5,310[4] | 14,815[4] | 10,995 | 11,043 |

[1] Capital expenditure is segmented on a cash basis and is reconciled to balance sheet additions. Cash capital expenditure excludes cash flows on related derivatives.

[2] Segment net debt excludes net debt in disposal groups and hedges. A reconciliation of net debt to the balance sheet is provided in note 30. At 31 December 2007 net debt of $5,170 million was split by segment as follows: Platinum $846 million, Copper $(298) million, Nickel $(233) million, Iron Ore and Manganese $(123) million, Metallurgical Coal $(3) million, Thermal Coal $(76) million, Other Mining and Industrial $182 million, Exploration $(1) million and Corporate Activities and Unallocated Costs $4,876 million. Group net debt of $5,239 million included a further $69 million of net debt in disposal groups.

[3] Includes movements on tangible asset accruals and the impact of cash flow hedge derivatives.

[4] Capital expenditure on an accruals basis and including additions resulting from acquisitions of interests in subsidiaries and joint ventures is split by segment as follows: Platinum $1,445 million (2008: $3,026 million), Copper $1,186 million (2008: $1,087 million), Nickel $570 million (2008: $597 million), Iron Ore and Manganese $1,157 million (2008: $7,569 million), Metallurgical Coal $173 million (2008: $1,222 million), Thermal Coal $409 million (2008: $383 million), Other Mining and Industrial $323 million (2008: $882 million), Exploration nil (2008: $1 million) and Corporate Activities and Unallocated Costs $47 million (2008: $48 million).

The following balance sheet segment measures are provided for information:

| US$ million | Segment assets[1] | | Segment liabilities[2] | | Net segment assets | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Platinum | 13,082 | 9,713 | (941) | (668) | 12,141 | 9,045 |
| Copper | 5,643 | 4,134 | (880) | (986) | 4,763 | 3,148 |
| Nickel | 1,888 | 1,485 | (101) | (84) | 1,787 | 1,401 |
| Iron Ore and Manganese | 10,758 | 10,768 | (388) | (311) | 10,370 | 10,457 |
| Metallurgical Coal | 4,176 | 3,369 | (769) | (700) | 3,407 | 2,669 |
| Thermal Coal | 2,343 | 1,624 | (636) | (606) | 1,707 | 1,018 |
| Other Mining and Industrial | 6,231 | 6,435 | (1,202) | (1,204) | 5,029 | 5,231 |
| Exploration | 4 | 3 | (2) | (7) | 2 | (4) |
| Corporate Activities and Unallocated Costs | 311 | 251 | (409) | (310) | (98) | (59) |
| | 44,436 | 37,782 | (5,328) | (4,876) | 39,108 | 32,906 |
| **Other assets and liabilities** | | | | | | |
| Investments in associates[3] | 3,312 | 3,612 | – | – | 3,312 | 3,612 |
| Financial asset investments | 2,729 | 3,288 | – | – | 2,729 | 3,288 |
| Deferred tax assets/(liabilities) | 288 | 258 | (5,192) | (4,555) | (4,904) | (4,297) |
| Cash and cash equivalents | 3,269 | 2,771 | – | – | 3,269 | 2,771 |
| Other financial assets/(liabilities) – derivatives | 603 | 376 | (659) | (1,497) | (56) | (1,121) |
| Other non-operating assets/(liabilities) | 1,671 | 1,651 | (2,128) | (2,515) | (457) | (864) |
| Other provisions | – | – | (617) | (544) | (617) | (544) |
| Borrowings | – | – | (14,315) | (13,995) | (14,315) | (13,995) |
| **Net assets** | 56,308 | 49,738 | (28,239) | (27,982) | 28,069 | 21,756 |

[1] Segment assets at 31 December 2009 are operating assets and consist of intangible assets of $2,776 million (2008: $3,006 million), tangible assets of $35,198 million (2008: $29,545 million), biological assets of $4 million (2008: $3 million), environmental rehabilitation trusts of $342 million (2008: $244 million), retirement benefit assets of $54 million (2008: $32 million), inventories of $3,212 million (2008: $2,702 million) and operating receivables of $2,850 million (2008: $2,250 million).

[2] Segment liabilities at 31 December 2009 are operating liabilities and consist of non-interest bearing current liabilities of $3,447 million (2008: $3,534 million), retirement benefit obligations of $706 million (2008: $401 million) and environmental restoration and decommissioning provisions of $1,175 million (2008: $941 million).

[3] Refer to note 16 for a split of investments in associates by segment.

## 2. Segmental information continued

### Entity wide information

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

| US$ million | 2009 | 2008 |
|---|---|---|
| Platinum | 3,101 | 3,570 |
| Palladium | 361 | 531 |
| Rhodium | 527 | 1,632 |
| Diamonds | 1,728 | 3,096 |
| Copper | 3,783 | 3,639 |
| Nickel | 625 | 734 |
| Iron ore | 2,330 | 2,281 |
| Manganese | 603 | 1,526 |
| Metallurgical coal | 1,693 | 2,775 |
| Thermal coal | 3,197 | 3,637 |
| Zinc | 445 | 467 |
| Steel products | 1,371 | 1,927 |
| Heavy building materials | 2,870 | 4,399 |
| Other | 2,003 | 2,750 |
| | 24,637 | 32,964 |

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:

| | Revenue | | Non-current segment assets[1] | |
|---|---|---|---|---|
| US$ million | 2009 | 2008 | 2009 | 2008 |
| South Africa | 2,567 | 3,951 | 15,161 | 11,040 |
| Other Africa | 139 | 322 | 599 | 309 |
| United Kingdom (Anglo American plc's country of domicile) | 3,850 | 4,672 | 2,686 | 2,491 |
| Other Europe | 5,014 | 7,279 | 241 | 712 |
| US | 790 | 1,294 | 123 | 92 |
| Other North America | 507 | 1,078 | 575 | 414 |
| Brazil | 662 | 1,423 | 10,105 | 10,468 |
| Chile | 1,229 | 1,398 | 4,280 | 3,448 |
| Venezuela | 5 | 8 | 281 | 462 |
| Other South America | 185 | 178 | 293 | 206 |
| Australia | 427 | 344 | 3,584 | 2,863 |
| China | 3,469 | 1,956 | 4 | 3 |
| India | 1,222 | 1,599 | – | – |
| Japan | 2,697 | 4,516 | – | – |
| Other Asia | 1,874 | 2,946 | 46 | 46 |
| | 24,637 | 32,964 | 37,978 | 32,554 |

[1] Non-current segment assets are non-current operating assets and consist of tangible assets, intangible assets and biological assets. Non-current segment assets at 31 December 2007 were $25,093 million.

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

| | Revenue | | Operating profit/(loss) before special items and remeasurements | |
|---|---|---|---|---|
| US$ million | 2009 | 2008 | 2009 | 2008 |
| South Africa | 10,293 | 13,786 | 2,023 | 5,107 |
| Other Africa | 1,539 | 2,530 | 78 | 467 |
| Europe | 2,976 | 4,805 | (54) | (183) |
| North America | 510 | 705 | (20) | (29) |
| South America | 6,040 | 6,743 | 2,310 | 2,985 |
| Australia and Asia | 3,279 | 4,395 | 620 | 1,738 |
| | 24,637 | 32,964 | 4,957 | 10,085 |

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

| | Segment assets[1] | | Segment liabilities | | Net segment assets | |
|---|---|---|---|---|---|---|
| US$ million | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| South Africa | 18,309 | 13,540 | (2,148) | (1,633) | 16,161 | 11,907 |
| Other Africa | 664 | 364 | (66) | (30) | 598 | 334 |
| Europe | 3,820 | 4,045 | (907) | (910) | 2,913 | 3,135 |
| North America | 805 | 629 | (132) | (119) | 673 | 510 |
| South America | 16,528 | 15,688 | (1,262) | (1,431) | 15,266 | 14,257 |
| Australia and Asia | 4,310 | 3,516 | (813) | (753) | 3,497 | 2,763 |
| | 44,436 | 37,782 | (5,328) | (4,876) | 39,108 | 32,906 |

[1] Investments in associates are not included in segment assets. The geographical distribution of these investments, based on the location of the underlying assets, is disclosed in note 16.

## 3. Reconciliation of Underlying earnings to Profit for the financial year attributable to equity shareholders of the Company

The table below analyses the contribution of each segment to the Group's operating profit (including attributable share of operating profit from associates) for the financial year and Underlying earnings, which the directors consider to be a useful additional measure of the Group's performance. A reconciliation from 'Profit for the financial year attributable to equity shareholders of the Company' to 'Underlying earnings for the financial year' is given in note 12.

Due to the portfolio and management structure changes announced in October 2009, the segments have changed from those reported at 31 December 2008. Comparatives have been reclassified to align with current year presentation.

Operating profit (including attributable share of operating profit from associates) is reconciled to 'Underlying earnings' and 'Profit for the financial year attributable to equity shareholders of the Company' in the table below:

| | | | | | | | 2009 |
|---|---|---|---|---|---|---|---|
| US$ million | Operating profit/(loss) before special items and remeasurements[1] | Operating profit/(loss) after special items and remeasurements | Operating special items and remeasurements[2] | Net profit on disposals[2] | Financing special items and remeasurements[2] | Net interest, tax and minority interests | Total |
| **By segment** | | | | | | | |
| Platinum | 32 | (72) | 104 | 323 | – | 12 | 44 |
| Diamonds | 64 | (139) | 203 | 20 | – | (154) | (90) |
| Copper | 2,010 | 2,114 | (104) | – | – | (809) | 1,201 |
| Nickel | 2 | (86) | 88 | – | – | (15) | (13) |
| Iron Ore and Manganese | 1,489 | 350 | 1,139 | 6 | – | (918) | 571 |
| Metallurgical Coal | 451 | 423 | 28 | 33 | – | (129) | 322 |
| Thermal Coal | 721 | 715 | 6 | 21 | – | (204) | 517 |
| Exploration | (172) | (172) | – | 10 | – | 5 | (167) |
| Corporate Activities and Unallocated Costs | (146) | (377) | 231 | – | – | (73) | (219) |
| **Core operations** | 4,451 | 2,756 | 1,695 | 413 | – | (2,285) | 2,166 |
| Other Mining and Industrial | 506 | 361 | 145 | 1,219 | – | (103) | 403 |
| **Total/Underlying earnings** | 4,957 | 3,117 | 1,840 | 1,632 | – | (2,388) | 2,569[3] |
| **Underlying earnings adjustments** | | | (1,840) | 1,632 | (135) | 199 | (144) |
| **Profit for the financial year attributable to equity shareholders of the Company** | | | | | | | 2,425 |

| | | | | | | | 2008 |
|---|---|---|---|---|---|---|---|
| US$ million | Operating profit/(loss) before special items and remeasurements[1] | Operating profit/(loss) after special items and remeasurements | Operating special items and remeasurements[2] | Net profit on disposals[2] | Financing special items and remeasurements[2] | Net interest, tax and minority interests | Total |
| By segment | | | | | | | |
| Platinum | 2,169 | 2,150 | 19 | 106 | – | (913) | 1,256 |
| Diamonds | 508 | 282 | 226 | 18 | – | (252) | 256 |
| Copper | 1,892 | 1,825 | 67 | 142 | – | (848) | 1,044 |
| Nickel | 123 | (7) | 130 | (1) | – | (158) | (35) |
| Iron Ore and Manganese | 2,554 | 1,934 | 620 | (4) | – | (1,404) | 1,150 |
| Metallurgical Coal | 1,110 | 1,088 | 22 | – | – | (346) | 764 |
| Thermal Coal | 1,078 | 1,080 | (2) | – | – | (324) | 754 |
| Exploration | (212) | (162) | (50) | – | – | 12 | (200) |
| Corporate Activities and Unallocated Costs | (219) | (305) | 86 | 2 | – | (267) | (486) |
| Core operations | 9,003 | 7,885 | 1,118 | 263 | – | (4,500) | 4,503 |
| Other Mining and Industrial | 1,082 | 843 | 239 | 764 | – | (348) | 734 |
| Total/Underlying earnings | 10,085 | 8,728 | 1,357 | 1,027 | – | (4,848) | 5,237[3] |
| Underlying earnings adjustments | | | (1,357) | 1,027 | 36 | 272 | (22) |
| Profit for the financial year attributable to equity shareholders of the Company | | | | | | | 5,215 |

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

[2] Special items and remeasurements are set out in note 7.

[3] This represents Underlying earnings for the financial year and is equal to profit for the financial year attributable to equity shareholders of the Company before special items and remeasurements.

## 4. Operating profit from subsidiaries and joint ventures

| US$ million | 2009 | 2008 |
|---|---|---|
| Group revenue | 20,858 | 26,311 |
| Cost of sales[1] | (15,280) | (15,551) |
| Gross profit | 5,578 | 10,760 |
| Selling and distribution costs | (1,590) | (1,631) |
| Administrative expenses | (1,603) | (1,643) |
| Other gains and losses (see below) | 527 | (424) |
| Exploration expenditure (see note 5) | (172) | (212) |
| Operating profit from subsidiaries and joint ventures | 2,740 | 6,850 |

[1] Includes operating special items of $2,275 million (2008: $352 million), see note 7.

| US$ million | 2009 | 2008 |
|---|---|---|
| **Operating profit is stated after charging:** | | |
| Depreciation of tangible assets (see note 14) | 1,711 | 1,505 |
| Amortisation of intangible assets (see note 13) | 14 | 4 |
| Rentals under operating leases | 114 | 210 |
| Research and development expenditure | 34 | 36 |
| Operating special items[1] | 2,275 | 352 |
| Employee costs (see note 6) | 3,734 | 3,281 |
| Adjustment due to provisional pricing[2] | (507) | 764 |
| **Other gains and losses comprise:** | | |
| Operating remeasurements[1] | 638 | (779) |
| Net gain/(loss) on non-hedge derivatives | 757 | (696) |
| Realised loss on derivatives relating to capital expenditure | (105) | (120) |
| Other remeasurements | (14) | 37 |
| Other fair value gains/(losses) on derivatives – realised | 83 | (147) |
| Foreign currency (losses)/gains on other monetary items | (195) | 501 |
| Gains on valuation of biological assets | 1 | 1 |
| Total other gains and losses | 527 | (424) |

[1] Special items and remeasurements are set out in note 7.

[2] Provisionally priced contracts resulted in a total (realised and unrealised) gain in revenue of $563 million (2008: $865 million loss) and total (realised and unrealised) loss in operating costs of $56 million (2008: $101 million gain).

| US$ million | 2009 | 2008 |
|---|---|---|
| **Auditors' remuneration** | | |
| Audit | | |
| United Kingdom | 3 | 3 |
| Overseas | 8 | 7 |
| Other services provided by Deloitte[1] | | |
| United Kingdom | 8 | 2 |
| Overseas | 2 | 2 |

[1] 'Other services provided by Deloitte' includes charges incurred in respect of the interim review, $6.5 million for services relating to bid defence and $0.4 million for services required to be undertaken by Deloitte in their capacity as auditors.

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

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

[1] $0.1 million was paid/payable in respect of the audit of Group pension schemes.

[2] Includes $6.5 million for services relating to bid defence and $0.4 million for services required to be undertaken by Deloitte in their capacity as auditors.

| | 2008 | | | |
|---|---|---|---|---|
| | Paid/payable to Deloitte | | | Paid/payable to auditor (if not Deloitte) |
| US$ million | United Kingdom | Overseas | Total | Overseas |
| Statutory audit services[1] | | | | |
| Anglo American plc Annual Report paid to the Company's auditor | 2.2 | – | 2.2 | – |
| Subsidiary entities – for purposes of Anglo American plc Annual Report | – | 3.6 | 3.6 | 0.1 |
| Subsidiary entities – additional local statutory requirements | 0.6 | 3.8 | 4.4 | 0.5 |
| Subsidiary entities – total | 0.6 | 7.4 | 8.0 | 0.6 |
| Total | 2.8 | 7.4 | 10.2 | 0.6 |
| Other services[1] | | | | |
| Other services pursuant to legislation | 0.6 | 0.5 | 1.1 | – |
| Tax services | 0.2 | 0.6 | 0.8 | – |
| Internal audit services | – | – | – | 0.4 |
| Corporate finance | 0.1 | – | 0.1 | – |
| Other | 0.5[2] | 1.2 | 1.7 | 0.2 |
| Total | 1.4 | 2.3 | 3.7 | 0.6 |

[1] $0.1 million was paid/payable in respect of the audit of Group pension schemes.

[2] Includes $0.4 million for services required to be undertaken by Deloitte in their capacity as auditors.

## 5. Exploration expenditure

Exploration expenditure is stated before special items.

| US$ million | 2009 | 2008 |
|---|---|---|
| **By commodity**[(1)] | | |
| Platinum group metals | 17 | 36 |
| Copper | 43 | 60 |
| Nickel | 22 | 20 |
| Iron ore | 8 | 18 |
| Metallurgical coal | 10 | 17 |
| Thermal coal | 25 | 18 |
| Zinc | 10 | 8 |
| Central exploration activities | 37 | 35 |
| | 172 | 212 |

(1) Following the portfolio and management structure changes announced in October 2009, exploration expenditure is presented by commodity. Comparatives have been reclassified to align with current year presentation.

## 6. 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 | 2009 | 2008 |
|---|---|---|
| **By segment**[(1)] | | |
| Platinum | 58 | 56 |
| Copper | 4 | 4 |
| Nickel | 2 | 1 |
| Iron Ore and Manganese | 7 | 7 |
| Metallurgical Coal | 3 | 4 |
| Thermal Coal | 9 | 9 |
| Other Mining and Industrial | 22 | 22 |
| Corporate Activities and Unallocated Costs | 2 | 2 |
| | 107 | 105 |

(1) Due to the portfolio and management structure changes announced in October 2009, the segments have changed from those reported at 31 December 2008. Comparatives have been reclassified to align with current year presentation.

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

| Thousand | 2009 | 2008 |
|---|---|---|
| South Africa | 83 | 79 |
| Other Africa | 1 | 1 |
| Europe | 9 | 10 |
| North America | 1 | 1 |
| South America | 9 | 9 |
| Australia and Asia | 4 | 5 |
| | 107 | 105 |

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

| US$ million | 2009 | 2008[(1)] |
|---|---|---|
| Wages and salaries | 3,321 | 2,817 |
| Social security costs | 168 | 157 |
| Defined contribution plans | 193 | 143 |
| Defined benefit plans | 36 | 49 |
| Other post employment benefits | 6 | 7 |
| Share-based payments | 205 | 155 |
| **Total payroll costs** | 3,929 | 3,328 |
| **Reconciliation:** | | |
| Less: Employee costs capitalised | (82) | (28) |
| Less: Employee costs included within operating special items | (113) | (19) |
| **Employee costs included in operating costs** | 3,734 | 3,281 |

(1) Comparatives have been aligned with current year presentation, which is inclusive of amounts capitalised and amounts included within operating special items.

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

Compensation for key management was as follows:

| US$ million | 2009 | 2008 |
|---|---|---|
| Salaries and short term employee benefits | 14 | 20 |
| Post employment benefits | 2 | 2 |
| Termination benefits | 10 | 2 |
| National insurance and social security | 2 | 3 |
| Share-based payments | 11 | 11 |
| | 39 | 38 |

Key management includes members of the Board and the Executive Committee. The composition of key management personnel has changed following the portfolio and management structure changes announced in October 2009.

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.

## 7. Special items and remeasurements

'Special items' are those items of financial performance that the Group believes should be separately disclosed on the face of the income statement to assist in the understanding of the underlying financial performance achieved by the Group. Such items are material by nature or amount to the year's results and require separate disclosure in accordance with IAS 1 (revised 2007) paragraph 97. Special items that relate to the operating performance of the Group are classified as operating special items and include impairment charges and reversals and other exceptional items, including significant legal provisions. Non-operating special items include profits and losses on disposals of investments and businesses.

'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:

(i) unrealised gains and losses on 'non-hedge' derivative instruments open at year end (in respect of future transactions) and the reversal of the historical marked to market value of such instruments settled in the year. The full realised gains or losses are recorded in underlying earnings in the same year as the underlying transaction for which such instruments provide an economic, but not formally designated, hedge (if the underlying transaction is recorded in the balance sheet, e.g. capital expenditure, the realised amount remains in remeasurements on settlement of the derivative). Such amounts are classified in the income statement as financing when the underlying exposure is in respect of net debt and otherwise as operating.

