
ANGLO AMERICAN SERVICES (UK) LTD.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ANGLO AMERICAN SERVICES (UK) LTD.

COMPANY INFORMATION

Directors	C E Davage E Klonarides S T Pearce R J B Price D Smailes (resigned 31 July 2019) M T S Walker (appointed 27 February 2019) T D Walker-Jones (appointed 8 January 2019)
Company secretary	Anglo American Corporate Secretary Limited
Registered number	02295324
Registered office	20 Carlton House Terrace London United Kingdom SW1Y 5AN
Independent auditor	Deloitte LLP Statutory Auditor Hill House 1 Little New St London United Kingdom EC4A 3TR
Bankers	Barclays Bank PLC 1 Churchill Place Canary Wharf London E14 5HP

ANGLO AMERICAN SERVICES (UK) LTD.

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ANGLO AMERICAN SERVICES (UK) LTD.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The Company is a wholly-owned subsidiary of Anglo American plc ("Anglo American"), a company incorporated in the United Kingdom.

The Company's principal activity is as an investment holding company and it incurs costs in the course of managing its investments. The Company also provides management services to certain companies in the Anglo American Group (the "Group"). The directors have the present intention of maintaining the business in its current form for the foreseeable future.

Business review

As shown in the Company Statement of comprehensive income, the Company's profit before tax is £2,725,743,000 compared to a loss of £334,802,000 in 2018. The increase in the profit is primarily a result of dividend income of £3,028,956,000 received from subsidiary companies during the year.

The Balance sheet shows that the Company is in a net asset position of £12,116,991,000 (2018 - £9,414,326,000).

Principal risks and uncertainties and financial risk management policies

The directors considered the risks attached to the Company's financial instruments. The directors have taken a prudent approach in their consideration of the various risks attached to the financial instruments of the Company.

The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of assets, liabilities and the financial statements. Credit risk is not considered to be material on the basis that the Company's debtor balances are due from other companies within the Anglo American Group.

Key performance indicators

The directors consider the Company's key performance indicator to be the financial performance of its subsidiaries. The performance of these subsidiaries is monitored by the directors by way of management reports.

ANGLO AMERICAN SERVICES (UK) LTD.

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' statement of compliance with duty to promote the success of the Company

The Anglo American Services (UK) Ltd. Board is cognisant of its legal duty to act in good faith and to promote the success of the Company for the benefit of its shareholders and with regard to the interests of stakeholders and other factors. These include the likely consequences of any decisions we make in the long term; the need to foster the relationships we have with all our stakeholders; the interests of our employees; the impact our operations have on the environment and local communities; and the desire to maintain a reputation for high standards of business conduct.

The Board received an update on the Companies (Miscellaneous Reporting) Regulations 2018 amongst other things.

Stakeholder considerations are integral to discussions at Board meetings and the decisions we make take into account any potential impacts on them and the environment. Like any business, we are aware that some of the decisions we make may have an adverse impact on certain stakeholders.

By listening to, understanding and engaging with our stakeholders, the Board endeavours to live up to their expectations, by staying true to the Purpose and making decisions in accordance with our Values.

Our Purpose and Values

The Board recognises the role of the Company business in society and within the Anglo American Group. The Group's purpose is summarised as 'to re-imagine mining to improve people's lives', and the Company is focused on contributing to the achievement of this purpose.

The Group's Values: Safety; Care and Respect; Integrity; Accountability; Collaboration; and Innovation guide our behaviour and shape our culture, and are fundamental to creating enduring benefit for all our employees, shareholders, and stakeholders in a way that demonstrably improves people's lives.

Engaging our stakeholders

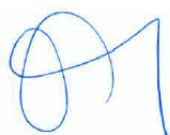
Healthy stakeholder relationships help us to better communicate how our business decisions, activities and performance are likely to affect or be of significant interest to our stakeholders, and provide the opportunity to co-create effective and lasting solutions to business and other challenges.

