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

Employee benefit trust

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

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

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

Share-based payments

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

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

US$ million	2011	2010
BSP	92	69
LTIP	36	41
Other schemes	15	16
Share-based payment charge relating to Anglo American plc shares[1]	**143**	126

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

Schemes settled by award of ordinary shares

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

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

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

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

[3] Three years of continuous employment.

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

[5] Variable vesting dependent on three years of continuous employment and market based performance conditions being achieved.

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

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

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

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

Bonus Share Plan[1]

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

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

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

Long Term Incentive Plan[1][2]

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

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

(1) The early vesting of share awards is permitted at the discretion of the Company upon, *inter alia*, 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.

Share Incentive Plan

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

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

Schemes settled by award of options

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

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

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

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

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

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

Executive Share Option Scheme[1]

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

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

[1] The early exercise of share options is permitted at the discretion of the Company upon, *inter alia*, termination of employment, ill health or death.

SAYE Share Option Scheme[1]

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

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

[1] The early exercise of share options is permitted at the discretion of the Company upon, *inter alia*, termination of employment, ill health or death.

30. CONSOLIDATED EQUITY ANALYSIS

Fair value and other reserves comprise:

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

[1] Other reserves comprise a legal reserve of $675 million (2010: $682 million), a revaluation reserve of $34 million (2010: $34 million) and a capital redemption reserve of $115 million (2010: $115 million).

31. CONSOLIDATED CASH FLOW ANALYSIS

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

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

31. CONSOLIDATED CASH FLOW ANALYSIS continued

b) Reconciliation to the balance sheet

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

[1] 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]	Net debt including hedges
Balance at 1 January 2010	3,319	(1,498)	(12,819)	3	(10,995)	(285)	(11,280)
Cash flow	2,857	2,338	(1,194)	(7)	3,994	(217)	3,777
Unwinding of discount on convertible bond	–	–	(65)	–	(65)	–	(65)
Disposal of businesses	–	1	2	–	3	–	3
Reclassifications	–	(2,359)	2,359	–	–	–	–
Movement in fair value	–	(6)	(180)	–	(186)	95	(91)
Other non-cash movements	–	–	(11)	3	(8)	–	(8)
Currency movements	284	(11)	4	1	278	2	280
Balance at 1 January 2011	6,460	(1,535)	(11,904)	–	(6,979)	(405)	(7,384)
Cash flow	5,983	1,261	(964)	–	6,280	(226)	6,054
Unwinding of discount on convertible bond	–	–	(71)	–	(71)	–	(71)
Disposal of businesses	–	5	–	–	5	–	5
Reclassifications	–	(777)	777	–	–	–	–
Movement in fair value	–	–	(264)	–	(264)	404	140
Other non-cash movements	–	(18)	(38)	–	(56)	–	(56)
Currency movements	(711)	46	609	–	(56)	(6)	(62)
Balance at 31 December 2011	11,732	(1,018)	(11,855)	–	(1,141)	(233)	(1,374)

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

[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 $82 million (2010: $2 million) and net non-current derivative liabilities of $315 million (2010: $407 million) which are classified within Other financial assets (derivatives) and Other financial liabilities (derivatives) on the balance sheet.

32. DISPOSALS OF SUBSIDIARIES AND JOINT VENTURES

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

[1] Included in net profit on disposals, see note 5.

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

32. DISPOSALS OF SUBSIDIARIES AND JOINT VENTURES continued

Disposals in 2011

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

Lisheen and Black Mountain

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

Disposals in 2010

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

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

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

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

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

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

34. CONTINGENT LIABILITIES

Contingent liabilities

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

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

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

Other

Anglo American Sur SA (AA Sur)

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

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

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

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

34. CONTINGENT LIABILITIES continued

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

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

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

Kumba Iron Ore (Kumba)

Sishen Supply Agreement arbitration

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

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

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

21.4% undivided share of the Sishen mine mineral rights

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

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

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

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

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

Anglo American South Africa Limited (AASA)

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

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

35. COMMITMENTS

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

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

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

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

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

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

36. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

Related party transactions with De Beers

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

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

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

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

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

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

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

37. GROUP COMPANIES

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

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

See page 173 for footnotes.

37. GROUP COMPANIES continued

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

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

Proportionately consolidated jointly controlled operations[11]	Location	Business	Percentage owned 2011	2010
Drayton	Australia	Coal	88.2%	88.2%
Moranbah North	Australia	Coal	88%	88%
German Creek[12]	Australia	Coal	70%	70%
Foxleigh	Australia	Coal	70%	70%
Dawson	Australia	Coal	51%	51%

(1) The proportion of voting rights of subsidiaries held by the Group is the same as the proportion of equity owned.
(2) During 2011 Peace River Coal Inc. purchased the non-controlling interests of the Peace River Coal Partnership which was subsequently dissolved. Peace River Coal Inc. is now the principal subsidiary for the Canadian coal operations.
(3) A division of Anglo Operations Limited, a wholly owned subsidiary.
(4) Anglo Platinum Limited changed its name to Anglo American Platinum Limited in 2011.
(5) The Group sold Tarmac's businesses in China, Turkey and Romania in July, October and November 2011 respectively.
(6) The Group's interest in Lisheen was held through Anglo American Lisheen Mining Limited, Killoran Lisheen Mining Limited and Lisheen Milling Limited. The Group owned 100% of the equity of each of these companies at 31 December 2010. Lisheen was sold in February 2011. See note 32.
(7) Gamsberg Zinc was a division of Black Mountain Mining (Proprietary) Limited, which was sold in February 2011. See note 32.
(8) All equity interests shown are ordinary shares.
(9) These entities have a 30 June year end.
(10) Queensland Coal Mine Management (Pty) Limited changed its name to Jellinbah Group (Pty) Limited during 2011. The Group's effective interest in the Jellinbah operation is 23.3%.
(11) The wholly owned subsidiary Anglo American Metallurgical Coal Holdings Limited holds the proportionately consolidated jointly controlled operations.
(12) The German Creek operation includes both Capcoal Open Cut and Underground operations.

Changes in ownership interests in subsidiaries

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

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

38. EVENTS OCCURRING AFTER END OF YEAR

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

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

39. FINANCIAL STATEMENTS OF THE PARENT COMPANY

a) Balance sheet of the Company, Anglo American plc, as at 31 December 2011

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

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

Cynthia Carroll
Chief Executive

René Médori
Finance Director

39. FINANCIAL STATEMENTS OF THE PARENT COMPANY continued

b) Reconciliation of movements in equity shareholders' funds

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

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

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

(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 directors are proposing a final dividend in respect of the year ended 31 December 2011 of 46 US cents per share (see note 12).

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

c) Fixed asset investments

	Investment in subsidiaries	
US$ million	**2011**	2010
Cost		
At 1 January	**13,232**	13,112
Capital contributions[1]	**140**	120
Additions	**2**	–
At 31 December	**13,374**	13,232
Provisions for impairment		
At 1 January	**(328)**	(8)
Impairment charge	**–**	(320)
At 31 December	**(328)**	(328)
Net book value	**13,046**	12,904

(1) This amount is net of $7 million (2010: nil) of intra-group recharges.

Impairment testing of fixed asset investments

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

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

d) Accounting policies: Anglo American plc, the Company

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

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

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

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

Significant accounting policies

Deferred tax

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

39. FINANCIAL STATEMENTS OF THE PARENT COMPANY continued

Share-based payments

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

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

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

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

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

Investments

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

Convertible debt

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

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

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