(ii) foreign exchange gains and losses arising on the retranslation of dollar denominated De Beers preference shares held by a rand functional currency subsidiary of the Group. This is classified as financing.

(iii) 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.

## 7. Special items and remeasurements continued

### Subsidiaries and joint ventures' special items and remeasurements

*Operating special items*

| US$ million | 2009 | 2008 |
|---|---|---|
| Impairment of Amapá system | (1,667) | – |
| Costs associated with 'One Anglo' initiatives | (148) | (72) |
| Impairment of Loma de Níquel | (114) | – |
| **Restructuring costs:** | | |
| Other Mining and Industrial | (78) | (20) |
| Corporate | (47) | – |
| Platinum | (37) | – |
| Metallurgical Coal and Thermal Coal | (21) | – |
| Platinum assets written off | (51) | – |
| Impairment of Tarmac assets | (50) | (71) |
| Bid defence costs | (45) | – |
| Impairment of Iron Ore Brazil transshipping vessel | (27) | – |
| Provisions for onerous contracts | 15 | (39) |
| Costs associated with proposed sale of Tarmac | – | (3) |
| Impairment of Lisheen | – | (78) |
| Impairment of Black Mountain | – | (62) |
| Impairment of Metallurgical Coal assets | – | (40) |
| Reversal of impairment of Silangan exploration asset | – | 45 |
| Other | (5) | (12) |
| **Total operating special items** | (2,275) | (352) |
| Tax | 107 | 42 |
| Minority interests | 107 | 1 |
| **Net total attributable to equity shareholders of the Company** | (2,061) | (309) |

The Amapá iron ore system (Amapá) was acquired in 2008 as an operating asset as part of the acquisition of the Minas Rio project. During 2009 Amapá has experienced significant operational challenges across its mine, plant and logistics chain, producing 2.7 million tonnes compared to the design capacity of 6.5 million tonnes per annum (Mtpa). Management's focus has been, and remains, on seeking to markedly improve performance from the existing operations, rather than investing to expand the operation. Amapá is currently believed to have capacity to increase production to 5 Mtpa without significant further capital expenditure. Due to the focus on improving operational performance and preserving cash, limited exploration drilling has been undertaken in 2009 and the anticipated growth potential of surrounding licence areas remains untested. Given these operational difficulties and delays in increasing production, the Group has recorded an impairment charge of $1,512 million (after tax and minority interest) against the carrying value of the asset. Of this charge, $342 million has been recorded against intangible assets (primarily goodwill), $1,325 million has been recorded against tangible assets (primarily mining properties) with associated deferred tax credit of $76 million and minority interest credit of $79 million. The impairment brings the carrying value of Amapá in line with fair value (less costs to sell), determined on a discounted cash flow basis.

In January 2008 the Venezuelan Ministry of Basic Industries and Mining (MIBAM) published a resolution cancelling 13 of Minera Loma de Níquel's (MLdN) 16 exploration and exploitation concessions due to MLdN's alleged failure to fulfil certain conditions of the concessions. The current mining and metallurgical facilities are located on the three concessions that have not been cancelled. MLdN believes that it has complied with the conditions of these concessions and has lodged administrative appeals against the notices of termination and is waiting for a response from MIBAM. MLdN may in the future undertake further appeals, including with Venezuela's Supreme Court, if the MIBAM's ruling does not adequately protect its interests.

An impairment and associated adjustments of $114 million has been recorded due to increased uncertainty over the renewal of the three concessions that have not been cancelled but that expire in 2012 and over the restoration of the 13 concessions that were cancelled. The charge is based on a value in use assessment of recoverable amount, includes the impact of recycling a related cash flow hedge reserve and an associated reduction in the related embedded derivative liability. Recoverable amount has been determined using discounted cash flows which use pre-tax discount rates equivalent to a real post tax discount rate of 6%.

Restructuring costs relate to retrenchment costs.

Costs associated with 'One Anglo' initiatives principally comprise advisory costs and include costs associated with the corporate review, procurement, shared services and information systems.

*Operating remeasurements*

| US$ million | 2009 | 2008 |
|---|---|---|
| Net gain/(loss) on non-hedge derivatives | 757 | (696) |
| Realised loss on derivatives relating to capital expenditure | (105) | (120) |
| Other remeasurements | (14) | 37 |
| **Total operating remeasurements** | 638 | (779) |
| Tax | (207) | 252 |
| Minority interests | 2 | 135 |
| **Net total attributable to equity shareholders of the Company** | 433 | (392) |

The net gain on non-hedge derivatives principally includes net unrealised gains on derivatives relating to capital expenditure held by Iron Ore Brazil and Los Bronces and an unrealised gain on an embedded derivative at Minera Loma de Níquel. A net loss of $105 million was realised in the year in respect of the Iron Ore Brazil and Los Bronces capital expenditure derivative portfolios.

*Profits and losses on disposals*

| US$ million | 2009 | 2008 |
|---|---|---|
| Disposal of interest in AngloGold Ashanti | 1,139 | – |
| Disposal of interest in Booysendal joint venture[1] | 247 | – |
| Disposal of interest in Lebowa Platinum Mines Limited[1] | 69 | – |
| Disposal of financial asset investments | 54 | – |
| Disposal of interests in Tongaat Hulett and Hulamin | 53 | – |
| Disposal of Tarmac fixed assets | 15 | – |
| Disposal of Silangan exploration asset | 10 | – |
| Disposal of interest in China Shenhua Energy | – | 551 |
| Disposal of interest in Minera Santa Rosa SCM | – | 142 |
| Disposal of Northam Platinum Limited | – | 101 |
| Copebrás property compensation | – | 96 |
| Disposal of Tarmac Iberia | – | 65 |
| Disposal of Namakwa Sands[1] | – | 49 |
| Other | 25 | 5 |
| **Net profit on disposals** | 1,612 | 1,009 |
| Tax | (76) | (47) |
| Minority interests | (66) | (43) |
| **Net total attributable to equity shareholders of the Company** | 1,470 | 919 |

[1] See Disposals of subsidiaries and businesses note 33.

During 2009 the Group sold its remaining investment in AngloGold Ashanti for total proceeds of $1,770 million, generating a profit on disposal of $1,139 million.

Ministerial approval for the sale of Anglo Platinum's 50% interest in the Booysendal joint venture to Mvelaphanda Resources Limited (Mvela) was received in June 2009. Total consideration was $275 million (excluding transaction and deal facilitation costs), of which $270 million was received in advance in the prior year. At 31 December 2009 $72 million of this remains in an escrow account pending completion of documentation.

The sale of 51% of Anglo Platinum's holding in Lebowa Platinum Mines Limited (Lebowa) and 1% interest in the Ga Phasha, Boikgantsho and Kwanda joint ventures to Anooraq Resources Corporation (Anooraq) completed on 30 June 2009 for consideration of $363 million (excluding transaction and deal facilitation costs). The fair value of the consideration was $247 million (excluding transaction and deal facilitation costs). The profit on disposal of Lebowa has been revised since 30 June 2009 after finalisation of the valuations of financial instruments and loan commitments.

During 2009 the Group sold its remaining investments in Tongaat Hulett and Hulamin for total proceeds of $671 million (excluding transaction costs) generating a net profit on disposal of $53 million.

## 7. Special items and remeasurements continued

*Financing remeasurements*

| US$ million | 2009 | 2008 |
|---|---|---|
| Unrealised net (loss)/gain on non-hedge derivatives related to net debt | (100) | 23 |
| Foreign exchange (loss)/gain on De Beers preference shares | (21) | 28 |
| Other remeasurements | (13) | – |
| **Total financing remeasurements** | (134) | 51 |
| Tax | 2 | – |
| Minority interests | (2) | – |
| **Net total attributable to equity shareholders of the Company** | (134) | 51 |

The unrealised net loss on non-hedge derivatives related to net debt principally comprises an unrealised loss on an embedded interest rate derivative.

*Tax special item*

| US$ million | 2009 | 2008 |
|---|---|---|
| Write off of deferred tax asset related to Amapá | (107) | – |
| Minority interest | 32 | – |
| **Net total attributable to equity shareholders of the Company** | (75) | – |

*Tax remeasurements*

| US$ million | 2009 | 2008 |
|---|---|---|
| Foreign currency translation of deferred tax balances | 469 | (153) |
| Minority interests | (12) | 52 |
| **Net total attributable to equity shareholders of the Company** | 457 | (101) |

*Total special items and remeasurements*

| US$ million | 2009 | 2008 |
|---|---|---|
| **Total special items and remeasurements before tax and minority interests** | (159) | (71) |
| Tax special item | (107) | – |
| Tax remeasurements | 469 | (153) |
| Tax on special items and remeasurements | (174) | 247 |
| Minority interests | 61 | 145 |
| **Net total special items and remeasurements attributable to equity shareholders of the Company** | 90 | 168 |

### Associates' special items and remeasurements

*Associates' operating special items and remeasurements*

| US$ million | 2009 | 2008 |
|---|---|---|
| Impairment of De Beers' Canadian assets | (267) | – |
| Impairment of De Beers' businesses | – | (79) |
| Share of De Beers' restructuring costs | (27) | (37) |
| Unrealised net gain/(loss) on non-hedge derivatives | 96 | (101) |
| Share of De Beers' class action payment and related costs | – | (3) |
| Other impairments | (5) | (6) |
| **Total associates' operating special items and remeasurements** | (203) | (226) |
| Tax | (6) | 17 |
| Minority interests | 1 | 16 |
| **Net total associates' operating special items and remeasurements** | (208) | (193) |

Due to the nature of the assets, the effects of the strengthening Canadian dollar and the impact of the global recession on pricing and production levels, De Beers has recorded an impairment of $595 million (attributable share $267 million) in respect of its Canadian asset portfolio. The impairment brings the carrying value of the Canadian asset portfolio in line with fair value (less costs to sell), determined using discounted cash flow techniques.

*Associates' profits and losses on disposals*

| US$ million | 2009 | 2008 |
|---|---|---|
| Disposal of AK06 diamond deposit | 22 | – |
| Disposal of interests in Williamson, Cullinan and Koffiefontein | – | 15 |
| Other | (2) | 3 |
| **Associates' net profit on disposals** | 20 | 18 |

*Associates' financing special items*

| US$ million | 2009 | 2008 |
|---|---|---|
| Costs associated with refinancing | (7) | – |

*Associates' financing remeasurements*

| US$ million | 2009 | 2008 |
|---|---|---|
| Unrealised net gain/(loss) on non-hedge derivatives related to net debt | 6 | (15) |

*Associate's tax special item*

| US$ million | 2009 | 2008 |
|---|---|---|
| Write off of deferred tax asset related to De Beers' Canadian assets | (45) | – |

*Total associates' special items and remeasurements*

| US$ million | 2009 | 2008 |
|---|---|---|
| **Total associates' special items and remeasurements before tax and minority interests** | (184) | (223) |
| Tax special item | (45) | – |
| Tax on special items and remeasurements | (6) | 17 |
| Minority interests | 1 | 16 |
| **Net total associates' special items and remeasurements** | (234) | (190) |

### Operating special items and remeasurements

| US$ million | 2009 | 2008 |
|---|---|---|
| Operating special items | (2,275) | (352) |
| Operating remeasurements | 638 | (779) |
| Total operating special items and remeasurements (excluding associates) | (1,637) | (1,131) |
| | | |
| Associates' operating special items | (299) | (125) |
| Associates' operating remeasurements | 96 | (101) |
| Total associates' operating special items and remeasurements | (203) | (226) |
| **Total operating special items and remeasurements (including associates)** | (1,840) | (1,357) |
| | | |
| Operating special items (including associates) | (2,574) | (477) |
| Operating remeasurements (including associates) | 734 | (880) |
| **Total operating special items and remeasurements (including associates)** | (1,840) | (1,357) |

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## 8. Net finance costs

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

The weighted average capitalisation rate applied to qualifying capital expenditure was 6.5% (2008: 12.0%). Financing remeasurements are set out in note 7.

| US$ million | 2009 Before remeasurements | 2009 After remeasurements | 2008 Before remeasurements | 2008 After remeasurements |
|---|---|---|---|---|
| **Investment income** | | | | |
| Interest and other financial income | 334 | 334 | 324 | 324 |
| Expected return on defined benefit arrangements | 157 | 157 | 215 | 215 |
| Dividend income from financial asset investments | 23 | 23 | 50 | 50 |
| **Total investment income** | 514 | 514 | 589 | 589 |
| **Interest expense** | | | | |
| Interest and other finance expense | (724) | (724) | (815) | (815) |
| Interest paid on convertible bond | (44) | (44) | – | – |
| Unwinding of discount on convertible bond | (39) | (39) | – | – |
| Interest on defined benefit arrangements | (174) | (174) | (201) | (201) |
| Amortisation of discount relating to provisions | (45) | (45) | (33) | (33) |
| Dividend on redeemable preference shares | – | – | (16) | (16) |
| | (1,026) | (1,026) | (1,065) | (1,065) |
| Less: interest capitalised | 246 | 246 | 215 | 215 |
| **Total interest expense** | (780) | (780) | (850) | (850) |
| **Other financing (losses)/gains** | | | | |
| Net foreign exchange losses | (24) | (45) | (173) | (145) |
| Fair value gains/(losses) on derivatives | 29 | (71) | (2) | 21 |
| Net fair value gains on fair value hedges | 29 | 29 | 2 | 2 |
| Other net fair value losses | (41) | (54) | (18) | (18) |
| **Total other financing losses** | (7) | (141) | (191) | (140) |
| **Net finance costs** | (273) | (407) | (452) | (401) |

## 9. 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 | 2009 | 2008 |
|---|---|---|
| **At fair value through profit and loss** | | |
| Cash flow hedge derivatives[1] | (162) | (380) |
| Fair value hedge derivatives | 68 | (181) |
| Fair value hedge underlying instruments | (39) | 183 |
| Other fair value movements[2] | 1,099 | (1,723) |
| **Loans and receivables** | | |
| Foreign exchange | (148) | (121) |
| Interest income at amortised cost | 232 | 287 |
| **Available for sale** | | |
| Net gain transferred on sale | 1,554 | 476 |
| Other income | 23 | 50 |
| **Other financial liabilities** | | |
| Foreign exchange | (92) | 479 |
| Interest expense at amortised cost | (594) | (631) |

[1] Gains and losses on derivative instruments designated in cash flow hedge relationships which have been realised in the year have been recorded in Group revenue (2008: Group revenue).

[2] Includes the impact of provisional pricing which is disclosed in note 4.

## 10. Tax on profit on ordinary activities

### a) Analysis of charge for the year

| US$ million | 2009 | 2008 |
|---|---|---|
| United Kingdom corporation tax at 28% | 50 | – |
| United Kingdom corporation tax at 28.5% | – | 18 |
| South Africa tax | 567 | 840 |
| Other overseas tax | 700 | 1,155 |
| Prior year adjustments | (45) | (78) |
| **Current tax (excluding special items and remeasurements tax)** | 1,272 | 1,935 |
| **Deferred tax (excluding special items and remeasurements tax)** | 33 | 610 |
| **Tax (excluding special items and remeasurements tax)** | 1,305 | 2,545 |
| **Special items and remeasurements tax** | (188) | (94) |
| **Income tax expense** | 1,117 | 2,451 |

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

The effective tax rate for the year of 27.7% (2008: 28.6%) is lower (2008: higher) than the applicable standard rate of corporation tax for 2009 in the United Kingdom (28%) (2008: 28.5%). The reconciling items are:

| US$ million | 2009 | 2008 |
|---|---|---|
| **Profit on ordinary activities before tax** | 4,029 | 8,571 |
| Tax on profit on ordinary activities calculated at United Kingdom corporation tax rate of 28% | 1,128 | – |
| Tax on profit on ordinary activities calculated at United Kingdom corporation tax rate of 28.5% | – | 2,443 |
| Tax effect of share of net income from associates | (24) | (317) |
| **Tax effects of:** | | |
| **Special items and remeasurements** | | |
| Operating special items and remeasurements | 558 | 28 |
| Profits and losses on disposals and financing remeasurements | (340) | (255) |
| Tax special item | 107 | – |
| Tax remeasurements | (469) | 153 |
| **Items not taxable/deductible for tax purposes** | | |
| Exploration expenditure | 22 | 20 |
| Non-deductible net foreign exchange loss | 6 | 28 |
| Non-taxable/deductible net interest (income)/expense | (2) | 10 |
| Other non-deductible expenses | 65 | 127 |
| Other non-taxable income | (39) | (78) |
| **Temporary difference adjustments** | | |
| Changes in tax rates | – | (84) |
| Movements in tax losses | 5 | 38 |
| Enhanced tax depreciation | – | (26) |
| Other temporary differences | (45) | 42 |
| **Other adjustments** | | |
| Secondary tax on companies and dividend withholding taxes | 356 | 634 |
| Effect of differences between local and United Kingdom rates | (139) | (181) |
| Prior year adjustments to current tax | (45) | (78) |
| Other adjustments | (27) | (53) |
| **Income tax expense** | 1,117 | 2,451 |

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 2009 is $286 million (2008: $606 million). Excluding special items and remeasurements this becomes $235 million (2008: $623 million).

The effective rate of tax before special items and remeasurements including attributable share of associates' tax for the year ended 31 December 2009 was 33.1%. This was broadly in line with the equivalent effective rate of 33.4% for the year ended 31 December 2008. In future periods it is expected that the effective tax rate, including associates' tax, will remain above the United Kingdom statutory tax rate.

## 11. Dividends

| US$ million | 2009 | 2008 |
|---|---|---|
| Final ordinary paid – nil per ordinary share (2008: 86 US cents) | – | 1,021 |
| Interim ordinary paid – nil per ordinary share (2008: 44 US cents) | – | 517 |
| | – | 1,538 |

The Board has decided to suspend dividend payments.

As stated in note 28, the employee benefit trust has waived the right to receive dividends on the shares it holds.

## 12. Earnings per share

| US$ | 2009 | 2008 |
|---|---|---|
| **Profit for the financial year attributable to equity shareholders of the Company** | | |
| Basic earnings per share | 2.02 | 4.34 |
| Diluted earnings per share | 1.98 | 4.29 |
| **Headline earnings for the financial year**[(1)] | | |
| Basic earnings per share | 2.46 | 3.78 |
| Diluted earnings per share | 2.40 | 3.74 |
| **Underlying earnings for the financial year**[(1)] | | |
| Basic earnings per share | 2.14 | 4.36 |
| Diluted earnings per share | 2.10 | 4.31 |

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

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

| US$ million (unless otherwise stated) | 2009 | 2008 |
|---|---|---|
| **Earnings** | | |
| Basic earnings, being profit for the financial year attributable to equity shareholders of the Company | 2,425 | 5,215 |
| Effect of dilutive potential ordinary shares | | |
| Interest paid on convertible bond (net of tax) | 32 | – |
| Unwinding of discount on convertible bond (net of tax) | 28 | – |
| **Diluted earnings** | 2,485 | 5,215 |
| **Number of shares (million)** | | |
| Basic number of ordinary shares outstanding[(1)] | 1,202 | 1,202 |
| Effect of dilutive potential ordinary shares[(2)] | | |
| Share options and awards | 11 | 13 |
| Convertible bond | 40 | – |
| **Diluted number of ordinary shares outstanding**[(1)] | 1,253 | 1,215 |

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

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

In the year ended 31 December 2009 there were 231,351 share options which were potentially dilutive but have not been included in the calculation of diluted earnings per share because they were anti-dilutive. In the year ended 31 December 2008 no share options were anti-dilutive.

In the year ended 31 December 2008 share buybacks took place which had an impact on the weighted average number of ordinary shares at 31 December 2008.

In April 2009 the Group issued $1.7 billion of senior convertible notes. The senior convertible notes were issued with a coupon of 4%, a conversion price of £18.6370 and unless redeemed, converted or cancelled, will mature in 2014. The Group will have the option to call the senior convertible notes after three years from the issuance date subject to certain conditions.

