20. INVENTORIES

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

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

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

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

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

21. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

22. TRADE AND OTHER PAYABLES

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

23. FINANCIAL ASSETS

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

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

[1] Trade and other receivables exclude prepayments and accrued income.
[2] Derivative instruments are analysed between those which are 'Held for trading' and those designated into hedge relationships in note 25.

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

Fair value hierarchy

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

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

[1] Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes listed equity shares.
[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, financial asset investments and certain cross currency swaps of Brazilian real denominated borrowings, whose valuation depends upon unobservable inputs.

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

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

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

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

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

Financial asset risk exposures are set out in note 25.

24. FINANCIAL LIABILITIES

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

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

[1] Trade and other payables exclude tax and social security and deferred income.
[2] Derivative instruments are analysed between those which are 'Held for trading' and those designated into hedge relationships in note 25.
[3] The fair value of the convertible bond represents the quoted price of the debt and therefore includes the portion accounted for in equity.
[4] Other non-current liabilities exclude non-current deferred income.

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

Fair value hierarchy

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

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

[1] Valued using unadjusted quoted prices in active markets for identical financial instruments.
[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 and certain cross currency swaps of Brazilian real denominated borrowings, whose valuation depends upon unobservable inputs and commodity sales contracts which do not meet the conditions for the 'own use' exemption under IAS 39.

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

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

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

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

[1] TJLP is a Brazilian domestic interest rate. The sensitivities at 31 December 2011 are provided on the net liability position of such level 3 financial instruments.

Financial liability risk exposures are set out in note 25.

24. FINANCIAL LIABILITIES continued

Analysis of borrowings

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

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

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

[2] Details of assets held under finance leases are provided in note 15. The minimum lease payments under finance leases fall due as follows:

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

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

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

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

Convertible bond

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

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

25. FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL ASSETS/LIABILITIES

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

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

Credit risk

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

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

[1] Trade and other receivables exclude prepayments and accrued income.

[2] Financial asset investments exclude available for sale investments.

[3] Financial guarantees issued by the Group in respect of third party liabilities represent an exposure to credit risk in excess of the Group's financial assets.

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

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

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

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

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

Liquidity risk

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

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

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

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

(1) Assumes maximum cash outflow in respect of third party guarantees issued by the Group and repayment of all short term borrowings with no refinancing.
(2) The expected maturities are not materially different from the contracted maturities.
(3) Includes the full outstanding value of the convertible bond and assumes no further conversion.

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

US$ million	2011	2010
Expiry date		
Within one year[1]	1,781	3,781
Greater than one year, less than two years	1,268	12
Greater than two years, less than five years	5,294	7,269
Greater than five years	76	58
	8,419[2]	11,120

(1) Includes undrawn rand facilities equivalent to $1.6 billion (2010: $1.7 billion) in respect of a series of facilities with 364 day maturities which roll automatically on a daily basis, unless notice is served.
(2) In February 2011 the Group retired a $2.25 billion revolving credit facility maturing in June 2011.

Market risk

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

Foreign exchange risk

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

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

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

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

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

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

[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.

Interest rate risk

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

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

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

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

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

[1] Includes $534 million (2010: $643 million) of preference shares in BEE entities.
[2] At 31 December 2011 and 31 December 2010 no interest rate swaps were held in respect of financial asset exposures.

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

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

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

[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.

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

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

Commodity price risk

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

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

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

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

[1] Includes receivables and payables for commodity sales and purchases not subject to price adjustment at the balance sheet date.

Derivatives

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

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

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

Embedded derivatives

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

Cash flow hedges

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

Fair value hedges

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

Non-hedges

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

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

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

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

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

Normal purchase and normal sale contracts

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

Capital risk management

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

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

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

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

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

Financial instrument sensitivities

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

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

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

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

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

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

[1] + represents strengthening of US dollar against the respective currency.
[2] Includes sensitivities for non-hedge derivatives related to capital expenditure.

The above sensitivities are calculated with reference to a single moment in time and are subject to change due to a number of factors including:
- fluctuating trade receivable and trade payable balances
- derivative instruments and borrowings settled throughout the year
- fluctuating cash balances
- changes in currency mix.