The Company's stakeholders include our host communities, governments, industry peers and broader civil society in addition to our shareholders.

Long Term Decision Making

The Board took a range of factors and stakeholder considerations into account when making decisions in the year. Decisions are made within the context of the long term factors that may impact the Company and its stakeholders.

This report was approved by the board on 15 April 2020 and signed on its behalf.



C Murphy

For and on behalf of
Anglo American Corporate Secretary Limited
Secretary

ANGLO AMERICAN SERVICES (UK) LTD.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year, after taxation, amounted to £2,734,837,000 (2018 - loss of 333,511,000).

The directors do not recommend payment of a final dividend for the year (2018: £NIL).

Directors

The directors who served during the year were:

C E Davage
E Klonarides
S T Pearce
R J B Price
D Smailes (resigned 31 July 2019)
M T S Walker (appointed 27 February 2019)
T D Walker-Jones (appointed 8 January 2019)

Going concern

The Company's ability to operate as a going concern is assessed in conjunction with Anglo American plc and its subsidiaries (together the "Group") as its viability is dependent upon the ability of the Group companies to settle their intercompany balances with the Company and to provide funds for working capital needs. Anglo American plc have confirmed that they intend to provide financial resources, where requested, for at least 12 months from the date of signing these financial statements, whilst the Company remains a subsidiary of Anglo American plc.

The directors of the Company therefore feel that the Company will have sufficient funds, taking account of possible changes in trading performance (including specifically the potential impact of COVID-19 on the cash flows of the Company and Anglo American plc) and amounts owed by other Group companies, to conclude that the Company can adopt the going concern basis for the foreseeable future.

Principal risks and uncertainties and financial risk management policies

The financial risk management policies of the Company are disclosed in the Strategic Report.

Future developments

The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

ANGLO AMERICAN SERVICES (UK) LTD.

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Engagement with employees

The Board acknowledges that our people are critical to everything we do. We create safe, inclusive and diverse working environments that encourage and support high performance and innovative thinking. We are acutely aware that to get the best from our people, we need to understand their viewpoints and address any concerns they may raise about working for us. We consider workforce engagement to be a priority for every leader at Anglo American; for several years, the Group has run regular surveys to identify areas where, for example we need to do more to ensure that colleagues feel cared for and respected. In 2019, the Group completed an employee survey which was issued to all of the Company's employees [confirm]; and participated either directly or indirectly in the Group's Global Workforce Advisory Panel chaired by Anglo American plc senior independent director, Byron Grote.

The Board ensures that the interest of employees is always at the forefront of any decisions made.

Our first and most important value as a Company is to Put Safety First, firmly believing that no asset or goal is worth as much as a human life.

The Company participates in a number of Group engagement channels with employees, including the global Employee Engagement Survey, regular employee presentations, annual events such as Global Safety Day and the YourVoice platform which enables employees to anonymously raise any concerns they may have.

Engagement with suppliers, customers and others

The Company aims to be a valued and trusted partner to all members of the industry. This includes the suppliers and customers that we operate with.

Disabled employees

The Company's policy is that people with disabilities should have full and fair consideration for all vacancies. Employment of disabled people is considered on merit and with regard only to the ability of any applicant to carry out the role. The Company endeavours to retain the employment of, and arrange suitable retraining for, any employees in the workforce who become disabled during their employment. Where possible the Company will adjust a person's working environment to enable them to stay in employment.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

ANGLO AMERICAN SERVICES (UK) LTD.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Post balance sheet events

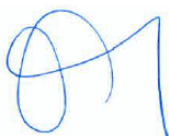
On 27 February 2020, the Company made a new allotment of 5,000 ordinary shares of £1. These ordinary shares were subscribed by Anglo American plc for total consideration of £500,000,000.