Underlying earnings is an alternative earnings measure, which the directors believe provides a clearer picture of the underlying financial performance of the Group's operations. Underlying earnings is presented after minority interests and excludes special items and remeasurements (see note 7). 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:

| | Earnings (US$ million) | | Basic earnings per share (US$) | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| **Profit for the financial year attributable to equity shareholders of the Company** | 2,425 | 5,215 | 2.02 | 4.34 |
| Operating special items | 1,908 | 209 | 1.59 | 0.17 |
| Operating special items – tax | (66) | (27) | (0.05) | (0.02) |
| Operating special items – minority interests | (100) | (1) | (0.08) | – |
| Net profit on disposals | (1,612) | (1,009) | (1.34) | (0.84) |
| Net profit on disposals – tax | 76 | 47 | 0.06 | 0.04 |
| Net profit on disposals – minority interests | 66 | 43 | 0.05 | 0.04 |
| Associates' special items | 259 | 67 | 0.21 | 0.05 |
| Associates' special items – tax | (1) | (1) | – | – |
| Associates' special items – minority interests | (2) | (2) | – | – |
| **Headline earnings for the financial year** | 2,953 | 4,541 | 2.46 | 3.78 |
| Operating special items[(1)] | 367 | 143 | 0.30 | 0.12 |
| Operating special items – tax | (41) | (15) | (0.03) | (0.01) |
| Operating special items – minority interests | (7) | – | (0.01) | – |
| Operating remeasurements | (638) | 779 | (0.53) | 0.65 |
| Operating remeasurements – tax | 207 | (252) | 0.17 | (0.21) |
| Operating remeasurements – minority interests | (2) | (135) | – | (0.11) |
| Financing remeasurements | 134 | (51) | 0.11 | (0.04) |
| Financing remeasurements – tax | (2) | – | – | – |
| Financing remeasurements – minority interests | 2 | – | – | – |
| Tax special item | 107 | – | 0.09 | – |
| Tax special item – minority interest | (32) | – | (0.03) | – |
| Tax remeasurements | (469) | 153 | (0.39) | 0.12 |
| Tax remeasurements – minority interests | 12 | (52) | 0.01 | (0.04) |
| Associates' special items[(2)] | 72 | 40 | 0.06 | 0.03 |
| Associates' special items – tax | (2) | (7) | – | (0.01) |
| Associates' special items – minority interests | (7) | (5) | (0.01) | – |
| Associates' remeasurements | (102) | 116 | (0.08) | 0.10 |
| Associates' remeasurements – tax | 9 | (9) | 0.01 | (0.01) |
| Associates' remeasurements – minority interests | 8 | (9) | 0.01 | (0.01) |
| **Underlying earnings for the financial year** | 2,569 | 5,237 | 2.14 | 4.36 |

[(1)] Year ended 31 December 2009 includes costs associated with 'One Anglo' initiatives, restructuring costs, bid defence costs and provisions for onerous contracts (2008: includes costs associated with 'One Anglo' initiatives, restructuring costs and costs associated with proposed sale of Tarmac and provisions for onerous contracts).

[(2)] Year ended 31 December 2009 includes restructuring costs and the tax special item (2008: includes restructuring costs and legal settlements).

## 13. Intangible assets

| US$ million | 2009 Licences and other intangibles | 2009 Goodwill[1] | 2009 Total | 2008 Licences and other intangibles | 2008 Goodwill[1] | 2008 Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January | 102 | 2,915 | 3,017 | 15 | 1,546 | 1,561 |
| Acquired through business combinations | – | 19 | 19 | 50 | 1,657 | 1,707 |
| Additions | 31 | – | 31 | 24 | – | 24 |
| Transfer to assets held for sale | (12) | (8) | (20) | – | (23) | (23) |
| Disposal of assets | (6) | – | (6) | – | – | – |
| Impairments | – | (312) | (312) | – | – | – |
| Reclassifications | – | – | – | 15 | (15) | – |
| Currency movements | 24 | 80 | 104 | (2) | (250) | (252) |
| At 31 December | 139 | 2,694 | 2,833 | 102 | 2,915 | 3,017 |
| **Accumulated amortisation** | | | | | | |
| At 1 January | 11 | – | 11 | 5 | – | 5 |
| Charge for the year | 14 | – | 14 | 4 | – | 4 |
| Impairments | 39 | – | 39 | 2 | – | 2 |
| Transfer to assets held for sale | (7) | – | (7) | – | – | – |
| Disposal of assets | (2) | – | (2) | – | – | – |
| Currency movements | 2 | – | 2 | – | – | – |
| At 31 December | 57 | – | 57 | 11 | – | 11 |
| Net book value | 82 | 2,694 | 2,776 | 91 | 2,915 | 3,006 |

[1] The goodwill balances provided are net of cumulative impairment charges of $357 million at 31 December 2009 (2008: $45 million).

The increase in goodwill relating to acquisition of subsidiaries represents the excess of purchase price over the fair value of the net assets, including mining reserves, of businesses acquired. Further detail is given in note 32.

### Impairment tests for goodwill

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

| US$ million | 2009 | 2008[1] |
|---|---|---|
| Platinum | 230 | 230 |
| Copper | 124 | 124 |
| Iron Ore and Manganese | | |
| Iron Ore Brazil | 1,251 | 1,556 |
| Thermal Coal | 88 | 88 |
| Other Mining and Industrial | | |
| Tarmac | 811 | 760 |
| Other | 190 | 157 |
| | 2,694 | 2,915 |

[1] Due to the portfolio and management structure changes announced in October 2009, the segments have changed from those reported at 31 December 2008. Comparatives have been reclassified to align with current year presentation.

The recoverable amount of a CGU is determined based on a fair value or value in use calculation as appropriate. Value in use calculations use cash flow projections based on financial budgets and life of mine or non-mine production plans covering a five year period that are based on latest forecasts for commodity prices and exchange rates. Cash flow projections beyond five years are based on life of mine plans where applicable and internal management forecasts, assume constant long term real prices for sales revenue and are benchmarked on external sources of information for commodity prices and exchange rates.

Cash flow projections are discounted using pre-tax discount rates equivalent to a real post tax discount rate of 6% (2008: 6%), that have been adjusted for any risks that are not reflected in the underlying cash flows. Where the recoverability of goodwill allocated to a CGU is supported by fair value less costs to sell, market observable data (in the case of listed subsidiaries, market share price at 31 December of the respective listed entity) or detailed cash flow models are used.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including 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 amount is based would not cause the carrying amounts to exceed their recoverable amounts.

The Group acquired a controlling interest in Anglo Ferrous Brazil SA on 5 August 2008 resulting in the recognition of $1.6 billion goodwill. Following the completion of a detailed study in 2009, goodwill attributable to the Amapá system, with a carrying value of $305 million has been impaired. The recoverable amount of this goodwill has been reviewed with reference to fair value (less costs to sell) determined using discounted cash flows.

## 14. Tangible assets

| US$ million | Mining properties and leases[1] | Land and buildings | Plant and equipment | Other[2] | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2009 | 17,124 | 2,175 | 12,663 | 6,615 | 38,577 |
| Additions | 241 | 53 | 328 | 4,610 | 5,232 |
| Acquired through business combinations | 28 | 4 | 1 | (5) | 28 |
| Transfer to assets held for sale | (376) | (116) | (282) | (55) | (829) |
| Disposal of assets | (14) | (17) | (223) | (32) | (286) |
| Disposal of businesses | (41) | (5) | (26) | (44) | (116) |
| Reclassifications[3] | 60 | 181 | 3,075 | (3,316) | – |
| Currency movements | 2,121 | 296 | 2,277 | 1,200 | 5,894 |
| At 31 December 2009 | 19,143 | 2,571 | 17,813 | 8,973 | 48,500 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2009 | 2,561 | 634 | 5,663 | 174 | 9,032 |
| Charge for the year | 412 | 95 | 1,192 | 12 | 1,711 |
| Impairments | 1,099 | 1 | 325 | 157 | 1,582 |
| Transfer to assets held for sale | (121) | (46) | (227) | (13) | (407) |
| Disposal of assets | (13) | (7) | (179) | (14) | (213) |
| Disposal of businesses | (12) | (1) | (12) | (1) | (26) |
| Currency movements | 441 | 88 | 1,048 | 46 | 1,623 |
| At 31 December 2009 | 4,367 | 764 | 7,810 | 361 | 13,302 |
| **Net book value** | | | | | |
| At 31 December 2009 | 14,776 | 1,807 | 10,003 | 8,612 | 35,198 |
| At 31 December 2008 | 14,563 | 1,541 | 7,000 | 6,441 | 29,545 |

[1] Includes amounts in relation to deferred stripping.

[2] Other tangible assets include $8,189 million of assets in the course of construction, which are not depreciated.

[3] Relates mainly to amounts transferred from assets in the course of construction.

## 14. Tangible assets continued

| US$ million | Mining properties and leases[1] | Land and buildings | Plant and equipment | Other[2] | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 January 2008 | 12,652 | 2,256 | 12,902 | 5,363 | 33,173 |
| Additions | 436 | 47 | 357 | 4,886 | 5,726 |
| Acquired through business combinations | 6,341 | 73 | 436 | 508 | 7,358 |
| Transfer to assets held for sale | (66) | (16) | (118) | – | (200) |
| Fair value adjustment | – | 3 | – | 50 | 53 |
| Disposal of assets | (5) | (14) | (182) | (44) | (245) |
| Disposal of businesses | (52) | (1) | (78) | – | (131) |
| Reclassifications[3] | 418 | 216 | 2,048 | (2,682) | – |
| Currency movements | (2,600) | (389) | (2,702) | (1,466) | (7,157) |
| At 31 December 2008 | 17,124 | 2,175 | 12,663 | 6,615 | 38,577 |
| Accumulated depreciation | | | | | |
| At 1 January 2008 | 2,652 | 653 | 6,126 | 208 | 9,639 |
| Charge for the year | 353 | 84 | 964 | 104 | 1,505 |
| Impairments | 123 | 19 | 114 | – | 256 |
| Transfer to assets held for sale | (42) | – | (65) | – | (107) |
| Disposal of assets | (2) | (8) | (166) | (19) | (195) |
| Disposal of businesses | (12) | – | (29) | – | (41) |
| Currency movements | (511) | (114) | (1,281) | (119) | (2,025) |
| At 31 December 2008 | 2,561 | 634 | 5,663 | 174 | 9,032 |
| Net book value | | | | | |
| At 31 December 2008 | 14,563 | 1,541 | 7,000 | 6,441 | 29,545 |
| At 31 December 2007 | 10,000 | 1,603 | 6,776 | 5,155 | 23,534 |

[1] Includes amounts in relation to deferred stripping.

[2] Other tangible assets include $6,050 million of assets in the course of construction, which are not depreciated.

[3] Relates mainly to amounts transferred from assets in the course of construction.

Included in the additions above is $246 million (2008: $215 million) of interest expense incurred on borrowings funding the construction of qualifying assets which has been capitalised during the year.

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

| US$ million | 2009 Net book value | 2009 Deprecia-tion | 2008 Net book value | 2008 Deprecia-tion |
|---|---|---|---|---|
| Mining properties and leases | 13 | 2 | 12 | 2 |
| Land and buildings | – | – | 34 | 24 |
| Plant and equipment | 22 | 12 | 19 | 5 |
| Other | – | – | 1 | – |
| | 35 | 14 | 66 | 31 |

The net book value of land and buildings comprises:

| US$ million | 2009 | 2008 |
|---|---|---|
| Freehold | 1,791 | 1,492 |
| Leasehold – long | 6 | 39 |
| Leasehold – short (less than 50 years) | 10 | 10 |
| | 1,807 | 1,541 |

## 15. 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.

| US$ million | 2009 | 2008 |
|---|---|---|
| At 1 January | 244 | 252 |
| Contributions made | 29 | 36 |
| Disposal of businesses | (1) | – |
| Net interest earned and fair value adjustments | 14 | 16 |
| Currency movements | 56 | (60) |
| At 31 December | 342 | 244 |

The funds comprise the following investments:

| US$ million | 2009 | 2008 |
|---|---|---|
| Equity | 37 | 23 |
| Bonds | 115 | 82 |
| Cash | 190 | 139 |
| | 342 | 244 |

These assets are primarily rand denominated. Cash is held in short term fixed deposits or earns interest at floating inter-bank rates and bonds earn interest at a weighted average fixed rate of 9% (2008: 9%) and are fixed for an average period of 11.8 years (2008: 10.2 years). These assets are recorded 'at fair value through profit and loss'.

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 environmental rehabilitation costs under non-current provisions (see note 25).

## 16. Investments in associates

| US$ million | 2009 | 2008 |
|---|---|---|
| At 1 January | 3,612 | 3,341 |
| Net income from associates | 84 | 1,113 |
| Dividends received[1] | (616) | (599) |
| Transfer from subsidiary/joint venture | 235 | – |
| Actuarial loss on post retirement benefits | (5) | (7) |
| Movement on cash flow hedge reserve | (2) | 4 |
| Other equity movements | 2 | 4 |
| Acquired | 175 | 9 |
| Disposed | (510) | – |
| Issue of capitalised loans[2] | 28 | – |
| Other | 105 | – |
| Currency movements | 204 | (253) |
| At 31 December[3] | 3,312 | 3,612 |

[1] Nil (2008: $10 million) was received from associates classified as held for sale.

[2] Excludes nil (2008: $43 million) redemption by De Beers of preference shares included within financial asset investments.

[3] The fair value of the Group's investment in Anooraq at 31 December 2009 was $105 million (2008: nil). The fair value of investments in Tongaat Hulett and Hulamin at 31 December 2008 were $350 million and $137 million respectively based on the closing share prices. In July and August 2009, the Group sold its shareholdings in Hulamin and Tongaat Hulett, respectively.

The Group's total investments in associates comprise:

| US$ million | 2009 | 2008 |
|---|---|---|
| Equity | 2,999 | 3,279 |
| Loans[1] | 313 | 333 |
| Total investments in associates | 3,312 | 3,612 |

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

The Group's attributable share of the summarised financial information of associates is as follows:

| US$ million | 2009 | 2008 |
|---|---|---|
| Total non-current assets | 5,710 | 5,224 |
| Total current assets | 2,494 | 3,003 |
| Total current liabilities | (854) | (1,267) |
| Total non-current liabilities | (4,038) | (3,348) |
| Group's share of associates' net assets | 3,312 | 3,612 |
| Revenue | 3,779 | 6,653 |
| Operating costs | (3,199) | (4,549) |
| Operating special items and remeasurements | (203) | (226) |
| Net profit on disposals | 20 | 18 |
| Net finance costs | (28) | (147) |
| Financing special items and remeasurements | (1) | (15) |
| Income tax expense | (286) | (606) |
| Minority interests | 2 | (15) |
| Group's share of associates' net income | 84 | 1,113 |

## 16. Investments in associates continued

Segmental information is provided as follows:

| US$ million | Net income 2009 | Net income 2008 | Aggregate investment 2009 | Aggregate investment 2008 |
|---|---|---|---|---|
| **By segment**[1] | | | | |
| Platinum | (17) | 13 | 447 | 57 |
| Diamonds | (333) | 47 | 1,353 | 1,623 |
| Iron Ore and Manganese | 170 | 667 | 658 | 784 |
| Metallurgical Coal | 34 | 72 | 146 | 111 |
| Thermal Coal | 214 | 243 | 689 | 678 |
| Other Mining and Industrial | 16 | 71 | 19 | 359 |
| | 84 | 1,113 | 3,312 | 3,612 |

[1] Due to the portfolio and management structure changes announced in October 2009, the segments have changed from those reported at 31 December 2008. Comparatives have been reclassified to align with current year presentation.

| US$ million | Aggregate investment 2009 | Aggregate investment 2008[1] |
|---|---|---|
| **By geography** | | |
| South Africa | 1,934 | 1,752 |
| Other Africa | 914 | 891 |
| Europe | (957) | (324) |
| North America | 320 | 98 |
| South America | 675 | 686 |
| Australia and Asia | 426 | 509 |
| | 3,312 | 3,612 |

[1] In 2009 the basis of the geographic split has been amended and the comparatives have been updated accordingly.

The Group's share of associates' contingent liabilities incurred jointly by investors is $102 million (2008: $166 million).

Details of principal associates are set out in note 39.

## 17. 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 | 2009 | 2008 |
|---|---|---|
| Total non-current assets | 2,310 | 1,771 |
| Total current assets | 831 | 415 |
| Total assets classified as held for sale | 15 | – |
| Total current liabilities | (425) | (389) |
| Total non-current liabilities | (763) | (509) |
| Total liabilities directly associated with assets classified as held for sale | (6) | – |
| **Group's share of joint venture entities' net assets** | 1,962 | 1,288 |
| Revenue | 1,702 | 1,414 |
| Operating costs (including special items and remeasurements) | (711) | (779) |
| Net finance costs | (37) | 12 |
| Income tax expense | (200) | (115) |
| **Group's share of joint venture entities' profit for the financial year** | 754 | 532 |

The Group's share of joint venture entities' contingent liabilities incurred jointly with other venturers is $40 million (2008: $22 million) and its share of capital commitments is $242 million (2008: $414 million).

The Group also holds investments in a number of proportionately consolidated jointly controlled operations. The Group's share of joint venture operations' net assets is $1,224 million (2008: $981 million). The Group's share of joint venture operations' profit for the financial year is $321 million (2008: $554 million). The Group's share of joint venture operations' contingent liabilities incurred jointly with other venturers is $3 million (2008: $98 million) and its share of capital commitments is $107 million (2008: $83 million).

Details of principal joint ventures are set out in note 39.

## 18. Financial asset investments

| US$ million | Loans and receivables | Available for sale investments | Total |
|---|---|---|---|
| At 1 January 2009 | 935 | 2,353 | 3,288 |
| Interest receivable | 82 | – | 82 |
| Net advances | 394 | – | 394 |
| Disposals | – | (2,049) | (2,049) |
| Movements in fair value | (13) | 741 | 727 |
| Currency movements | 200 | 86 | 287 |
| **At 31 December 2009** | 1,598 | 1,131 | 2,729 |
| Non-current | 1,595 | 1,131 | 2,726 |
| Current | 3 | – | 3 |

| US$ million | Loans and receivables | Available for sale investments[1] | Total |
|---|---|---|---|
| At 1 January 2008 | 938 | 3,842 | 4,780 |
| Additions | – | 827 | 827 |
| Interest receivable | 44 | – | 44 |
| Net advances | 153 | – | 153 |
| Disposals | – | (626) | (626) |
| Disposal of businesses | (1) | – | (1) |
| Reversal of impairments | 25 | 20 | 45 |
| Movements in fair value | (11) | (888) | (899) |
| Currency movements | (213) | (822) | (1,035) |
| At 31 December 2008 | 935 | 2,353 | 3,288 |
| Non-current | 935 | 2,180 | 3,115 |
| Current | – | 173 | 173 |

[1] Balance at 31 December 2008 principally includes investment in AngloGold Ashanti Limited. This investment was sold in 2009. Refer to note 7.

No provision for impairment is recorded against financial assets classified as 'Loans and receivables' (2008: nil).

## 19. Inventories

| US$ million | 2009 | 2008 | 2007 |
|---|---|---|---|
| Raw materials and consumables | 741 | 774 | 703 |
| Work in progress | 1,368 | 843 | 812 |
| Finished products | 1,103 | 1,085 | 829 |
| | 3,212 | 2,702 | 2,344 |

The cost of inventories recognised as an expense and included in cost of sales amounted to $12,481 million (2008: $12,253 million).

Inventories held at net realisable value amounted to $477 million (2008: $561 million).

Write-down of inventories (net of revaluation of provisionally priced purchases) amounted to $128 million (2008: $210 million). Of this, $48 million was recognised as an expense and included in cost of sales (2008: $210 million) and $80 million was capitalised (2008: nil).

There were also $88 million (2008: $11 million) of inventory write-downs reversed and recognised as a reduction in the inventory expense for the year.