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

26. PROVISIONS FOR LIABILITIES AND CHARGES

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

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

Maturity analysis of total provisions:

US$ million	2011	2010
Current	372	446
Non-current	1,830	1,666
	2,202	2,112

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

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

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

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

27. DEFERRED TAX

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

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

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

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

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

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

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

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

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

27. DEFERRED TAX continued

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

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

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

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

28. RETIREMENT BENEFITS

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

Defined contribution plans

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

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

Defined benefit pension plans and post employment medical plans

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

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

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

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

Actuarial assumptions

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

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

[1] Plans in southern Africa have ceased future accrual of benefits but some benefits remain linked to salary increases.
[2] European plans have ceased future accrual of benefits.
[3] The long term expected return on plan assets has been set with reference to current market yields on government and corporate bonds, plus expected equity and corporate bond-outperformance over government bonds in the relevant jurisdictions. The expected return on cash assets has been set with reference to current bank base rates. The overall long term expected rate of return for each asset class is weighted by the asset allocation to the asset class at the balance sheet date.

Financial statements

28. RETIREMENT BENEFITS continued

Mortality assumptions are determined based on standard mortality tables with adjustments, as appropriate, to reflect experience of conditions locally. In southern Africa, the PA90 tables (2010: PA90 tables) are used. The main plans in Europe use the SAPS tables (2010: SAPS tables). The main plans in the Americas use the RV2009 and AT2000 tables (2010: RV2004 and AT2000 tables). The mortality tables used imply that a male or female aged 60 at the balance sheet date has the following future life expectancy:

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

Summary of plans by geography

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

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

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

Five year summary of plan assets and liabilities

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

[1] Net experience losses on pension plan assets were $32 million (2010: gains of $76 million; 2009: gains of $184 million; 2008: losses of $392 million; 2007: gains of $32 million).
[2] Net experience losses on pension plan liabilities were $10 million (2010: gains of $38 million; 2009: losses of $17 million; 2008: losses of $29 million; 2007: losses of $112 million).
[3] Net experience gains on medical plan assets were $1 million (2010: gains of $2 million; 2009: nil; 2008: gains of $1 million; 2007: losses of $1 million).
[4] Net experience losses on medical plan liabilities were $1 million (2010: gains of $5 million; 2009: losses of $3 million; 2008: losses of $7 million; 2007: losses of $4 million).

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

Income statement

The amounts recognised in the income statement are as follows:

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

[1] Included in Investment income. See note 9.
[2] Included in Interest expense. See note 9.

28. RETIREMENT BENEFITS continued

Pension plan assets and liabilities by geography

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

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

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

Movement analysis

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

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

[1] The actual return on assets in respect of pension plans was $165 million (2010: $279 million).

[2] The Group expects to contribute approximately $38 million to its pension plans and $16 million to its post employment medical plans in 2012.

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

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

28. RETIREMENT BENEFITS continued

Healthcare sensitivity analysis

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

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

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

Called-up share capital

	2011		2010	
	Number of shares	US$ million	Number of shares	US$ million
Called-up, allotted and fully paid:				
5% cumulative preference shares of £1 each	50,000	–	50,000	–
Ordinary shares of 54⁸⁶⁄₉₁ US cents each:				
At 1 January	1,342,932,714	738	1,342,927,138	738
Allotted during the year	34,744	–	5,576	–
At 31 December	1,342,967,458	738	1,342,932,714	738

During 2011 5,487 ordinary shares of 54⁸⁶⁄₉₁ US cents each were allotted to certain non-executive directors by subscription of their after tax directors' fees (2010: 5,576 ordinary shares). In addition, 29,257 ordinary shares of 54⁸⁶⁄₉₁ US cents each were allotted upon the conversion of Anglo American plc convertible bonds due 2014 (2010: nil), see note 24.

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

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

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

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

Treasury shares

At 31 December 2011 the Company held 19,538,911 ordinary shares of 54⁸⁶⁄₉₁ US cents in treasury (2010: 22,880,468 ordinary shares). During 2011 3,341,557 treasury shares (2010: 3,553,042 treasury shares) were transferred to employees in settlement of share awards.

Tenon

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

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

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

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

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