Following the end of 2019 the novel coronavirus (COVID-19) has been declared a pandemic by the World Health Organisation. The emergence of COVID-19 is considered a non-adjusting post balance sheet event as defined in IAS 10 Events after the reporting period since it represents a set of conditions which only arose after the balance sheet date. The impact of COVID-19 on the world economy and the Company's future financial performance remains uncertain. Depending on the extent and severity of the pandemic, there may be a material impact on the Company's accounting estimates in future periods.

Auditor

Deloitte LLP will not be seeking re-appointment as auditor of the Company at the conclusion of their current term of office. Accordingly, the directors intend to appoint PricewaterhouseCoopers LLP as external auditor to the Company for 2020. This follows the impending appointment of PricewaterhouseCoopers LLP as external auditor to the Group at the 2020 Annual General Meeting of Anglo American plc, the Company's ultimate parent company. There are no circumstances connected with the resignation of Deloitte LLP as external auditor which should be brought to the attention of members or creditors of the Company.

This report was approved by the board on 15 April 2020 and signed on its behalf.



C Murphy

For and on behalf of
Anglo American Corporate Secretary Limited
Secretary

ANGLO AMERICAN SERVICES (UK) LTD.

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors are responsible for preparing the annual report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the annual financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the annual financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

ANGLO AMERICAN SERVICES (UK) LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO AMERICAN SERVICES (UK) LTD.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Anglo American Services (UK) Ltd. (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

- the Statement of comprehensive income;
- the Balance sheet;
- the Statement of changes in equity; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

ANGLO AMERICAN SERVICES (UK) LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO AMERICAN SERVICES (UK) LTD.

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report has/have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

ANGLO AMERICAN SERVICES (UK) LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO AMERICAN SERVICES (UK) LTD.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

Paul Barnett

Paul Barnett FCA (Senior statutory auditor)

for and on behalf of

Deloitte LLP

Statutory Auditor

Hill House
1 Little New St
London
United Kingdom
EC4A 3TR
16 April 2020

ANGLO AMERICAN SERVICES (UK) LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Turnover	4	165,013	107,576
Gross profit		165,013	107,576
Administrative expenses		(415,158)	(411,037)
Exceptional other operating charges	13	(44,776)	(10,776)
Operating loss	5	(294,921)	(314,237)
Income from fixed assets investments	8	3,028,956	-
Interest receivable and similar income	9	58,040	29,960
Interest payable and expenses	10	(74,246)	(55,781)
Other finance income	11	7,914	5,256
Profit/(loss) before tax		2,725,743	(334,802)
Tax on profit/(loss)	12	9,094	1,291
Profit/(loss) for the financial year		2,734,837	(333,511)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit schemes	26	(62,352)	67,091
Movements of deferred tax relating to pension surplus		10,600	(11,405)
		(51,752)	55,686
Total comprehensive income/(expense) for the year		2,683,085	(277,825)

The notes on pages 14 to 44 form part of these financial statements.

The results relate to continuing operations of the Company.

ANGLO AMERICAN SERVICES (UK) LTD.
REGISTERED NUMBER: 02295324

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	14	135,770	23,909
Investments	15	12,556,615	12,486,193
		<u>12,692,385</u>	<u>12,510,102</u>
Current assets			
Debtors: amounts falling due within one year	16	2,747,341	2,481,208
Cash at bank and in hand	17	1,702	8,824
		<u>2,749,043</u>	<u>2,490,032</u>
Creditors: amounts falling due within one year	18	(3,447,386)	(5,857,971)
Net current liabilities		<u>(698,343)</u>	<u>(3,367,939)</u>
Total assets less current liabilities		<u>11,994,042</u>	<u>9,142,163</u>
Creditors: amounts falling due after more than one year	19	(96,277)	-
Net assets excluding pension asset		<u>11,897,765</u>	<u>9,142,163</u>
Pension asset		219,226	272,163
Net assets		<u><u>12,116,991</u></u>	<u><u>9,414,326</u></u>
Capital and reserves			
Called up share capital	23	5,811	5,811
Share premium account	24	8,706,856	8,706,856
Other reserves	24	68,177	60,787
Profit and loss account	24	3,336,147	640,872
Shareholders' funds		<u><u>12,116,991</u></u>	<u><u>9,414,326</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 April 2020.