## 20. Trade and other receivables

| US$ million | 2009 Due within one year | 2009 Due after one year | 2009 Total | 2008 Due within one year | 2008 Due after one year | 2008 Total | 2007 Due within one year | 2007 Due after one year | 2007 Total |
|---|---|---|---|---|---|---|---|---|---|
| Trade receivables | 2,496 | 145 | 2,641 | 1,969 | 57 | 2,026 | 3,000 | 30 | 3,030 |
| Amounts owed by related parties | 12 | – | 12 | 13 | – | 13 | 16 | – | 16 |
| Other receivables | 639 | 55 | 694 | 725 | 33 | 758 | 420 | 125 | 545 |
| Prepayments and accrued income | 201 | 6 | 207 | 222 | 4 | 226 | 136 | 4 | 140 |
| | 3,348 | 206 | 3,554 | 2,929 | 94 | 3,023 | 3,572 | 159 | 3,731 |

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 | 2009 | 2008 |
|---|---|---|
| Less than one month | 123 | 85 |
| Between one to two months | 38 | 30 |
| Between two to three months | 12 | 10 |
| Greater than three months | 34 | 25 |
| | 207 | 150 |

The overdue debtor ageing profile above is typical of the industry in which certain of the Group's businesses operate. Given this, 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 | |
|---|---|
| At 1 January 2008 | 22 |
| Charge for the year | 16 |
| Reclassification | 14 |
| Transfer to assets held for sale | (2) |
| Currency movements | (9) |
| At 1 January 2009 | 41 |
| Charge for the year | 9 |
| Transfer to assets held for sale | (4) |
| Currency movements | 5 |
| At 31 December 2009 | 51 |

## 21. Trade and other payables

| US$ million | 2009 | 2008 | 2007 |
|---|---|---|---|
| Trade payables | 2,939 | 3,183 | 2,546 |
| Tax and social security | 163 | 74 | 115 |
| Other payables[1] | 785 | 1,162 | 868 |
| Accruals and deferred income | 508 | 351 | 421 |
| | 4,395 | 4,770 | 3,950 |

[1] On 20 August 2008 Anglo Platinum received $307 million from a subsidiary of Mvelaphanda Resources Limited (Mvela) in respect of the anticipated disposal of a 50% interest in the Booysendal joint venture. These funds were invested in accordance with the terms of sale and were only to be released to Anglo Platinum upon ministerial approval. At 31 December 2008 an amount of $253 million was included within other payables representing the obligation to repay the funds failing the receipt of such approval. Following ministerial approval and subsequent completion of the disposal on 24 June 2009, the $253 million included within other payables was released.

## 22. Financial assets

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

| US$ million | 2009 Estimated fair value | 2009 Carrying value | 2008 Estimated fair value | 2008 Carrying value |
|---|---|---|---|---|
| **At fair value through profit and loss** | | | | |
| Trade and other receivables[1] | 838 | 838 | 192 | 192 |
| Other financial assets (derivatives)[2] | 603 | 603 | 376 | 376 |
| **Loans and receivables** | | | | |
| Cash and cash equivalents | 3,269 | 3,269 | 2,771 | 2,771 |
| Trade and other receivables[1] | 2,509 | 2,509 | 2,605 | 2,605 |
| Financial asset investments | 1,569 | 1,598 | 906 | 935 |
| **Available for sale investments** | | | | |
| Financial asset investments | 1,131 | 1,131 | 2,353 | 2,353 |
| **Total financial assets** | 9,919 | 9,948 | 9,203 | 9,232 |

[1] Trade and other receivables exclude prepayments.

[2] Derivative instruments are analysed between those which are 'Held for trading' and those designated into hedge relationships in note 24.

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

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

| US$ million | Level 1[1] | Level 2[2] | Level 3[3] | 2009 Total |
|---|---|---|---|---|
| **At fair value through profit and loss** | | | | |
| Trade and other receivables | – | 838 | – | 838 |
| Other financial assets (derivatives) | 3 | 569 | 31 | 603 |
| **Available for sale investments** | | | | |
| Financial asset investments | 1,072 | 19 | 40 | 1,131 |
| | 1,075 | 1,426 | 71 | 2,572 |

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

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

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

## 22. Financial assets continued

The movements in the fair value of the level 3 financial assets are shown in the following table:

| US$ million | 2009 |
|---|---|
| At 1 January | 137 |
| Net loss recorded in financing remeasurements | (111) |
| Net gain recorded in statement of comprehensive income | 1 |
| Reclassification to Other financial liabilities (derivatives) | 35 |
| Currency movements | 9 |
| At 31 December | 71 |

For the level 3 financial assets, changing certain inputs to reasonably possible alternative assumptions may change the fair value significantly. Where significant, the effect of a change in these assumptions to a reasonably possible alternative assumption is outlined in the table below. These sensitivities have been calculated by amending the fair value of the level 3 financial assets as at 31 December 2009 for a change in each individual assumption, as outlined below, whilst keeping all other assumptions consistent with those used to calculate the fair value recognised in the financial statements.

| | | 2009 |
|---|---|---|
| US$ million | Change in assumption | Increase/ (decrease) in fair value of assets |
| Financial asset investments | Decrease of 10% in liquidity discount percentage | 11 |
| | Increase of 10% in liquidity discount percentage | (11) |

Financial asset risk exposures are set out in note 24.

## 23. Financial liabilities

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

| | 2009 | | 2008 | |
|---|---|---|---|---|
| US$ million | Estimated fair value | Carrying value | Estimated fair value | Carrying value |
| **At fair value through profit and loss** | | | | |
| Trade and other payables[1] | 315 | 315 | 687 | 687 |
| Other financial liabilities (derivatives)[2] | 659 | 659 | 1,497 | 1,497 |
| **Designated into fair value hedge** | | | | |
| Borrowings | 7,793 | 7,168 | 2,850 | 2,850 |
| **Financial liabilities at amortised cost** | | | | |
| Trade and other payables[1] | 4,297 | 4,297 | 4,391 | 4,391 |
| Borrowings[3] | 8,744 | 7,147 | 10,658 | 11,145 |
| Total financial liabilities | 21,808 | 19,586 | 20,083 | 20,570 |

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

[2] Derivative instruments are analysed between those which are 'Held for trading' and those designated into hedge relationships in note 24.

[3] Fair value of the convertible bond represents the quoted price of the debt at 31 December 2009 and therefore includes the portion accounted for in equity.

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

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

| | | | | 2009 |
|---|---|---|---|---|
| US$ million | Level 1[1] | Level 2[2] | Level 3[3] | Total |
| **At fair value through profit and loss** | | | | |
| Trade and other payables | – | 315 | – | 315 |
| Other financial liabilities (derivatives) | 3 | 543 | 113 | 659 |
| | 3 | 858 | 113 | 974 |

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

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

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

The movements in the fair value of the level 3 financial liabilities are shown in the following table:

| US$ million | 2009 |
|---|---|
| At 1 January | 269 |
| Net gain recorded in financing remeasurements | (21) |
| Net loss recorded in underlying earnings | 6 |
| Reduction in assumed life of financial liability[1] | (181) |
| Reclassification from Other financial assets (derivatives) | 35 |
| Currency movements | 5 |
| At 31 December | 113 |

[1] Relates to reduction of embedded derivative liability in Minera Loma de Níquel and is recorded in operating special items.

For the level 3 financial liabilities, changing certain inputs to reasonably possible alternative assumptions may change the fair value significantly. 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 as at 31 December 2009 for a change in each individual assumption, as outlined below, whilst keeping all other assumptions consistent with those used to calculate the fair value recognised in the financial statements.

| | | 2009 |
|---|---|---|
| US$ million | Change in assumption | Increase/ (decrease) in fair value of liabilities |
| Other financial liabilities (derivatives) | Increase of 5% in dividend forecast | 9 |
| | Decrease of 5% in dividend forecast | (9) |
| | Shift of TJLP curve[1] | (5)-5 |

[1] Brazilian domestic long term interest rate curve. Range provided due to the different base assumptions used by the relevant banks.

Financial liability risk exposures are set out in note 24.

## 23. Financial liabilities continued

An analysis of borrowings is set out below:

| US$ million | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | Due within one year[1] | Due after one year | Total | Due within one year[1] | Due after one year | Total |
| **Secured**[2] | | | | | | |
| Bank loans and overdrafts | 416 | 413 | 829 | 346 | 678 | 1,024 |
| Obligations under finance leases[3] | 8 | 11 | 19 | 12 | 56 | 68 |
| | 424 | 424 | 848 | 358 | 734 | 1,092 |
| **Unsecured** | | | | | | |
| Bank loans and overdrafts | 351 | 3,982 | 4,333 | 5,114 | 3,335 | 8,449 |
| Bonds issued under EMTN programme[4] | 572 | 4,410 | 4,982 | 154 | 2,679 | 2,833 |
| US bond | – | 1,935 | 1,935 | – | – | – |
| Convertible bond[5] | – | 1,369 | 1,369 | – | – | – |
| Commercial paper | 67 | – | 67 | 1,116 | – | 1,116 |
| Obligations under finance leases[3] | – | – | – | 4 | 13 | 17 |
| Other loans | 85 | 696 | 781 | 38 | 450 | 488 |
| | 1,075 | 12,392 | 13,467 | 6,426 | 6,477 | 12,903 |
| **Total** | 1,499 | 12,816 | 14,315 | 6,784 | 7,211 | 13,995 |

[1] Bank loans and overdrafts due within one year include short term borrowings under long term committed facilities of $48 million (2008: $2.8 billion).

[2] Assets with a book value of $1,197 million (2008: $954 million) have been pledged as security, of which $753 million (2008: $663 million) are tangible assets, $242 million (2008: $160 million) are financial assets and $202 million (2008: $131 million) are inventories. Related to these assets are borrowings of $814 million (2008: $881 million) in respect of project financing arrangements.

[3] The minimum lease payments under finance leases fall due as follows:

| US$ million | 2009 | 2008 |
|---|---|---|
| Within one year | 9 | 24 |
| Greater than one year, less than five years | 9 | 43 |
| Greater than five years | 2 | 86 |
| | 20 | 153 |
| Future finance charges on finance leases | (1) | (68) |
| Present value of finance lease liabilities | 19 | 85 |

[4] In the year ended 31 December 2009 the Group issued $2,215 million of bonds under the EMTN programme (2008: $2,404 million). All notes are guaranteed by Anglo American plc.

[5] Represents the fair value of the debt component of the convertible bond at the date of issue of $1,330 million (net of fees) adjusted for unwinding of discount of $39 million. The fair value of the equity conversion feature was $355 million and is presented in equity (refer to the Consolidated statement of changes in equity).

During 2009 the Group has raised $2 billion through the issuance of senior notes, $1.7 billion through the issuance of senior convertible notes and $2.2 billion through the issuance of bonds under the EMTN programme. The senior note offering comprised $1,250 million 9.375% senior notes due in 2014 and $750 million 9.375% senior notes due in 2019. The senior convertible notes were issued with a coupon of 4%, a conversion price of £18.6370 and unless redeemed, converted or cancelled, will mature in 2014. The Group will have the option to call the senior convertible note after three years from the issuance date subject to certain conditions. The issues under the EMTN programme in 2009 comprised a €750 million ($1.1 billion) 4.25% bond due in 2013 and a €750 million ($1.1 billion) 4.375% bond due in 2016. The proceeds from the sale of AngloGold Ashanti (refer to note 7), senior notes, senior convertible notes and bonds issued under the EMTN programme have been used to prepay the $3 billion revolving bank facility which was due to mature in December 2009, fund capital expenditure and repay other short term debt owing on Group facilities.

On 8 November 2009 the waivers in respect of various breaches under the Amapá long term project financing agreements (facilities of $538 million) expired. Subsequent to 31 December 2009, new retrospective waivers were obtained from lenders, $181 million has been repaid and a process has commenced to restructure the remaining debt.

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

| US$ million | 2009 | 2008 |
|---|---|---|
| Cash and cash equivalents | 3,269 | 2,771 |
| Trade and other receivables | 3,347 | 2,797 |
| Financial asset investments[1] | 1,598 | 1,108 |
| Other financial assets (derivatives) | 603 | 376 |
| Other guarantees and loan facilities | 12 | 239 |
| | 8,829 | 7,291 |

[1] Includes $546 million (2008: $360 million) of preference shares in BEE entities.

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

- Where possible acceptable minimum counterparty credit ratings assigned by international credit-rating agencies (including long term ratings of A- (Standard & Poor's), A3 (Moody's) or A- (Fitch) or better);
- Daily counterparty settlement limits (which are not to exceed three times the credit limit for an individual bank); and
- Exposure diversification (the aggregate group exposure to key relationship 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 is disclosed in note 20.

### 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.

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

### 24. Financial risk management and derivative financial assets/liabilities continued

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:

| | Within one year | | | One to two years | | |
|---|---|---|---|---|---|---|
| US$ million | Fixed interest | Floating interest | Capital repayment | Fixed interest | Floating interest | Capital repayment |
| **31 December 2009** | | | | | | |
| Non-derivative financial liabilities | (550) | (200) | (5,660)[1] | (523) | (185) | (3,226) |
| Net settled derivatives[2] | 461 | (267) | – | 441 | (273) | 5 |
| | (89) | (467) | (5,660) | (82) | (458) | (3,221) |
| 31 December 2008 | | | | | | |
| Non-derivative financial liabilities | (191) | (405) | (11,385) | (179) | (245) | (732) |
| Net settled derivatives | 156 | (94) | 8 | 164 | (101) | (53) |
| | (35) | (499) | (11,377) | (15) | (346) | (785) |

| | Two to five years | | | Greater than five years | | |
|---|---|---|---|---|---|---|
| US$ million | Fixed interest | Floating interest | Capital repayment | Fixed interest | Floating interest | Capital repayment |
| **31 December 2009** | | | | | | |
| Non-derivative financial liabilities | (1,379) | (295) | (5,877)[3] | (672) | (608) | (4,394) |
| Net settled derivatives[2] | 1,187 | (712) | (32) | 672 | (331) | (339) |
| | (192) | (1,007) | (5,909) | – | (939) | (4,733) |
| 31 December 2008 | | | | | | |
| Non-derivative financial liabilities | (472) | (422) | (4,348) | (345) | (114) | (2,412) |
| Net settled derivatives | 443 | (304) | 9 | 345 | (195) | (400) |
| | (29) | (726) | (4,339) | – | (309) | (2,812) |

(1) Includes guarantees and loan facilities.
(2) At 31 December 2009 the expected maturities were not materially different from the contracted maturities.
(3) Includes the full value of the convertible bond and assumes no conversion.

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

| US$ million | 2009 | 2008 |
|---|---|---|
| **Expiry date** | | |
| Within one year[1] | 2,247 | 2,994 |
| Greater than one year, less than two years | 3,090 | 5 |
| Greater than two years, less than five years | 4,093 | 3,081 |
| Greater than five years | 90 | 25 |
| | 9,520 | 6,105 |

(1) Includes undrawn rand facilities equivalent to $1.9 billion (2008: $0.9 billion) in respect of a series of facilities with 364 day maturities which roll automatically on a daily basis, unless notice is served.

In addition, the Group has a dedicated, committed financing facility for Minas Rio of $1.4 billion subject to certain disbursement conditions and the granting of the remaining Installation Environmental licence (regarded as likely to occur in 2010) (2008: for Minas Rio and Barro Alto totalling $1.6 billion).

The Group also had a $2 billion European Commercial Paper Programme established in October 2004. Drawings of nil were made at 31 December 2009 (2008: $304 million). The Group also had a Rand 20 billion South African Medium Term Note Programme, established in November 2007, on which total drawings of Rand 691 million ($94 million) were made at 31 December 2009 (2008: Rand 7,273 million ($782 million)). Of this drawing, Rand 491 million ($67 million) was issued as commercial paper (2008: Rand 7,074 million ($761 million)).

#### Market risk

This is the risk that financial instrument fair values will fluctuate owing 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 incurred by US dollar functional currency companies and to a lesser extent, from non-US dollar revenues. The Group's policy is generally not to hedge such exposures as hedging is not deemed appropriate given the diversified nature of the Group, though exceptions can be approved by the Group Management Committee.

In addition, currency exposures exist in respect of non-US dollar approved capital expenditure projects. The Group's policy is that such exposure can be hedged at management's discretion, within certain pre-defined limits.

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

| US$ million | Financial assets (excluding derivatives) | Impact of currency derivatives[1] | Derivative assets | Total financial assets – exposure to currency risk |
|---|---|---|---|---|
| **At 31 December 2009** | | | | |
| US dollar[2] | 4,353 | (202) | 565 | 4,716 |
| Rand | 3,125 | 177 | 7 | 3,309 |
| Sterling | 455 | – | – | 455 |
| Euro | 85 | 2 | – | 87 |
| Australian dollar | 271 | – | – | 271 |
| Brazilian real | 407 | – | – | 407 |
| Other currencies | 649 | 23 | 31 | 703 |
| **Total financial assets** | 9,345 | – | 603 | 9,948 |
| At 31 December 2008 | | | | |
| US dollar[2] | 3,118 | (108) | 252 | 3,262 |
| Rand | 3,895 | 82 | 71 | 4,048 |
| Sterling | 547 | (2) | – | 545 |
| Euro | 136 | – | – | 136 |
| Australian dollar | 290 | (4) | – | 286 |
| Brazilian real[3] | 357 | – | – | 357 |
| Other currencies[3] | 513 | 32 | 53 | 598 |
| Total financial assets | 8,856 | – | 376 | 9,232 |

See following page for footnotes.

## 24. Financial risk management and derivative financial assets/liabilities continued

| US$ million | Financial liabilities (excluding derivatives) | Impact of currency derivatives[1] | Derivative liabilities | Total financial liabilities – exposure to currency risk |
|---|---|---|---|---|
| **At 31 December 2009** | | | | |
| US dollar | (7,719) | (5,364) | (609) | (13,692) |
| Rand | (3,550) | (4) | (50) | (3,604) |
| Sterling | (1,609) | 1,198 | – | (411) |
| Euro | (3,764) | 3,652 | – | (112) |
| Australian dollar | (543) | – | – | (543) |
| Brazilian real | (1,052) | 401 | – | (651) |
| Other currencies | (690) | 117 | – | (573) |
| **Total financial liabilities** | (18,927) | – | (659) | (19,586) |
| At 31 December 2008 | | | | |
| US dollar | (7,854) | (3,130) | (1,056) | (12,040) |
| Rand | (5,289) | (15) | (2) | (5,306) |
| Sterling | (1,628) | 1,141 | – | (487) |
| Euro | (1,821) | 1,697 | – | (124) |
| Australian dollar | (528) | – | – | (528) |
| Brazilian real[3] | (973) | 22 | (439) | (1,390) |
| Other currencies[3] | (980) | 285 | – | (695) |
| Total financial liabilities | (19,073) | – | (1,497) | (20,570) |

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

[2] Of these US$ financial assets, $127 million (2008: $97 million) are subject to South African exchange controls and will be converted to rand within the next six months.

[3] Comparatives have been reclassified to align with current year presentation.

### *Interest rate risk*

Fluctuations in interest rates impact on the value of short term investments and financing activities, giving rise to interest rate risk. Exposure to interest rate risk is particularly with reference to changes in US and South African interest rates. Exposure to Brazilian interest rates is expected to continue to increase in the near term.

The Group policy is to borrow funds at floating rates of interest as this is considered 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. Also strategic hedging using fixed rate debt may 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:

| | Interest bearing financial assets | | Non-interest bearing financial assets | | |
|---|---|---|---|---|---|
| US$ million | Floating rate | Fixed rate[1] | Equity invest-ments | Other non-interest bearing | Total |
| **At 31 December 2009** | | | | | |
| Financial assets (excluding derivatives)[2] | 3,530 | 1,032 | 1,131 | 3,652 | 9,345 |
| Derivative assets | 174 | – | – | 429 | 603 |
| **Financial asset exposure to interest rate risk** | 3,704 | 1,032 | 1,131 | 4,081 | 9,948 |
| At 31 December 2008 | | | | | |
| Financial assets (excluding derivatives)[2] | 3,098 | 464 | 2,180 | 3,114 | 8,856 |
| Derivative assets | 196 | – | – | 180 | 376 |
| Financial asset exposure to interest rate risk | 3,294 | 464 | 2,180 | 3,294 | 9,232 |

[1] Includes $546 million (2008: $360 million) of preference shares in BEE entities.

[2] At 31 December 2009 and 2008 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 assets is based on the relevant national inter-bank rates. Fixed rate financial assets consist mainly of financial asset investments and cash, and have a weighted average interest rate of 11.0% (2008: 13.5%) and are fixed for an average period of three years (2008: four 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:

| | Interest bearing financial liabilities | | | |
|---|---|---|---|---|
| US$ million | Floating rate | Fixed rate | Non-interest bearing financial liabilities | Total |
| **At 31 December 2009** | | | | |
| Financial liabilities (excluding derivatives) | (5,529) | (8,697) | (4,701) | (18,927) |
| Impact of interest rate swaps[1] | (6,896) | 6,896 | – | – |
| Derivative liabilities | (109) | – | (550) | (659) |
| **Financial liability exposure to interest rate risk** | (12,534) | (1,801) | (5,251) | (19,586) |
| At 31 December 2008 | | | | |
| Financial liabilities (excluding derivatives) | (10,461) | (3,459) | (5,153) | (19,073) |
| Impact of interest rate swaps[1] | (2,829) | 2,829 | – | – |
| Derivative liabilities | – | – | (1,497) | (1,497) |
| Financial liability exposure to interest rate risk | (13,290) | (630) | (6,650) | (20,570) |

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

Interest on floating rate instruments is based on the relevant national inter-bank rates. Remaining fixed rate borrowings accrue interest at a weighted average interest rate of 9% (2008: 8%) and are at fixed rates for an average period of four years (2008: two years). Average maturity on non-interest bearing instruments is 14 months (2008: 17 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.