E Klonarides
Director

The notes on pages 14 to 44 form part of these financial statements.

ANGLO AMERICAN SERVICES (UK) LTD.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Share premium account £000	Share based payment reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2019	5,811	8,706,856	60,787	640,872	9,414,326
Comprehensive income for the year					
Profit for the year	-	-	-	2,734,837	2,734,837
Actuarial losses on pension scheme	-	-	-	(62,352)	(62,352)
Deferred tax movements	-	-	-	10,600	10,600
Share-based payments charge	-	-	39,529	-	39,529
Other comprehensive income for the year	-	-	39,529	(51,752)	(12,223)
Total comprehensive income for the year	-	-	39,529	2,683,085	2,722,614
Transfer to/from profit and loss account	-	-	(32,139)	32,139	-
Deferred tax on share schemes	-	-	-	(19,949)	(19,949)
Total transactions with owners	-	-	(32,139)	12,190	(19,949)
At 31 December 2019	5,811	8,706,856	68,177	3,336,147	12,116,991

The notes on pages 14 to 44 form part of these financial statements.

Further details in respect of the actuarial losses on pension scheme are disclosed in note 26.

Further details in respect of the transfer from share-based payment reserve to the profit and loss accounts are disclosed in note 24.

ANGLO AMERICAN SERVICES (UK) LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £000	Share premium account £000	Share based payment reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018	5,806	8,206,861	65,266	868,283	9,146,216
Comprehensive income for the year					
Loss for the year	-	-	-	(333,511)	(333,511)
Actuarial gains on pension scheme	-	-	-	67,091	67,091
Deferred tax movements	-	-	-	(11,405)	(11,405)
Share-based payments	-	-	36,783	-	36,783
Other comprehensive income for the year	-	-	36,783	55,686	92,469
Total comprehensive income for the year	-	-	36,783	(277,825)	(241,042)
Shares issued during the year	5	499,995	-	-	500,000
Transfer to/from profit and loss account	-	-	(41,262)	41,262	-
Deferred tax on share schemes	-	-	-	9,152	9,152
Total transactions with owners	5	499,995	(41,262)	50,414	509,152
At 31 December 2018	5,811	8,706,856	60,787	640,872	9,414,326

ANGLO AMERICAN SERVICES (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Anglo American Services (UK) Ltd. is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales.

The nature of the Company's operations and principal activities is set out in the Strategic report.

The address of the registered office is given on the Company Information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The Company may take FRS 101 exemptions as it is a member of a group where the parent prepares publicly available consolidated financial statements which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss and the Company is included in that consolidation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.3 Going concern

The Company's ability to operate as a going concern is assessed in conjunction with Anglo American plc and its subsidiaries (together the "Group") as its viability is dependent upon the ability of the Group companies to settle their intercompany balances with the Company and to provide funds for working capital needs. Anglo American plc have confirmed that they intend to provide financial resources, where requested, for at least 12 months from the date of signing these financial statements, whilst the Company remains a subsidiary of Anglo American plc.

The directors of the Company therefore feel that the Company will have sufficient funds, taking account of possible changes in trading performance (including specifically the potential impact of COVID-19 on the cash flows of the Company and Anglo American plc) and amounts owed by other Group companies, to conclude that the Company can adopt the going concern basis for the foreseeable future.

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 16

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

The Company has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices of these contracts for the time value of money.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

2.7 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. [Provide an explanation how the incremental borrowing rate is determined].