## 24. Financial risk management and derivative financial assets/ liabilities continued

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 | Commodity price linked: Subject to price movements | Commodity price linked: Fixed price[1] | Not linked to commodity price | Total |
|---|---|---|---|---|
| **At 31 December 2009** | | | | |
| Total net financial instruments (excluding derivatives) | 352 | 733 | (10,667) | (9,582) |
| Commodity derivatives (net)[2] | (78) | – | – | (78) |
| Non-commodity derivatives (net) | – | – | 22 | 22 |
| **Total financial instrument exposure to commodity risk** | 274 | 733 | (10,645) | (9,638) |
| At 31 December 2008 | | | | |
| Total net financial instruments (excluding derivatives) | (291) | 183 | (10,109) | (10,217) |
| Commodity derivatives (net)[2] | (318) | – | – | (318) |
| Non-commodity derivatives (net) | – | – | (803) | (803) |
| Total financial instrument exposure to commodity risk | (609) | 183 | (10,912) | (11,338) |

[1] Includes financial instruments whose commodity prices are set annually or via contract negotiation.
[2] Includes a $44 million (2008: $249 million) derivative embedded in a long term power contract.

### Derivatives

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

The Group utilises derivative instruments to manage its 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. 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 exchange 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 treasury policy) have been designated as fair value hedges. The respective carrying values of the hedged debt are adjusted to reflect the fair value of the interest rate risk being hedged. Subsequent changes in the fair value of the hedged risk are offset against fair value changes in the interest rate swap and classified within financing costs in the income statement.

### *Non-hedges*

The Group may choose not to designate certain derivatives as hedges, for example certain forward foreign currency contracts that provide a natural hedge of non-US dollar debt in the income statement or where the Group is economically hedged but IAS 39 hedge accounting cannot be achieved. 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.

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 | 2009 Asset | 2009 Liability | 2008 Asset | 2008 Liability |
|---|---|---|---|---|
| **Current** | | | | |
| Cash flow hedge[1] | | | | |
| Forward foreign currency contracts | 40 | – | 10 | (75) |
| Forward commodity contracts | – | (3) | – | (49) |
| Other | – | (1) | – | – |
| Fair value hedge | | | | |
| Interest rate swaps | 18 | – | 140 | – |
| Other | – | – | 2 | – |
| Non-hedge ('Held for trading')[2] | | | | |
| Forward foreign currency contracts | 285 | (18) | 73 | (460) |
| Cross currency swaps | 14 | (14) | 20 | – |
| Other | 8 | (40) | 14 | (14) |
| **Total current derivatives** | 365 | (76) | 259 | (598) |
| **Non-current** | | | | |
| Cash flow hedge[1] | | | | |
| Forward foreign currency contracts | 19 | – | – | (57) |
| Forward commodity contracts | – | – | – | (4) |
| Fair value hedge | | | | |
| Interest rate swaps | 157 | (70) | 4 | – |
| Non-hedge ('Held for trading')[2] | | | | |
| Forward foreign currency contracts | 26 | (2) | 41 | (69) |
| Cross currency swaps | 7 | (424) | 20 | (504) |
| Other | 29 | (87) | 52 | (265) |
| **Total non-current derivatives** | 238 | (583) | 117 | (899) |

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

| US$ million | 2009 | 2008 |
|---|---|---|
| Within one year | 36 | (160) |
| Greater than one year, less than two years | 19 | (80) |
| Greater than two years, less than five years | – | (11) |
| Greater than five years | – | – |
| | 55 | (251) |

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

[2] Comparatives have been adjusted in accordance with IAS 1 *Presentation of Financial Statements – Improvements*, as described in note 1.

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.

## 24. Financial risk management and derivative financial assets/liabilities continued

### 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 also may sell non-core assets to reduce debt.

The Group monitors capital on the basis of the ratio of net debt to total capital less investments in associates (gearing). Net debt is calculated as total borrowings less cash and cash equivalents and current financial asset investments (excluding derivatives which provide an economic hedge of debt and including the net debt of disposal groups). Total capital is calculated as 'Net assets' (as shown in the Consolidated balance sheet) excluding net debt. Gearing as at 31 December 2009 was 30.8% (2008: 37.8%). The decrease in gearing since 31 December 2008 is primarily due to the increase in net assets.

### Financial instrument sensitivities

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

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 as 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 tables show the illustrative effect on the income statement and equity that would result from reasonably possible changes in the relevant commodity price, foreign currency or interest rates.

| US$ million | Income statement | Equity |
|---|---|---|
| **Commodity price sensitivities** | | |
| **2009** | | |
| 10% increase in the platinum price | (14) | (14) |
| 10% decrease in the platinum price | 14 | 14 |
| 10% increase in the copper price | 89 | 89 |
| 10% decrease in the copper price | (89) | (89) |
| 10% increase in the coal price | – | – |
| 10% decrease in the coal price | – | – |
| 2008 | | |
| 10% increase in the platinum price | (9) | (9) |
| 10% decrease in the platinum price | 9 | 9 |
| 10% increase in the copper price | 47 | 47 |
| 10% decrease in the copper price | (47) | (47) |
| 10% increase in the coal price | – | (11) |
| 10% decrease in the coal price | – | 11 |
| **Interest rate sensitivities** | | |
| **2009** | | |
| 50 bp increase in US interest rates | 3 | 3 |
| 50 bp decrease in US interest rates | (3) | (3) |
| 50 bp increase in South African interest rates | – | – |
| 50 bp decrease in South African interest rates | – | – |
| 2008 | | |
| 25 bp increase in US interest rates | (6) | (6) |
| 25 bp decrease in US interest rates | 6 | 6 |
| 50 bp increase in South African interest rates | (11) | (10) |
| 50 bp decrease in South African interest rates | 11 | 10 |
| **Foreign currency sensitivities**[1] | | |
| **2009** | | |
| +10% US dollar to rand | (59) | (59) |
| -10% US dollar to rand | 59 | 59 |
| +10% US dollar to Australian dollar | 4 | 4 |
| -10% US dollar to Australian dollar | (4) | (4) |
| +10% US dollar to Brazilian real | 191 | 198 |
| -10% US dollar to Brazilian real | (175) | (183) |
| +10% US dollar to Chilean peso | (11) | (67) |
| -10% US dollar to Chilean peso | 14 | 82 |
| 2008 | | |
| +10% US dollar to rand | 45 | 42 |
| -10% US dollar to rand | (46) | (43) |
| +10% US dollar to Australian dollar | 20 | 19 |
| -10% US dollar to Australian dollar | (20) | (18) |
| +10% US dollar to Brazilian real | (125) | (128) |
| -10% US dollar to Brazilian real | 176 | 180 |
| +10% US dollar to Chilean peso | (25) | (42) |
| -10% US dollar to Chilean peso | 30 | 51 |

[1] + represents strengthening of US dollar against the respective currency.

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

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

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

## 25. Provisions for liabilities and charges

| US$ million | Environ-mental restor-ation[1] | Decomm-issioning[1] | Other | Total[2] |
|---|---|---|---|---|
| At 1 January 2009 | 700 | 241 | 544 | 1,485 |
| Acquired through business combinations | (5)[3] | 6 | – | 1 |
| Disposal of businesses | – | (1) | – | (1) |
| Charged to the income statement | 33 | 30 | 186 | 249 |
| Transfer to liabilities directly associated with assets held for sale | (35) | (11) | (13) | (59) |
| Capitalised | 33[4] | 4 | – | 37 |
| Unwinding of discount | 21 | 20 | 4 | 45 |
| Unused amounts reversed | (5) | (5) | (61) | (71) |
| Amounts applied | (19) | (1) | (87) | (107) |
| Currency movements | 116 | 53 | 44 | 213 |
| At 31 December 2009 | 839 | 336 | 617 | 1,792 |

Maturity analysis of total provisions:

| US$ million | 2009 | 2008 |
|---|---|---|
| Current | 209 | 168 |
| Non-current | 1,583 | 1,317 |
| | 1,792 | 1,485 |

[1] The Group makes contributions to controlled funds to meet the cost of some of its decommissioning, restoration and environmental rehabilitation liabilities (see note 15).

[2] Provisions for liabilities and charges at 31 December 2007 were $1,224 million. This related to $675 million of environmental restoration provisions, $256 million of decommissioning provisions and $293 million of other provisions.

[3] Relates to fair value adjustments on acquisitions.

[4] Amounts capitalised in the environmental restoration provision relate to amounts that will be recovered from third parties when the actual expenditure is incurred.

### Environmental restoration

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

### Decommissioning

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

### Other

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

## 26. Deferred tax

### Deferred tax assets

| US$ million | 2009 | 2008 |
|---|---|---|
| At 1 January | 258 | 474 |
| Credited/(charged) to the income statement | 12 | (31) |
| Charged to the statement of comprehensive income | (33) | (57) |
| Credited/(charged) directly to equity | 13 | (40) |
| Transfer to assets held for sale | (5) | (14) |
| Reclassifications | – | (21) |
| Currency movements | 43 | (53) |
| At 31 December | 288 | 258 |

### Deferred tax liabilities

| US$ million | 2009 | 2008 |
|---|---|---|
| At 1 January | (4,555) | (4,650) |
| Credited/(charged) to the income statement | 144 | (398) |
| Credited to the statement of comprehensive income | 36 | 130 |
| Credited/(charged) directly to equity | 7 | (25) |
| Acquired through business combinations | 54 | (798) |
| Transfer to liabilities directly associated with assets held for sale | 46 | 28 |
| Disposal of businesses | – | 18 |
| Reclassifications | – | (79) |
| Currency movements | (924) | 1,219 |
| At 31 December | (5,192) | (4,555) |

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

| US$ million | 2009 | 2008 |
|---|---|---|
| **Deferred tax assets** | | |
| Tax losses | 49 | 13 |
| Post retirement benefits | 48 | 36 |
| Share-based payments | 42 | 8 |
| Other temporary differences | 149 | 201 |
| | 288 | 258 |
| **Deferred tax liabilities** | | |
| Capital allowances in excess of depreciation | (2,846) | (2,333) |
| Fair value adjustments | (1,942) | (2,201) |
| Tax losses | 115 | 117 |
| Derivatives | (106) | 119 |
| Provisions | (405) | (287) |
| Other temporary differences | (8) | 30 |
| | (5,192) | (4,555) |

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

| US$ million | 2009 | 2008 |
|---|---|---|
| Capital allowances in excess of depreciation | (79) | 460 |
| Fair value adjustments | (502) | (96) |
| Tax losses | (33) | (18) |
| Derivatives | 208 | (281) |
| Provisions | 114 | 211 |
| Other temporary differences | 136 | 153 |
| | (156) | 429 |

## 26. Deferred tax continued

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

| US$ million | 2009 | 2008 |
|---|---|---|
| **Deferred tax assets** | | |
| Recoverable within 12 months | 23 | 62 |
| Recoverable after 12 months | 265 | 196 |
| | 288 | 258 |
| **Deferred tax liabilities** | | |
| Payable within 12 months | (171) | (218) |
| Payable after 12 months | (5,021) | (4,337) |
| | (5,192) | (4,555) |

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

| US$ million | Tax losses – revenue | Tax losses – capital | Other temporary differences | Total |
|---|---|---|---|---|
| 31 December 2009 | | | | |
| Within one year | – | – | – | – |
| One to five years | 14 | – | – | 14 |
| After five years | 5 | – | – | 5 |
| No expiry date | 3,304 | 1,154 | 7 | 4,465 |
| | 3,323 | 1,154 | 7 | 4,484 |
| 31 December 2008 | | | | |
| Within one year | – | – | – | – |
| One to five years | 43 | – | – | 43 |
| After five years | 21 | – | – | 21 |
| No expiry date | 2,600 | 1,166 | 5 | 3,771 |
| | 2,664 | 1,166 | 5 | 3,835 |

The Group also has unused tax credits of $22 million (2008: $356 million) for which no deferred tax asset is recognised in the balance sheet. These tax credits have no expiry date.

No liability 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 investments in subsidiaries, branches and associates and interests in joint ventures, for which a deferred tax liability has not been recognised is $16,843 million (2008: $23,866 million). The decrease from the previous year is primarily as a result of a change to tax legislation.

## 27. Retirement benefits

The Group operates defined contribution and defined benefit pension plans for the majority of its employees. It also operates post retirement medical arrangements in southern Africa and North America.

### 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 2009 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 schemes (net of amounts capitalised) was $172 million (2008: $134 million) and for defined contribution medical schemes (net of amounts capitalised) was $18 million (2008: $9 million).

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

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

Independent qualified actuaries carry out full valuations every three years using the projected unit method. The actuaries have updated the valuations to 31 December 2009.

## 27. Retirement benefits continued

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

| US$ million | 2009 Southern Africa | 2009 The Americas | 2009 Europe | 2009 Total | 2008 Southern Africa | 2008 The Americas | 2008 Europe | 2008 Total |
|---|---|---|---|---|---|---|---|---|
| **Assets**[1] | | | | | | | | |
| Defined benefit pension plans in surplus | 54 | – | – | 54 | 32 | – | – | 32 |

[1] Amounts are included in 'Other non-current assets'.

| US$ million | 2009 Southern Africa | 2009 The Americas | 2009 Europe | 2009 Total | 2008 Southern Africa | 2008 The Americas | 2008 Europe | 2008 Total |
|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | |
| Defined benefit pension plans in deficit | – | (173) | (231) | (404) | – | (132) | (45) | (177) |
| Post retirement medical plans in deficit | (271) | (31) | – | (302) | (204) | (20) | – | (224) |
| | (271) | (204) | (231) | (706) | (204) | (152) | (45) | (401) |

| US$ million | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Defined benefit pension plans** | | | | | |
| Present value of liabilities | (2,975) | (2,157) | (3,095) | (4,256) | (3,985) |
| Fair value of plan assets | 2,731 | 2,073 | 3,148 | 4,160 | 3,539 |
| Net (deficit)/surplus | (244) | (84) | 53 | (96) | (446) |
| Surplus restriction | (106) | (61) | (136) | (163) | (107) |
| Net deficit after surplus restriction | (350) | (145) | (83) | (259) | (553) |
| Actuarial gain/(loss) on plan assets[1] | 184 | (392) | 39 | 308 | 438 |
| Actuarial (loss)/gain on plan liabilities[2] | (361) | 208 | (48) | (156) | (435) |
| **Post retirement medical plans** | | | | | |
| Present value of liabilities | (322) | (241) | (329) | (422) | (650) |
| Fair value of plan assets | 20 | 17 | 20 | 16 | 22 |
| Net deficit | (302) | (224) | (309) | (406) | (628) |
| Actuarial gain on plan assets[3] | – | 1 | 1 | – | – |
| Actuarial (loss)/gain on plan liabilities[4] | (10) | 16[5] | (29) | 15 | (67) |

[1] Net experience gains on pension plan assets were $184 million (2008: loss of $392 million; 2007: gains of $32 million; 2006: gains of $314 million).
[2] Net experience losses on pension plan liabilities were $17 million (2008: $29 million; 2007: $112 million; 2006: $113 million).
[3] Net experience gains on medical plan assets were nil (2008: $1 million; 2007: losses of $1 million; 2006: losses of $1 million).
[4] Net experience losses on medical plan liabilities were $3 million (2008: $7 million; 2007: $4 million; 2006: gains of $36 million).
[5] Includes actuarial gains of $11 million due to a change in modelling methodology.

Cumulative net actuarial losses recognised in the Consolidated statement of comprehensive income are $509 million (2008: $292 million; 2007: $163 million; 2006: $126 million; 2005: $228 million).

The market value of assets was used to determine the funding level of the plans. The market value of the assets of the funded plans was sufficient to cover 97% (2008: 101%) 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. As the majority of the defined benefit pension plans are closed to new members, it is expected that contributions (in local currency) will increase as the members age.

The actual return on plan assets in respect of defined benefit pension schemes was a gain of $340 million (2008: loss of $178 million).

### Income statement

The amounts recognised in the income statement are as follows:

| US$ million | 2009 Pension plans | 2009 Post retirement medical plans | 2009 Total plans | 2008 Pension plans | 2008 Post retirement medical plans | 2008 Total plans |
|---|---|---|---|---|---|---|
| **Analysis of the amount charged to operating profit** | | | | | | |
| Current service costs | 32 | 4 | 36 | 43 | 5 | 48 |
| Past service costs | – | – | – | 1 | – | 1 |
| **Total within operating costs** | 32 | 4 | 36 | 44 | 5 | 49 |
| **Analysis of the amount charged to net finance costs** | | | | | | |
| Expected return on plan assets[1] | (156) | (1) | (157) | (214) | (1) | (215) |
| Interest costs on plan liabilities[2] | 156 | 18 | 174 | 180 | 21 | 201 |
| **Net charge/(credit) to net finance costs** | – | 17 | 17 | (34) | 20 | (14) |
| **Total charge to the income statement** | 32 | 21 | 53 | 10 | 25 | 35 |

[1] Included in 'Investment income'.
[2] Included in 'Interest expense'.

### 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):

| % | 2009 Southern Africa | 2009 The Americas | 2009 Europe | 2008 Southern Africa | 2008 The Americas | 2008 Europe |
|---|---|---|---|---|---|---|
| **Defined benefit pension plans** | | | | | | |
| Average discount rate for plan liabilities | 9.0 | 8.5 | 5.7 | 7.3 | 8.6 | 6.0 |
| Average rate of inflation | 5.8 | 3.7 | 3.7 | 4.0 | 3.7 | 2.7 |
| Average rate of increase in salaries | 7.0 | 6.1 | 3.7 | 5.3 | 5.4 | 2.7 |
| Average rate of increase of pensions in payment | 5.8 | 3.1 | 3.7 | 4.0 | 3.2 | 2.8 |
| Average long term rate of return on plan assets[1] | 9.6 | 10.5 | 6.6 | 7.6 | 11.3 | 5.9 |
| **Post retirement medical plans** | | | | | | |
| Average discount rate for plan liabilities | 9.0 | 6.6 | n/a | 7.3 | 7.1 | n/a |
| Average rate of inflation | 5.8 | 1.1 | n/a | 4.0 | 0.5 | n/a |
| Expected average increase in healthcare costs | 7.2 | 4.1 | n/a | 5.4 | 3.8 | n/a |

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

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 (2008: the PA90 tables) are used. The main schemes in Europe use the SAPS and PXA00 tables (2008: PXA00 tables). The main schemes in the Americas use the RV2004, AT2000 and UP94 tables (2008: RV2004, AT83 and UP24 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 2009 | Male 2008 | Female 2009 | Female 2008 |
|---|---|---|---|---|
| Southern Africa | 20.5 | 20.5 | 25.4 | 25.5 |
| The Americas | 23.2 | 22.4 | 26.9 | 26.5 |
| Europe | 27.3 | 25.7 | 29.9 | 28.1 |

## 27. Retirement benefits continued

The market value of the pension assets in defined benefit pension plans and long term expected rate of return as at 31 December 2009 and 31 December 2008 are as follows:

| | Southern Africa | | The Americas | | Europe | | Total |
|---|---|---|---|---|---|---|---|
| | Rate of return % | Fair value US$ million | Rate of return % | Fair value US$ million | Rate of return % | Fair value US$ million | Fair value US$ million |
| **At 31 December 2009** | | | | | | | |
| Equity | 11.7 | 332 | 9.5 | 75 | 8.1 | 774 | 1,181 |
| Bonds | 8.5 | 558 | 10.9 | 196 | 5.1 | 687 | 1,441 |
| Other | 7.0 | 44 | 9.4 | 10 | 4.0 | 55 | 109 |
| Fair value of pension plan assets | | 934 | | 281 | | 1,516 | 2,731 |
| Present value of unfunded obligations | | – | | (146) | | (5) | (151) |
| Present value of funded obligations | | (791) | | (308) | | (1,725) | (2,824) |
| Present value of pension plan liabilities | | (791) | | (454) | | (1,730) | (2,975) |
| Net surplus/(deficit) in pension plans | | 143 | | (173) | | (214) | (244) |
| Surplus restriction related to pension plans | | (89) | | – | | (17)[(1)] | (106) |
| **Recognised pension plan assets/(liabilities)** | | 54 | | (173) | | (231) | (350) |
| **Amounts in the balance sheet** | | | | | | | |
| Pension assets | | 54 | | – | | – | 54 |
| Pension liabilities | | – | | (173) | | (231) | (404) |
| | | 54 | | (173) | | (231) | (350) |
| At 31 December 2008 | | | | | | | |
| Equity | 10.0 | 231 | 10.5 | 49 | 7.4 | 568 | 848 |
| Bonds | 6.6 | 422 | 11.7 | 137 | 5.2 | 427 | 986 |
| Other | 5.2 | 42 | 8.9 | 7 | 2.7 | 190 | 239 |
| Fair value of pension plan assets | | 695 | | 193 | | 1,185 | 2,073 |
| Present value of unfunded obligations | | – | | (102) | | (6) | (108) |
| Present value of funded obligations | | (602) | | (223) | | (1,224) | (2,049) |
| Present value of pension plan liabilities | | (602) | | (325) | | (1,230) | (2,157) |
| Net surplus/(deficit) in pension plans | | 93 | | (132) | | (45) | (84) |
| Surplus restriction related to pension plans | | (61) | | – | | – | (61) |
| Recognised pension plan assets/(liabilities) | | 32 | | (132) | | (45) | (145) |
| Amounts in the balance sheet | | | | | | | |
| Pension assets | | 32 | | – | | – | 32 |
| Pension liabilities | | – | | (132) | | (45) | (177) |
| | | 32 | | (132) | | (45) | (145) |

(1) Relates to an additional liability required in accordance with IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

## 27. Retirement benefits continued

### Movement analysis

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

| US$ million | 2009 Pension plans | 2009 Post retirement medical plans | 2009 Total plans | 2008 Pension plans | 2008 Post retirement medical plans | 2008 Total plans |
|---|---|---|---|---|---|---|
| At 1 January | (2,157) | (241) | (2,398) | (3,095) | (329) | (3,424) |
| Current service costs | (32) | (4) | (36) | (43) | (5) | (48) |
| Past service costs and effects of settlements and curtailments | – | – | – | (1) | – | (1) |
| Interest costs | (156) | (18) | (174) | (180) | (21) | (201) |
| Actuarial (losses)/gains | (361) | (10) | (371) | 208 | 16 | 224 |
| Benefits paid | 135 | 16 | 151 | 145 | 16 | 161 |
| Contributions paid by other members | (7) | (3) | (10) | (9) | (3) | (12) |
| Transfer to liabilities directly associated with assets held for sale | (1) | – | (1) | – | – | – |
| Currency movements | (396) | (62) | (458) | 818 | 85 | 903 |
| At 31 December | (2,975) | (322) | (3,297) | (2,157) | (241) | (2,398) |

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

| US$ million | 2009 Pension plans | 2009 Post retirement medical plans | 2009 Total plans | 2008 Pension plans | 2008 Post retirement medical plans | 2008 Total plans |
|---|---|---|---|---|---|---|
| At 1 January | 2,073 | 17 | 2,090 | 3,148 | 20 | 3,168 |
| Expected return | 156 | 1 | 157 | 214 | 1 | 215 |
| Actuarial gains/(losses) | 184 | – | 184 | (392) | 1 | (391) |
| Contributions paid by employer | 62 | 13 | 75 | 50 | 11 | 61 |
| Contributions paid by other members | 7 | 3 | 10 | 9 | 5 | 14 |
| Benefits paid | (135) | (16) | (151) | (145) | (16) | (161) |
| Currency movements | 384 | 2 | 386 | (811) | (5) | (816) |
| At 31 December | 2,731 | 20 | 2,751 | 2,073 | 17 | 2,090 |

Assumed healthcare trend rates have a significant effect on the amounts recognised in the income statement. A 1% change in assumed healthcare cost trend rates would have the following effects:

| US$ million | 1% increase 2009 | 1% increase 2008 | 1% decrease 2009 | 1% decrease 2008 |
|---|---|---|---|---|
| Effect on the sum of service costs and interest costs | 4 | 3 | (3) | (3) |
| Effect on defined benefit obligations | 36 | 28 | (30) | (26) |

The Group expects to contribute approximately $58 million to its defined benefit pension plans and $30 million to its post retirement medical plans in 2010.

## 28. Called-up share capital and share-based payments

### Called-up share capital

| | 2009 Number of shares | 2009 US$ million | 2008 Number of shares | 2008 US$ million | 2007 Number of shares | 2007 US$ million |
|---|---|---|---|---|---|---|
| Authorised: | | | | | | |
| 5% cumulative preference shares of £1 each | 50,000 | – | 50,000 | – | 50,000 | – |
| Ordinary shares of 54 86/91 US cents each | 1,820,000,000 | 1,000 | 1,820,000,000 | 1,000 | 1,820,000,000 | 1,000 |
| | | 1,000 | | 1,000 | | 1,000 |
| Called-up, allotted and fully paid: | | | | | | |
| 5% cumulative preference shares of £1 each | 50,000 | – | 50,000 | – | 50,000 | – |
| Ordinary shares of 54 86/91 US cents each: | | | | | | |
| At 1 January | 1,342,919,020 | 738 | 1,342,911,897 | 738 | | |
| Other | 8,118 | – | 7,123 | – | | |
| At 31 December | 1,342,927,138 | 738 | 1,342,919,020 | 738 | 1,342,911,897 | 738 |

## 28. Called-up share capital and share-based payments continued

During 2009 8,118 ordinary shares of $54^{86}/_{91}$ US cents each were allotted to certain non-executive directors by subscription of their after tax directors' fees (2008: 7,123 ordinary shares).

In 2009 no ordinary shares were purchased by the Company and held in treasury (2008: 5,649,992 ordinary shares). Excluding shares held in treasury (but including the shares held by the Group in other structures, as outlined in the Tenon and Employee benefit trust sections below) the number of called-up, allotted and fully paid ordinary shares as at 31 December 2009 was 1,316,493,628; $723 million (2008: 1,316,485,510; $723 million).

At 31 December 2009 the Company held 26,433,510 ordinary shares of $54^{86}/_{91}$ US cents in treasury (2008: 26,433,510 ordinary shares).

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

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

No ordinary shares were allotted on exercise of employee share option plans (2008: nil).

### Tenon

Tenon Investment Holdings (Pty) Limited (Tenon), a wholly owned subsidiary of Anglo American South Africa Limited (AASA), has entered into agreements with Epoch Investment Holdings Limited (Epoch), Epoch Two Investment Holdings Limited (Epoch Two) and Tarl Investments Holdings Limited (Tarl) (collectively the Investment Companies), each owned by independent charitable trusts whose trustees are independent of the Group. Under the terms of these agreements, the Investment Companies have purchased Anglo American plc shares on the market and have granted to Tenon the right to nominate a third party (which may include Anglo American plc but not any of its subsidiaries) to take transfer of the Anglo American plc shares each has purchased on the market. Tenon paid the Investment Companies 80% of the cost of the Anglo American plc shares including associated costs for this right to nominate which together with subscriptions by Tenon for non-voting participating redeemable preference shares in the Investment Companies provided all the funding required to acquire the Anglo American plc shares through the market. These payments by Tenon were sourced from the cash resources of AASA. Tenon is able to exercise its right of nomination at any time up to 31 December 2025 against payment of an average amount of $7.35 per share to Epoch, $11.44 per share to Epoch Two and $9.49 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 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 2009 the Investment Companies together held 112,300,129 (2008: 112,300,129) Anglo American plc shares with a market value of $4,915 million (2008: $2,511 million) which represented 9% (2008: 9%) of the ordinary shares in issue (excluding treasury shares). The Investment Companies are not permitted to hold more than an aggregate of 10% of the issued share capital of Anglo American plc at any one time.

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

### Employee benefit trust

The provision of shares to certain of the Company's share option and share incentive schemes is facilitated by an employee benefit trust. During 2009 3,496,000 shares (2008: 5,248,591 shares) were sold to employees on exercise of their options, and provisional allocations were made to options already awarded. 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 949,244 shares (2008: 4,445,244 shares) held by the trust at 31 December 2009 was $44 million (2008: $99 million).

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

### Share-based payments

During the year ended 31 December 2009, the Group had six share-based payment arrangements with employees, the details of which are described in the Remuneration report. All of the Group's schemes are equity settled, either by award of options to acquire ordinary shares (ESOS, SAYE and former AAC Executive Share Incentive Scheme) or award of ordinary shares (BSP, LTIP and SIP). The ESOS and former AAC Executive Share Incentive Scheme are now closed to new participants, having been replaced with the BSP.

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

| US$ million | 2009 | 2008 |
|---|---|---|
| BSP | 57 | 50 |
| LTIP | 50 | 53 |
| Other schemes | 19 | 9 |
| | 126 | 112 |

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### 28. Called-up share capital and share-based payments continued

The fair values of options granted under the ESOS and SAYE schemes, being the more material option schemes, were calculated using a Black Scholes model. No ESOS awards were granted in 2009 or 2008. The assumptions used in these calculations for the current and prior years are set out in the table below:

| Arrangement[1] | 2009 SAYE | 2008 SAYE |
|---|---|---|
| Date of grant | 23/04/09 | 24/04/08 |
| Number of instruments | 1,481,927 | 307,297 |
| Exercise price (£) | 9.56 | 24.16 |
| Share price at the date of grant (£) | 11.95 | 30.20 |
| Contractual life (years) | 3.5-7.5 | 3.5-7.5 |
| Vesting conditions[2] | 3-7 | 3-7 |
| Expected volatility | 45% | 35% |
| Expected option life (years) | 3.5-7.5 | 3.5-7.5 |
| Risk free interest rate | 2.7% | 4.6% |
| Expected departures | 5% pa | 5% pa |
| Expected outcome of meeting performance criteria (at date of grant) | n/a | n/a |
| Fair value per option granted (weighted average) (£) | 6.71 | 13.32 |

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

| | | | | 2009 | | | 2008 |
|---|---|---|---|---|---|---|---|
| Arrangement[1] | BSP | LTIP | LTIP – ROCE | LTIP – TSR | BSP | LTIP – ROCE | LTIP – TSR |
| Date of grant | 18/03/09 | 30/03/09 | 30/03/09 | 30/03/09 | 29/02/08 | 17/03/08 | 17/03/08 |
| Number of instruments | 5,929,013 | 837,180 | 468,132 | 468,132 | 1,690,350 | 795,465 | 795,465 |
| Exercise price (£) | – | – | – | – | – | – | – |
| Share price at the date of grant (£) | 11.62 | 12.61 | 12.61 | 10.81 | 28.21 | 31.35 | 31.35 |
| Contractual life (years) | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Vesting conditions | [3] | [4] | [5] | [6] | [3] | [5] | [6] |
| Expected volatility | 45% | 45% | 45% | 45% | 35% | 35% | 35% |
| Expected option life (years) | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Risk free interest rate | 2.0% | 1.8% | 1.8% | 1.8% | 4.0% | 3.7% | 3.7% |
| Expected departures | 5% pa | 5% pa | 5% pa | 5% pa | 5% pa | 5% pa | 5% pa |
| Expected outcome of meeting performance criteria (at date of grant) | 44-100% | 100% | 100% | n/a | 44-100% | 100% | n/a |
| Fair value per option granted (weighted average) (£) | 11.12 | 10.81 | 10.81 | 8.38 | 31.22 | 26.93 | 19.69 |

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

[2] Number of years of continuous employment.

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

[4] Three years of continuous employment.

[5] Variable vesting dependent on three years of continuous employment and Group ROCE target being achieved.

[6] 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 expected life is the average expected period to exercise. The risk free interest rate is the yield on zero-coupon UK government bonds with a term similar to the expected life of the option.

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

## 28. Called-up share capital and share-based payments continued

A reconciliation of option movements for the more significant share-based payment arrangements over the year to 31 December 2009 and the prior year is shown below. All options outstanding at 31 December 2009 with an exercise date on or prior to 31 December 2009 are deemed exercisable. Options were exercised regularly during the year and the weighted average share price for the year ended 31 December 2009 was £19.45 (2008: £25.99).

### Executive Share Option Scheme[1]

Options to acquire ordinary shares of $54^{86}/_{91}$ US cents were outstanding under the terms of this scheme as follows:

At 31 December 2009

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

At 31 December 2008

| Year of grant | Date exercisable | Option price per share £ | Options outstanding 1 Jan 2008 | Options granted in year | Options exercised in year | Options forfeited in year | Options expired in year | Options outstanding 31 Dec 2008 |
|---|---|---|---|---|---|---|---|---|
| 1999 | 24 June 2002 to 23 June 2009 | 6.98 | 772,256 | – | (247,973) | (9,950) | – | 514,333 |
| 1999 | 19 October 2002 to 18 October 2009 | 8.00 | 29,000 | – | – | (22,000) | – | 7,000 |
| 2000 | 23 March 2003 to 22 March 2010 | 7.66 | 1,056,732 | – | (267,610) | (73,000) | – | 716,122 |
| 2000 | 12 September 2003 to 11 September 2010 | 10.19 | 15,000 | – | (8,944) | (3,000) | – | 3,056 |
| 2001 | 2 April 2004 to 1 April 2011 | 10.03 | 1,251,064 | – | (211,600) | (159,844) | – | 879,620 |
| 2001 | 13 September 2004 to 12 September 2011 | 8.00 | 26,750 | – | – | (3,000) | – | 23,750 |
| 2002 | 18 March 2005 to 17 March 2012 | 11.50 | 1,298,242 | – | (220,781) | (133,600) | – | 943,861 |
| 2002 | 13 September 2005 to 12 September 2012 | 8.05 | 11,000 | – | – | (4,000) | – | 7,000 |
| 2003 | 5 March 2006 to 4 March 2013 | 9.28 | 2,350,685 | – | (417,174) | (170,500) | – | 1,763,011 |
| 2003 | 13 August 2006 to 12 August 2013 | 11.41 | 32,937 | – | (9,437) | (1,000) | – | 22,500 |
| 2004 | 1 March 2007 to 28 February 2014 | 13.43 | 2,641,345 | – | (540,912) | (173,266) | – | 1,927,167 |
| 2004 | 10 August 2007 to 9 August 2014 | 11.52 | 84,373 | – | (23,064) | (4,000) | – | 57,309 |
| 2004 | 29 November 2007 to 28 November 2014 | 12.73 | 11,147 | – | (2,356) | – | – | 8,791 |
| 2005 | 6 January 2008 to 4 January 2015 | 12.12 | 37,579 | – | – | – | – | 37,579 |
| 2005 | 1 August 2008 to 31 July 2015 | 14.40 | 18,000 | – | – | – | – | 18,000 |
| 2005 | 19 August 2008 to 18 August 2015 | 13.94 | 5,500 | – | (2,750) | – | – | 2,750 |
| | | | 9,641,610 | – | (1,952,601) | (757,160) | – | 6,931,849 |

See page 136 for footnote.

## 28. Called-up share capital and share-based payments continued

### SAYE Share Option Scheme[1]

Options to acquire ordinary shares of $54^{86}/_{91}$ US cents were outstanding under the terms of this scheme as follows:

At 31 December 2009

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

At 31 December 2008

| Year of grant | Date exercisable | Option price per share £ | Options outstanding 1 Jan 2008 | Options granted in year | Options exercised in year | Options forfeited in year | Options expired in year | Options outstanding 31 Dec 2008 |
|---|---|---|---|---|---|---|---|---|
| 2000 | 1 July 2007 to 31 December 2007 | 4.85 | 5,528 | – | – | (5,528) | – | – |
| 2001 | 1 July 2008 to 31 December 2008 | 8.45 | 36,294 | – | (35,392) | (32) | – | 870 |
| 2002 | 1 September 2007 to 29 February 2008 | 9.23 | 2,648 | – | (429) | (2,219) | – | – |
| 2002 | 1 September 2009 to 28 February 2010 | 9.23 | 24,738 | – | (333) | (56) | – | 24,349 |
| 2003 | 1 September 2008 to 28 February 2009 | 7.52 | 152,728 | – | (147,206) | (1,333) | – | 4,189 |
| 2003 | 1 September 2010 to 28 February 2011 | 7.52 | 40,908 | – | – | – | – | 40,908 |
| 2004 | 1 September 2007 to 29 February 2008 | 10.81 | 2,506 | – | (2,089) | (417) | – | – |
| 2004 | 1 September 2009 to 28 February 2010 | 10.81 | 72,162 | – | (1,441) | (1,426) | – | 69,295 |
| 2004 | 1 September 2011 to 29 February 2012 | 10.81 | 18,324 | – | – | (195) | – | 18,129 |
| 2005 | 1 September 2008 to 28 February 2009 | 10.15 | 275,727 | – | (262,405) | (5,589) | – | 7,733 |
| 2005 | 1 September 2010 to 28 February 2011 | 10.15 | 254,714 | – | (7,419) | (9,924) | – | 237,371 |
| 2005 | 1 September 2012 to 28 February 2013 | 10.15 | 48,059 | – | (162) | (4,837) | – | 43,060 |
| 2006 | 1 September 2009 to 28 February 2010 | 17.97 | 208,452 | – | (2,459) | (36,051) | – | 169,942 |
| 2006 | 1 September 2011 to 29 February 2012 | 17.97 | 122,114 | – | (288) | (16,688) | – | 105,138 |
| 2006 | 1 September 2013 to 28 February 2014 | 17.97 | 34,021 | – | (133) | (5,189) | – | 28,699 |
| 2007 | 1 September 2010 to 28 February 2011 | 21.42 | 178,172 | – | (501) | (40,556) | – | 137,115 |
| 2007 | 1 September 2012 to 28 February 2013 | 21.42 | 86,324 | – | (64) | (14,174) | – | 72,086 |
| 2007 | 1 September 2014 to 28 February 2015 | 21.42 | 36,918 | – | – | (5,927) | – | 30,991 |
| 2008 | 1 September 2011 to 29 February 2012 | 24.16 | – | 194,711 | – | (26,486) | – | 168,225 |
| 2008 | 1 September 2013 to 28 February 2014 | 24.16 | – | 76,937 | – | (7,706) | – | 69,231 |
| 2008 | 1 September 2015 to 29 February 2016 | 24.16 | – | 35,649 | – | (3,271) | – | 32,378 |
| | | | 1,600,337 | 307,297 | (460,321) | (187,604) | – | 1,259,709 |

See page 136 for footnote.

## 28. Called-up share capital and share-based payments continued

### Former AAC Executive Share Incentive Scheme[1]

At 31 December 2009

All options relating to the former AAC Executive Share Incentive Scheme were exercised or expired during 2008.

At 31 December 2008

| Year of grant | Date exercisable | Options outstanding 1 Jan 2008 | Options granted in year | Options exercised in year | Options forfeited in year | Options expired in year | Options outstanding 31 Dec 2008 |
|---|---|---|---|---|---|---|---|
| 1998 | 1 January 2000 to 4 December 2008 | 679,800 | – | (587,560) | – | (92,240) | – |
| 1999 | 4 January 2001 to 4 January 2009 | 38,700 | – | (33,900) | – | (4,800) | – |
| | | 718,500 | – | (621,460) | – | (97,040) | – |

See following page for footnote.

### Long Term Incentive Plan[1][2]

Ordinary shares of $54^{86}/_{91}$ US cents may be awarded for no consideration under the terms of this scheme. The number of shares outstanding is shown below:

At 31 December 2009

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

At 31 December 2008

| Year of grant | Vesting date | Shares outstanding 1 Jan 2008 | Shares conditionally awarded in year | Shares vested in year | Shares forfeited in year | Shares expired in year | Shares outstanding 31 Dec 2008 |
|---|---|---|---|---|---|---|---|
| 2005 | 2 April 2008 | 1,806,992 | – | (1,563,495) | (243,497) | – | – |
| 2005 | 1 June 2008 | 61,993 | – | (61,993) | – | – | – |
| 2006 | 29 March 2009 | 1,423,723 | – | (14,375) | (207,316) | – | 1,202,032 |
| 2007 | 23 March 2010 | 1,760,571 | – | (5,526) | (150,100) | – | 1,604,945 |
| 2008 | 17 March 2011 | – | 1,623,929 | – | (47,911) | – | 1,576,018 |
| 2008 | 18 August 2011 | – | 83,200 | – | – | – | 83,200 |
| | | 5,053,279 | 1,707,129 | (1,645,389) | (648,824) | – | 4,466,195 |

See following page for footnotes.

## 28. Called-up share capital and share-based payments continued

### Bonus Share Plan[3]

Ordinary shares of 54 86/91 US cents may be awarded under the terms of this scheme for no consideration. The number of shares outstanding is shown below:

At 31 December 2009

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

At 31 December 2008

| Year of grant | Performance period end date | Shares outstanding 1 Jan 2008 | Shares conditionally awarded in year | Shares vested in year | Shares forfeited in year | Shares expired in year | Shares outstanding 31 Dec 2008 |
|---|---|---|---|---|---|---|---|
| 2004 | 31 December 2006 | 5,684 | – | (5,684) | – | – | – |
| 2005 | 31 December 2007 | 1,847,813 | – | (1,709,848) | (137,139) | – | 826 |
| 2006 | 31 December 2008 | 1,424,558 | – | (75,498) | (78,916) | – | 1,270,144 |
| 2007 | 31 December 2009 | 1,544,288 | – | (54,786) | (92,889) | – | 1,396,613 |
| 2008 | 31 December 2010 | – | 1,701,688 | (28,623) | (50,614) | – | 1,622,451 |
| | | 4,822,343 | 1,701,688 | (1,874,439) | (359,558) | – | 4,290,034 |

### Share Incentive Plan

Ordinary shares of 54 86/91 US cents may be awarded under the terms of this scheme for no consideration. The number of shares outstanding is shown below:

| | Awards outstanding at 31 Dec 2009 | Awards outstanding at 31 Dec 2008 | Latest release date |
|---|---|---|---|
| Share Incentive Plan | 985,681 | 968,341 | 7 December 2012 |

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

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

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

## 29. Consolidated equity analysis

An analysis of Deferred tax and Tax on items transferred from equity by individual item presented in the Consolidated statement of comprehensive income is presented below:

| US$ million | 2009 | 2008 |
|---|---|---|
| **Deferred tax** | | |
| Revaluation of available for sale investments | (105) | 79 |
| Cash flow hedges | (22) | 56 |
| Actuarial net loss on post retirement benefit schemes | 53 | 32 |
| Net deferred tax recognised directly in equity | (74) | 167 |
| **Tax on items transferred from equity** | | |
| Transferred to income statement: sale of available for sale investments | 135 | – |
| Transferred to income statement: cash flow hedges | (51) | (94) |
| Transferred to initial carrying amount of hedged items: cash flow hedges | (7) | – |
| Net tax on total transferred from equity | 77 | (94) |

Fair value and other reserves comprise:

| US$ million | Convertible debt reserve | Available for sale reserve | Cash flow hedge reserve | Other reserves[1] | Total fair value and other reserves |
|---|---|---|---|---|---|
| Balance at 1 January 2008 | – | 2,373 | (304) | 804 | 2,873 |
| Total comprehensive income | – | (1,285) | 110 | – | (1,175) |
| Other | – | – | – | 34 | 34 |
| Balance at 1 January 2009 | – | 1,088 | (194) | 838 | 1,732 |
| Total comprehensive income | – | (783) | 226 | – | (557) |
| Issue of convertible bond | 355 | – | – | – | 355 |
| Disposal of businesses | – | – | (1) | – | (1) |
| Balance at 31 December 2009 | 355 | 305 | 31 | 838 | 1,529 |

(1) Other reserves comprise a legal reserve of $689 million (2008: $689 million), a revaluation reserve of $34 million (2008: $34 million) and a capital redemption reserve of $115 million (2008: $115 million).

## 30. Consolidated cash flow analysis

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

| US$ million | 2009 | 2008 |
|---|---|---|
| **Profit before tax** | 4,029 | 8,571 |
| Depreciation and amortisation | 1,725 | 1,509 |
| Share-based payment charges | 204 | 155 |
| Net profit on disposals | (1,612) | (1,009) |
| Operating and financing remeasurements | (504) | 728 |
| Non-cash element of operating special items | 1,981 | 284 |
| Net finance costs before remeasurements | 273 | 452 |
| Share of net income from associates | (84) | (1,113) |
| Provisions | (46) | 46 |
| Decrease/(increase) in inventories | 23 | (999) |
| (Increase)/decrease in operating receivables | (360) | 80 |
| (Decrease)/increase in operating payables | (573) | 896 |
| Deferred stripping | (150) | (89) |
| Other adjustments | (2) | 68 |
| Cash inflows from operations | 4,904 | 9,579 |

### b) Reconciliation to the balance sheet

| | Cash and cash equivalents[1] | | Short term borrowings | | Medium and long term borrowings | | Current financial asset investments | |
|---|---|---|---|---|---|---|---|---|
| US$ million | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Balance sheet | 3,269 | 2,771 | (1,499) | (6,784) | (12,816) | (7,211) | 3 | 173 |
| Balance sheet – disposal groups[2] | 64 | 8 | – | – | (3) | – | – | – |
| Bank overdrafts | (1) | (35) | 1 | 35 | – | – | – | – |
| Bank overdrafts – disposal groups[2] | (13) | – | – | – | – | – | – | – |
| **Net debt classifications** | 3,319 | 2,744 | (1,498) | (6,749) | (12,819) | (7,211) | 3 | 173 |

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

[2] 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[1] | Debt due within one year | Debt due after one year | Current financial asset investments | Net debt excluding hedges | Hedges[2] | Total net debt including hedges |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2008 | 3,074 | (5,909) | (2,404) | – | (5,239) | 388 | (4,851) |
| Cash flow | (143) | (1,432) | (5,181) | 210 | (6,546) | (380) | (6,926) |
| Acquisition of businesses | – | (209) | (461) | – | (670) | – | (670) |
| Reclassifications | – | 190 | (190) | – | – | – | – |
| Movement in fair value | – | (11) | (176) | – | (187) | (305) | (492) |
| Other non-cash movements | – | – | (15) | – | (15) | – | (15) |
| Currency movements | (187) | 622 | 1,216 | (37) | 1,614 | – | 1,614 |
| Balance at 1 January 2009 | 2,744 | (6,749) | (7,211) | 173[3] | (11,043) | (297) | (11,340) |
| Cash flow[4] | 259 | 6,624 | (6,253) | (200) | 430 | 85 | 515 |
| Unwinding of discount on convertible bond | – | – | (39) | – | (39) | – | (39) |
| Equity component of convertible bond[4] | – | – | 355 | – | 355 | – | 355 |
| Reclassifications | – | (917) | 917 | – | – | – | – |
| Movement in fair value | – | – | 63 | – | 63 | (73) | (10) |
| Other non-cash movements | – | (15) | (26) | 3 | (38) | – | (38) |
| Currency movements | 316 | (441) | (625) | 27 | (723) | – | (723) |
| **Balance at 31 December 2009** | 3,319 | (1,498) | (12,819) | 3 | (10,995) | (285) | (11,280) |

[1] The Group operates in certain countries (principally South Africa and Venezuela) where the existence of exchange controls may restrict the use of certain cash balances. In addition, the use of cash balances of $111 million (2008: $91 million) are subject to certain legal restrictions. These restrictions are not expected to have a material effect on the Group's ability to meet ongoing obligations.

[2] Derivative instruments that provide an economic hedge of assets and liabilities in net debt are included above to reflect the true net debt position of the Group at the year end. These consist of net current derivative assets of $41 million (2008: $437 million net liabilities) and net non-current derivative liabilities of $326 million (2008: $140 million net assets) which are classified within 'Other financial assets (derivatives)' and 'Other financial liabilities (derivatives)' on the balance sheet.

[3] Relates to amounts invested in unlisted preference shares (guaranteed by Nedbank Limited and Nedbank Group Limited) pending completion of the disposal of the Group's 50% interest in the Booysendal joint venture. This amount was received upon completion of the transaction in June 2009.

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

## 31. EBITDA by segment

| US$ million | 2009 | 2008 |
|---|---|---|
| **By segment**[1] | | |
| Platinum | 677 | 2,675 |
| Diamonds | 215 | 665 |
| Copper | 2,254 | 2,104 |
| Nickel | 28 | 150 |
| Iron Ore and Manganese | 1,593 | 2,625 |
| Metallurgical Coal | 706 | 1,319 |
| Thermal Coal | 875 | 1,200 |
| Other Mining and Industrial | 878 | 1,513 |
| Exploration | (172) | (212) |
| Corporate Activities and Unallocated Costs | (124) | (192) |
| EBITDA | 6,930 | 11,847 |

[1] Due to the portfolio and management structure changes announced in October 2009, the segments have changed from those reported at 31 December 2008. Comparatives have been reclassified to align with current year presentation.

EBITDA is stated before special items and remeasurements and 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 | 2009 | 2008 |
|---|---|---|
| **Total profit from operations and associates** | 4,436 | 8,972 |
| Operating special items and remeasurements (including associates) | 1,840 | 1,357 |
| Net profit on disposals (including associates) | (1,632) | (1,027) |
| Associates' financing special items and remeasurements | 1 | 15 |
| Share of associates' interest, tax and minority interests | 312 | 768 |
| **Operating profit, including associates, before special items and remeasurements** | 4,957 | 10,085 |
| Depreciation and amortisation: subsidiaries and joint ventures | 1,725 | 1,509 |
| Depreciation and amortisation: associates | 248 | 253 |
| EBITDA | 6,930 | 11,847 |

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

| US$ million | 2009 | 2008 |
|---|---|---|
| EBITDA | 6,930 | 11,847 |
| Share of operating profit of associates before special items and remeasurements | (580) | (2,104) |
| Cash element of operating special items | (294) | (68) |
| Depreciation and amortisation in associates | (248) | (253) |
| Share-based payment charges | 204 | 155 |
| Provisions | (46) | 46 |
| Decrease/(increase) in inventories | 23 | (999) |
| (Increase)/decrease in operating receivables | (360) | 80 |
| (Decrease)/increase in operating payables | (573) | 896 |
| Deferred stripping | (150) | (89) |
| Other adjustments | (2) | 68 |
| Cash inflows from operations | 4,904 | 9,579 |

## 32. Acquisitions

### Acquisition of subsidiaries

The Group made no material acquisitions of subsidiaries in the year ended 31 December 2009.

In the year ended 31 December 2009 fair values shown principally include final adjustments to the fair value of assets acquired and liabilities assumed in the Anglo Ferrous Brazil SA acquisition, including the recognition of provisions in respect of certain power arrangements.

The carrying value and fair value of the net assets at the date of acquisition of a controlling interest and related net cash outflows are shown below:

| | 2009 | | 2008 |
|---|---|---|---|
| US$ million | Total carrying value | Total fair value | Total fair value |
| **Net assets acquired** | | | |
| Tangible assets | 1 | (4) | 997 |
| Other non-current assets | – | – | 109 |
| Current assets | 2 | 4 | 457 |
| Current liabilities | (1) | (8) | (314) |
| Non-current liabilities | – | (11) | (547) |
| Minority interests | – | – | (230) |
| | 2 | (19) | 472 |
| Add: Value attributable to reserves and resources acquired, net of deferred tax[1] | | 21 | 1,649 |
| **Fair value of net assets acquired** | | 2 | 2,121 |
| Goodwill arising on acquisitions | | 2 | 1,610 |
| **Total cost of acquisitions** | | 4 | 3,731 |
| **Satisfied by** | | | |
| Net cash acquired | | – | 255 |
| **Net cash paid**[2] | | 4 | 3,476 |

[1] Represents the Group's share of value (implicit in the transaction) of reserves and resources, capitalised within tangible assets.

[2] Represents net cash paid to acquire a controlling interest and therefore excludes $75 million paid to acquire minority interests in existing subsidiaries (2008: $2,411 million). In the year ended 31 December 2009 this principally related to Anglo Ferrous Brazil SA (2008: Anglo Ferrous Brazil SA and Anglo Platinum Limited). When totalled with net cash paid to acquire control, the net cash paid for acquisition of subsidiaries in the year ended 31 December 2009 is $79 million (2008: $5,887 million).

In the year ended 31 December 2008 the Group purchased 7,941,964 shares in Anglo Platinum Limited for total consideration of $1,108 million. The cash paid in the year ended 31 December 2008 was $1,113 million. At 31 December 2009 the Group's shareholding in Anglo Platinum Limited was 79.7% (2008: 79.6%). The increase in the Group's shareholding since 31 December 2008 is due to treasury shares purchased by Anglo Platinum Limited in the year.

On 5 August 2008 the Group acquired a 63.3% shareholding in Anglo Ferrous Brazil SA, which holds a 51% interest in the Minas Rio iron ore project (Minas Rio) and a 70% interest in Amapá at a price of R$28.147 ($18.056) per share. At that time the Group committed to extend the offer to the minority shareholders of Anglo Ferrous Brazil SA. This offer was formally made on 31 October 2008 and remained open through the first quarter of 2009, resulting in a Group shareholding in Anglo Ferrous Brazil SA at 31 December 2009 of 100% (2008: 98.9%). Total cash paid to acquire a controlling interest was $3.5 billion and a further $2.0 billion (including cash settlement of a related derivative instrument ($0.7 billion)) was paid to acquire minority interests. In the year ended 31 December 2009 $49 million was paid to acquire remaining minority interests. These transactions followed on from the acquisition in 2007 of a 49% interest in each of Minas Rio and LLX Minas Rio, which owns the port of Açu. As a result of these transactions the Group's effective shareholding in each of the operating entities at 31 December 2009 was 100% in Minas Rio, 49% in LLX Minas Rio and 70% in Amapá (2008: 99.4% in Minas Rio, 49% in LLX Minas Rio and 69.2% in Amapá).

## 32. Acquisitions continued

### Acquisition of material joint ventures

The Group made no material acquisitions of joint ventures in the year ended 31 December 2009 (2008: one).

The fair value of the net assets acquired and related net cash outflow for the prior year are shown below:

| US$ million | 2008[1] |
|---|---|
| **Net assets acquired** | |
| Tangible assets | |
| Value attributable to reserves and resources acquired | 835 |
| Other tangible assets | 108 |
| Current assets | 41 |
| Current liabilities | (37) |
| Non-current liabilities | (97) |
| **Fair value of net assets acquired and total cost of acquisitions** | 850 |
| **Satisfied by** | |
| Net cash acquired | 1 |
| Deferred consideration | 242 |
| **Net cash paid**[2] | 607 |

[1] Relates to the acquisition of Foxleigh and fair value adjustments on the acquisition of a 49% interest in Minas Rio (which took place in 2007). During 2008 further consideration of $284 million (which is contingent on certain criteria being met) was recognised in respect of the acquisition of the 49% interest in Minas Rio. This was reduced from the $600 million recognised in the six months ended 30 June 2008, as a result of a change in the assumptions with regards to payment and purchase of an additional interest in Minas Rio together with an adjustment to the net deferred tax liability recognised to reflect the future tax benefit from cash payments made on acquisition. These adjustments resulted in amendments to the 'Value attributable to reserves and resources acquired' and deferred tax in the acquisition balance sheet.

[2] In the year ended 31 December 2009 there was net cash paid of $5 million (2008: $2 million) for other joint venture acquisitions. This resulted in total net cash paid for investments in joint ventures in the year ended 31 December 2009 of $5 million (2008: $609 million).

On 29 February 2008 Metallurgical Coal completed the acquisition of a 70% interest in the Foxleigh joint venture in Queensland, Australia. The total cost of acquisition was $606 million. The Group has proportionately consolidated 70% of Foxleigh from 29 February 2008.

## 33. Disposals of subsidiaries and businesses

| US$ million | 2009 | 2008 |
|---|---|---|
| **Net assets disposed** | | |
| Tangible assets | 425 | 479 |
| Other non-current assets | 2 | 43 |
| Current assets | 48 | 210 |
| Current liabilities | (34) | (83) |
| Non-current liabilities | (65) | (113) |
| **Net assets** | 376 | 536[1] |
| Minority interests | (3) | (116) |
| **Group's share of net assets immediately prior to disposal** | 373 | 420 |
| Less: Retained investments in associates | (235) | – |
| **Net assets disposed** | 138 | 420 |
| Cumulative translation differences recycled from reserves | – | (2) |
| Net gain on disposals | 316 | 119 |
| **Net sale proceeds** | 454 | 537 |
| Proceeds received in prior year | (270) | – |
| Non-cash consideration | (212) | – |
| Costs accrued | 6 | 4 |
| Deal facilitation charges | 41 | – |
| Deferred consideration | – | (56) |
| Net cash and cash equivalents disposed | (10) | (4) |
| Proceeds not yet received | (4) | – |
| Realised foreign exchange | – | (13) |
| **Net cash inflow from disposals** | 5[2] | 468 |

[1] Includes net assets of $79 million no longer consolidated following loss of control of a subsidiary.

[2] Net cash of $64 million has been received in the year ended 31 December 2009 in respect of deferred consideration for disposals in 2008. This resulted in a total net cash inflow of $69 million from disposals of subsidiaries and businesses in the year ended 31 December 2009.

### Disposals of subsidiaries and businesses in the year ended 31 December 2009

The disposals of Lebowa and Booysendal were the only material disposals of a subsidiary or a joint venture in the year. The only material disposals of associates in the year related to the sale of the Group's remaining investments in Tongaat Hulett and Hulamin, which generated a combined net cash inflow of $662 million (net of transaction costs).

#### *Lebowa and Booysendal*

During the year ended 31 December 2009 the Group disposed of a 50% interest in the Booysendal joint venture and a 51% interest in Lebowa (and certain other joint venture projects). The disposal of Booysendal to Mvela took place on 24 June 2009. Total consideration was $275 million (excluding transaction and deal facilitation costs), of which $270 million was received in advance in the prior year (invested in unlisted preference shares and an escrow account). Upon completion of the transaction the preference shares were sold whilst $72 million remains in an escrow account pending completion of documentation. The disposal of Lebowa to Anooraq was completed on 30 June 2009 for total consideration of $363 million (excluding transaction and deal facilitation costs). The fair value of the consideration was $247 million (excluding transaction and deal facilitation costs). The Group commenced equity accounting its remaining 49% interest in Lebowa from 30 June 2009. At 31 December 2009 the Group held a 49% interest in Lebowa. These transactions were part of previously announced black economic empowerment deals.

The net asset position at the dates of disposal, together with the resulting profit on disposal and related net cash inflow is shown below:

| US$ million | 2009 |
|---|---|
| **Net assets disposed** | |
| Tangible assets | 336 |
| Current assets | 11 |
| Current liabilities | (24) |
| Non-current liabilities | (64) |
| **Group's share of net assets immediately prior to disposal** | 259 |
| Less: Retained investments in associates | (125) |
| **Net assets disposed** | 134 |
| Net gain on disposals | 316 |
| **Net sale proceeds** | 450 |
| Proceeds received in prior year[1] | (270) |
| Non-cash consideration[2] | (212) |
| Costs accrued | 6 |
| Deal facilitation charges | 41 |
| Net cash and cash equivalents disposed | (9) |
| **Net cash inflow from disposals of Lebowa and Booysendal** | 6 |

[1] A portion of the proceeds was invested in unlisted preference shares when received. Following completion of the transaction these were sold and $200 million is included in the Consolidated cash flow statement within 'Proceeds from sale of financial asset investments'.

[2] Represents ordinary shares in Anooraq and preference shares in Plateau Resources (Proprietary) Limited.

### Disposals of businesses in the year ended 31 December 2008

In the year ended 31 December 2008 Namakwa Sands was the only material disposal of a business. On 1 October 2008 Namakwa Sands was sold to Exxaro Resources Limited for consideration of $330 million including deferred consideration. On 3 November 2008 as part of the same transaction, the Group completed the sale of a 26% interest in both the Black Mountain zinc, lead and copper operation and the Gamsberg zinc project for consideration of $23 million. For further details of the disposal of Namakwa Sands refer to the Group's financial statements for the year ended 31 December 2008.

## 34. Disposal groups and non-current assets held for sale

Platinum disposal groups (including Booysendal and Lebowa), which were previously classified as held for sale at 31 December 2008, were disposed of in June 2009. Refer to note 33 for more details on the Platinum disposals.

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

| US$ million | 2009 Tarmac disposal groups[(1)] | 2008 Total[(2)] |
|---|---|---|
| Intangible assets | 13 | – |
| Tangible assets | 422 | 257 |
| Deferred tax assets | 5 | – |
| Other non-current assets | 2 | 2 |
| **Total non-current assets** | 442 | 259 |
| Inventories | 42 | – |
| Trade and other receivables | 72 | 8 |
| Cash and cash equivalents | 64 | 8 |
| **Total current assets** | 178 | 16 |
| **Total assets** | 620 | 275 |
| Trade and other payables | (66) | (21) |
| Short term borrowings | (13) | – |
| Short term provisions | (4) | – |
| **Total current liabilities** | (83) | (21) |
| Medium and long term borrowings | (3) | – |
| Retirement benefit obligations | (1) | – |
| Deferred tax liabilities | (46) | (56) |
| Provisions for liabilities and charges | (55) | (3) |
| Other non-current liabilities | (3) | – |
| **Total non-current liabilities** | (108) | (59) |
| **Total liabilities** | (191) | (80) |
| **Net assets** | 429 | 195 |

(1) Tarmac disposal groups relate to certain of its European businesses. Tarmac is included in the Other Mining and Industrial segment.

(2) Relates to Platinum disposal groups.

The net carrying amount of assets and associated liabilities classified as held for sale during 2009 was written down by $46 million (2008: nil).

## 35. Capital commitments

| US$ million | 2009 | 2008 |
|---|---|---|
| Contracted but not provided | 2,877 | 3,465 |

## 36. Contingent liabilities and contingent assets

### (i) 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 Mondi have agreed to indemnify each other, subject to certain limitations, against certain liabilities. Having taken appropriate legal advice, the Group believes that the likelihood of a material liability arising is remote. At 31 December 2009 contingent liabilities in respect of the Group's subsidiaries comprise aggregate amounts of $704 million (2008: $548 million) in respect of loans and performance guarantees given to banks and other third parties and are primarily in respect of environmental restoration and decommissioning obligations. For information relating to contingent liabilities in respect of associates and joint ventures refer to notes 16 and 17 respectively.

No contingent liabilities were secured on the assets of the Group at 31 December 2009 or 31 December 2008.

### (ii) Contingent assets

There were no significant contingent assets in the Group at 31 December 2009 or 31 December 2008.

### (iii) Other

*Anglo American Sur*

Anglo American inherited a 1978 agreement with Codelco, the Chilean state mining company, when it acquired Disputada de Las Condes (since renamed Anglo American Sur) in 2002. The agreement grants Codelco the right, subject to certain conditions and limitations, to acquire up to a 49% minority interest in Anglo American Sur, the wholly owned Group company that owns the Los Bronces and El Soldado copper mines and the Chagres smelter. These conditions include limiting the window for exercising the right to once every three years in the month of January until January 2027. The right was not exercised in 2009. The calculations of the price at which Codelco can exercise its right are complex and confidential but do, inter alia, take account of company profitability over a five year period.

*Anglo American South Africa Limited*

Anglo American South Africa Limited (AASA), a wholly owned subsidiary of the Company, is a defendant in 25 separate lawsuits, each one on behalf of a former mineworker (or his dependents or survivors) who allegedly contracted silicosis working for gold mining companies in which AASA was a shareholder and to which AASA provided various technical and administrative services. The aggregate amount of the 25 claims is less than $5 million, although if these claims are determined adversely to AASA, there are a substantial number of additional former mineworkers who may seek to bring similar claims. The first trial of these claims is expected to be in 2011, but the arrangements have not yet been agreed.

## 37. Operating leases

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

| US$ million | 2009 | 2008 |
|---|---|---|
| **Expiry date** | | |
| Within one year | 140 | 64 |
| One to two years | 95 | 60 |
| Two to five years | 194 | 168 |
| After five years | 399 | 197 |
| | 828 | 489 |

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

## 38. Related party transactions

The Group has a related party relationship with its subsidiaries, joint ventures and associates (see note 39).

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 than those arranged with third parties. These transactions are not considered to be significant.

Dividends received from associates during the year totalled $616 million (2008: $609 million), as disclosed in the Consolidated cash flow statement.

At 31 December 2009 the Group had provided loans to joint ventures of $93 million (2008: $20 million). These loans are included in financial asset investments.

At 31 December 2009 the directors of the Company and their immediate relatives controlled 3% (2008: 3%) of the voting shares of the Company.

Remuneration and benefits received by directors are disclosed in the directors' remuneration report. Remuneration and benefits of key management personnel including directors are given in note 6.

Information relating to pension fund arrangements is disclosed in note 27.

# Notes to the financial statements
continued

## 38. Related party transactions continued

*Related party transactions with De Beers*

At 31 December 2009 the Group held $88 million (2008: $88 million) of 10% non-cumulative redeemable preference shares in DB Investments, the holding company of De Beers Société Anonyme.

Set out below are details of certain transactions and arrangements entered into by the Group with, or for the benefit of, certain related parties of the Company for the purposes of the United Kingdom Listing Authority Listing rules, being Central Holdings Limited (and certain of its subsidiaries, together 'CHL') and DB Investments SA and De Beers SA (together, 'De Beers') which are related parties for the purposes of such rules by virtue of being companies in which Mr N.F. Oppenheimer, a director of the Company, has a relevant interest for the purposes of such rules.

It was agreed that the dividends declared by De Beers to the Group and the other shareholders in De Beers (including CHL) would be exchanged for loan obligations. The total amount of dividends exchanged amounted to $118 million in the year ended 31 December 2008. This total has increased during 2009 by $24 million. The loans are subordinated and are interest free for two years at which point they become interest bearing in line with market rates at the dates of the initial reinvestment.

In April 2009 the shareholders of De Beers provided an additional loan to De Beers, proportionate to their shareholdings, totalling $500 million. Anglo American holds a 45% interest and therefore provided a loan of $225 million. The loan is interest free for two years, at which point it reverts to a rate of interest equal to LIBOR plus 700 basis points until April 2016 and then, provided all interest payments are up to date, reduces to LIBOR plus 300 basis points. In the event of a rights issue or other share issue by De Beers, the Group would have the option to apply amounts outstanding under the loan in subscribing for ordinary shares in De Beers at the issue price applicable to the relevant share issue, which will be determined at the time of the relevant issue. The loan is subordinated in favour of third party banks/lenders and preference shareholders (including Anglo American) and is repayable after ten years. These loans are included in financial asset investments.

In February 2010 the shareholders of De Beers agreed, as part of the De Beers group's refinancing, including third party debt refinancing, that additional equity was required by De Beers. The shareholders of De Beers (including CHL) have accordingly all agreed to subscribe, in proportion to their current shareholding, for $1 billion of additional equity in De Beers, subject to the fulfilment of certain conditions. The Group's share of such additional equity, in line with its equity holding in De Beers, amounts to $450 million. CHL's share of such additional equity, in line with its equity holding in De Beers, amounts to $400 million. The shareholders have further agreed that the subscription does not constitute a subscription event under the 2009 arrangements.

Pursuant to the refinancing of De Beers and to satisfy the requirements of the lenders to De Beers, the shareholders of De Beers, including the Group, have, as applicable, agreed to:

(i) defer the receipt of dividends or capital on their ordinary shares until certain financial tests ('Normalisation') are met and this is currently anticipated to be during 2011;
(ii) defer the receipt of dividends and mandatory redemption under the preference shares in De Beers SA until Normalisation. The total amount deferred by Anglo American is approximately $96.5 million. The dividends (or interest in respect of such dividends) will continue to accrue on the preference shares until they are paid and the preference shares redeemed; and
(iii) enter into an agreement which effectively formalises, in favour of the lenders to De Beers, the deferral of the rights to dividends or other distributions in respect of their respective ordinary shares, and, as applicable, preference shares and payments under the shareholder loans, until Normalisation; and the subordination thereof.

As part of the process of facilitating the agreed equity subscription by all the shareholders of De Beers, a temporary re-ranking of distribution rights was agreed which will result, following Normalisation, in a $20 million distribution to the shareholders of De Beers (including the Group and CHL), pro rata to their individual equity subscriptions as referred to above, which will be paid in priority to existing preferences on distributions under the terms of the preference shares in De Beers. The net effect of this re-prioritisation on Anglo American, in the event of there being insufficient cash to pay all dividends then due, is a deferral of approximately $8 million of dividends, which will continue to accrue interest until paid.

## 39. Group companies

The principal subsidiaries, joint ventures, associates and proportionately consolidated joint arrangements of the Group at 31 December 2009, 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.

Due to the portfolio and management structure changes announced in October 2009, the segments have changed from those reported at 31 December 2008. Comparatives have been reclassified to align with current year presentation.

| | | | Percentage of equity owned[1] | |
|---|---|---|---|---|
| Subsidiary undertakings | Country of incorporation | Business | 2009 | 2008 |
| **Platinum** | | | | |
| Anglo Platinum Limited | South Africa | Platinum | 79.7% | 79.6% |
| **Copper** | | | | |
| Anglo American Sur SA | Chile | Copper | 100% | 100% |
| Anglo American Norte SA | Chile | Copper | 99.9% | 99.9% |
| Minera Quellaveco SA | Peru | Copper project | 81.9% | 81.9% |
| **Nickel** | | | | |
| Anglo American Brasil Limitada (Barro Alto) | Brazil | Nickel project | 100% | 100% |
| Anglo American Brasil Limitada (Codemin) | Brazil | Nickel | 100% | 100% |
| Minera Loma de Níquel, CA | Venezuela | Nickel | 91.4% | 91.4% |
| **Iron Ore and Manganese** | | | | |
| Kumba Iron Ore Limited | South Africa | Iron ore | 62.8% | 63% |
| Anglo Ferrous Brazil SA | Brazil | Iron ore | 100% | 98.9% |
| Anglo Ferrous Minas-Rio Mineração SA | Brazil | Iron ore project | 100% | 99.4% |
| Anglo Ferrous Amapá Mineração Limitada | Brazil | Iron ore system | 70% | 69.2% |
| **Metallurgical Coal** | | | | |
| Anglo Coal Holdings Australia Limited | Australia | Coal | 100% | 100% |
| **Thermal Coal** | | | | |
| Anglo Coal[2] | South Africa | Coal | 100% | 100% |
| **Other Mining and Industrial** | | | | |
| Black Mountain Mining (Pty) Limited[3] | South Africa | Zinc, lead and copper | 74% | 74% |
| Gamsberg Zinc[3] | South Africa | Zinc project | 74% | 74% |
| Ambase Exploration (Namibia) Proprietary Limited (Skorpion) | Namibia | Zinc | 100% | 100% |
| Anglo American Brasil Limitada (Catalão) | Brazil | Niobium | 100% | 100% |
| Lisheen[4] | Ireland | Zinc and lead | 100% | 100% |
| Copebrás Limitada | Brazil | Fertilisers and acid | 73% | 73% |
| Scaw Metals/Moly-Cop/AltaSteel | South Africa/Chile/Canada | Steel, engineering works and grinding media | 74%-100% | 74%-100% |
| Peace River Coal Partnership | Canada | Coal | 74.8% | 73.8% |
| Tarmac Group Limited | UK | Construction materials | 100% | 100% |
| Tarmac France SA | France | Construction materials | 100% | 100% |
| Lausitzer Grauwacke GmbH | Germany | Construction materials | 100% | 100% |
| WKSM SA | Poland | Construction materials | 100% | 100% |
| Tarmac CZ a.s. | Czech Republic | Construction materials | 100% | 100% |
| Tarmac SRL | Romania | Construction materials | 100% | 60% |
| Koca Beton Agrega Mining and Construction Industry and Trading Company Limited | Turkey | Construction materials | 100% | 100% |
| United Marine Holdings Limited | UK | Construction materials | 100% | 100% |

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

[2] A division of Anglo Operations Limited, a wholly owned subsidiary.

[3] Previously Black Mountain and Gamsberg Zinc were divisions of Anglo Operations Limited, a wholly owned subsidiary. On 3 November 2008, 26% of each of Black Mountain Mining (Pty) Limited and Gamsberg Zinc were sold. Gamsberg Zinc is a division of Black Mountain Mining (Pty) Limited.

[4] The Group's interest in the Lisheen operations is held through Anglo American Lisheen Mining Limited, Killoran Lisheen Mining Limited and Lisheen Milling Limited. The Group owns 100% of the equity of each of these companies.

### 39. Group companies continued

| Joint ventures | Country of incorporation | Business | Percentage of equity owned[5] 2009 | 2008 |
|---|---|---|---|---|
| Compañía Minera Doña Inés de Collahuasi SCM | Chile | Copper | 44% | 44% |
| LLX Minas-Rio Logística SA | Brazil | Port | 49% | 49% |
| Al Futtain Tarmac Quarry Products Limited | Dubai | Construction materials | 49% | 49% |
| Midland Quarry Products Limited[6] | UK | Construction materials | 50% | 50% |

| Associates | Country of incorporation | Business | Percentage of equity owned[5] 2009 | 2008 |
|---|---|---|---|---|
| DB Investments SA | Luxembourg | Diamonds | 45% | 45% |
| Samancor Holdings (Pty) Limited[7] | South Africa | Manganese | 40% | 40% |
| Groote Eylandt Mining Company (Pty) Limited (GEMCO)[7] | Australia | Manganese | 40% | 40% |
| Tasmanian Electro Metallurgical Company (Pty) Limited (TEMCO)[7] | Australia | Manganese | 40% | 40% |
| Queensland Coal Mine Management (Pty) Limited | Australia | Coal | 33.3% | 33.3% |
| Cerrejón Zona Norte SA | Colombia | Coal | 33.3% | 33.3% |
| Carbones del Cerrejón LLC | Anguilla | Coal | 33.3% | 33.3% |
| Carbones del Guasare SA | Venezuela | Coal | 24.9% | 24.9% |
| Tongaat Hulett Limited[8] | South Africa | Sugar, starch, glucose and property development | – | 37.1% |
| Hulamin Limited[9] | South Africa | Aluminium | – | 38.4% |

| Proportionately consolidated jointly controlled operations[10] | Location | Business | Percentage owned 2009 | 2008 |
|---|---|---|---|---|
| Drayton | Australia | Coal | 88.2% | 88.2% |
| Moranbah North | Australia | Coal | 88% | 88% |
| German Creek | Australia | Coal | 70% | 70% |
| Foxleigh | Australia | Coal | 70% | 70% |
| Dawson | Australia | Coal | 51% | 51% |

(5) All equity interests shown are ordinary shares.
(6) During 2008 the Group ceased accounting for Midland Quarry Products Limited as a subsidiary and began accounting for it as a joint venture as it was considered to be jointly controlled.
(7) These entities have a 30 June year end.
(8) Formerly The Tongaat-Hulett Group Limited. In August 2009 the Group sold its remaining investment in Tongaat Hulett Limited.
(9) Unbundled from Tongaat Hulett in June 2007. In July 2009 the Group sold its remaining investment in Hulamin Limited.
(10) The wholly owned subsidiary Anglo Coal Holdings Australia Limited holds the proportionately consolidated jointly controlled operations.

### 40. Events occurring after end of year

In February 2010 the Group announced its commitment to take up its full allocation of shares under the rights offer announced by Anglo Platinum. Anglo Platinum expects to raise approximately $1.6 billion through the rights offer, of which the Group's share of 79.7% is approximately $1.3 billion. The Group has also agreed to underwrite the minority portion of the rights offer.

Subsequent to 31 December 2009 De Beers has announced a $1 billion rights issue. The Group has accordingly agreed to subscribe for additional equity in proportion to its current shareholding and will therefore contribute $450 million. Refer to note 38 for further details.

During the first quarter of 2010, Anglo American agreed the sales of Tarmac's aggregates businesses in France, Germany, Poland and the Czech Republic and its Polish concrete products business with expected total proceeds of approximately $400 million.

With the exception of the above there have been no material reportable events since 31 December 2009.

## 41. Financial statements of the parent company

### a) Balance sheet of the Company, Anglo American plc, as at 31 December 2009

| US$ million | Note | 2009 | 2008 |
|---|---|---|---|
| **Fixed assets** | | | |
| Fixed asset investments | 41c | 13,104 | 12,925 |
| **Current assets** | | | |
| Amounts due from subsidiaries | | 4,490 | 1,305 |
| Prepayments and other debtors | | 13 | 138 |
| Cash at bank and in hand | | 40 | 2 |
| | | 4,543 | 1,445 |
| **Creditors due within one year** | | | |
| Cash held on behalf of subsidiaries | | (79) | (59) |
| Amounts owed to subsidiaries | | (187) | (215) |
| Other creditors | | (15) | (8) |
| | | (281) | (282) |
| **Net current assets** | | 4,262 | 1,163 |
| **Total assets less current liabilities** | | 17,366 | 14,088 |
| **Liabilities due after more than one year** | | | |
| Convertible bond | | (1,369) | – |
| **Net assets** | | 15,997 | 14,088 |
| | | | |
| **Capital and reserves** | | | |
| Called-up share capital | 41b | 738 | 738 |
| Share premium account | 41b | 2,713 | 2,713 |
| Capital redemption reserve | 41b | 115 | 115 |
| Other reserves | 41b | 1,955 | 1,955 |
| Share-based payment reserve | 41b | 15 | 22 |
| Convertible debt reserve | 41b | 355 | – |
| Profit and loss account | 41b | 10,106 | 8,545 |
| **Total shareholders' funds (equity)** | | 15,997 | 14,088 |

The financial statements of Anglo American plc, registered number 3564138, were approved by the Board of directors on 18 February 2010.

**Cynthia Carroll**
Chief executive

**René Médori**
Finance director

Financial statements

## 41. Financial statements of the parent company continued

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

| US$ million | Called-up share capital | Share premium account | Capital redemption reserve | Other reserves[1] | Share-based payment reserve | Convertible debt reserve | Profit and loss account[2] | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2008 | 738 | 2,713 | 115 | 1,955 | 22 | – | 7,021 | 12,564 |
| Profit for the financial year | – | – | – | – | – | – | 2,936 | 2,936 |
| Issue of treasury shares under employee share schemes | – | – | – | – | – | – | 41 | 41 |
| Share-based payments | – | – | – | – | 12 | – | – | 12 |
| Capital contribution to group undertakings | – | – | – | – | – | – | 20 | 20 |
| Transfer between share-based payment reserve and profit and loss account | – | – | – | – | (12) | – | 12 | – |
| Share buybacks | – | – | – | – | – | – | (259) | (259) |
| Dividends paid[3] | – | – | – | – | – | – | (1,226) | (1,226) |
| Balance at 1 January 2009 | 738 | 2,713 | 115 | 1,955 | 22 | – | 8,545 | 14,088 |
| Profit for the financial year | – | – | – | – | – | – | 1,337 | 1,337 |
| Issue of treasury shares under employee share schemes | – | – | – | – | – | – | 31 | 31 |
| Share-based payments | – | – | – | – | 7 | – | – | 7 |
| Capital contribution to group undertakings | – | – | – | – | – | – | 179 | 179 |
| Transfer between share-based payment reserve and profit and loss account | – | – | – | – | (14) | – | 14 | – |
| Issue of convertible bond | – | – | – | – | – | 355 | – | 355 |
| **Balance at 31 December 2009** | 738 | 2,713 | 115 | 1,955 | 15 | 355 | 10,106 | 15,997 |

[1] At 31 December 2009 other reserves of $1,955 million (2008: $1,955 million) were not distributable under the Companies Act 2006.

[2] At 31 December 2009 $405 million (2008: $483 million) of the Company profit and loss account of $10,106 million (2008: $8,545 million) was not distributable under the Companies Act 2006.

[3] Dividends paid relate only to shareholders on the United Kingdom principal register excluding dividends waived by Greenwood Nominees Limited as nominees for Butterfield Trust (Guernsey) Limited, the trustee for the Anglo American employee share scheme. Dividends paid to shareholders on the Johannesburg branch register are distributed by a South African subsidiary in accordance with the terms of the Dividend Access Share Provisions of Anglo American plc's Articles of Association.

The audit fee in respect of the parent company was $7,000 (2008: $10,000). 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 4.

### c) Fixed asset investments

| | Investments in subsidiaries | |
|---|---|---|
| US$ million | 2009 | 2008 |
| **Cost** | | |
| At 1 January | 12,933 | 12,891 |
| Additions | – | 22 |
| Capital contributions | 179 | 20 |
| **At 31 December** | 13,112 | 12,933 |
| **Provisions for impairment** | | |
| At 1 January and 31 December | (8) | (8) |
| **Net book value** | | |
| **At 31 December** | 13,104 | 12,925 |

## 41. Financial statements of the parent company continued

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

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

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

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

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit after tax for the year of the Company amounted to $1,337 million (2008: $2,936 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.

#### 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 as at 1 January 2005.

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

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

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

Accounting for share-based payments is the same as under IFRS 2 and details on the schemes and option pricing models relevant to the charge included in the Company financial statements are set out in note 28 to the consolidated financial statements of the Group for the year ended 31 December 2009.

#### Investments

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

#### Convertible debt

Convertible bonds are regarded 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 recorded within borrowings. 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.