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.7 Leases (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.16.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

2.8 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.9 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.10 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.11 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.12 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.12 Pensions (continued)

Defined benefit pension scheme

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

Remeasurements comprising actuarial gains and losses, movements in asset surplus restrictions and the return on scheme assets (excluding interest income) are recognised immediately in the Statement of changes in equity and are not recycled to the Statement of comprehensive income. Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit. The net interest income or cost on the net defined benefit asset or liability is included in investment income and interest expense respectively.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise amortised on a straight line basis over the average period until the benefits vest. The retirement benefit obligation recognised on the balance sheet represents the present value of the deficit or surplus of the defined benefit plans.

Any recognised surplus is limited to the present value of available refunds or reductions in future contributions to the plan.

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.16 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.16 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

L/Term Leasehold Property	- 28 years
S/Term Leasehold Property	- 4-5 years
Plant and machinery	- 4-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Assets under construction are not depreciated.

Fine art and antiques are not depreciated as it is expected that their residual value will be in excess of their costs and in the opinion of the directors depreciation would be immaterial.

2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.18 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.20 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.22 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised or at FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

ANGLO AMERICAN SERVICES (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.22 Financial instruments (continued)

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Judgments in applying accounting policies and key sources of estimation uncertainty

There are no critical judgments made by the directors in applying the Company's accounting policies other than in respect of the financial and actuarial assumptions used to determine the costs of providing pensions under the defined benefit schemes, assessing investments for impairment and determining recoverability of loans. There are no key sources of estimation uncertainty other than those disclosed below.

Impairment of investments in subsidiaries

Determining whether the Company's debt and equity investments in subsidiaries have been impaired requires estimations of the recoverable amount of the investments. Recoverable amount is the higher of fair value less costs of disposal and value in use. The value in use calculations require the Company to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised in the Statement of comprehensive income. See Note 13 for further information.

Determining recoverability of loans

The Company assesses the recoverability of loans to group undertakings and makes provision in the event that full recovery is not expected. The recoverability of loans is assessed by review of the net asset position of the group undertaking.

Retirement benefits

The expected costs of providing pensions under defined benefit arrangements relating to employee service during the period are determined based on financial and actuarial assumptions. Assumptions in respect of the expected costs are set after consultation with qualified actuaries. While management believes the assumptions used are appropriate, a change in the assumptions used would affect the amounts recognised in the financial statements.

4. Turnover

The whole of the turnover is attributable to the Company's principal activity of providing management services to certain companies in the Group.

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	98,750	24,135
South Africa	62,806	66,173
Rest of the world	3,457	17,268
	<u>165,013</u>	<u>107,576</u>

Turnover comprises costs recovered from Anglo American plc, the ultimate parent company, and other Group companies within the United Kingdom and other geographical areas.

ANGLO AMERICAN SERVICES (UK) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. Operating loss

The operating loss is stated after charging:

	2019	2018
	£000	£000
Depreciation of tangible fixed assets	12,622	8,784
Exchange differences	2,582	3,796
Defined contribution pension cost	5,318	5,855
	<u> </u>	<u> </u>

6. Auditor's remuneration

	2019	2018
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	15	14
	<u> </u>	<u> </u>
	15	14
Fees payable to the Company's auditor and its associates in respect of:		
Fees for audit fees of subsidiaries borne by the Company	228	224
Fees for tax services	60	70
	<u> </u>	<u> </u>
	<u>288</u>	<u>294</u>

ANGLO AMERICAN SERVICES (UK) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Employees

The directors do not receive any emoluments in respect of their services as directors to the Company.

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	54,130	62,986
Social security costs	25,449	15,778
Cost of defined contribution scheme	5,318	5,855
	<u>84,897</u>	<u>84,619</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Employees	338	352
Directors	6	6
	<u>344</u>	<u>358</u>

8. Income from investments

	2019 £000	2018 £000
Income from fixed asset investments	3,028,956	-
	<u>3,028,956</u>	<u>-</u>

On 12 March 2019, the Company received a dividend from Anglo American Investments (UK) Limited of USD 3,869,550,482 (£2,955,886,091).

On 24 July 2019, the Company received a dividend from Anglo American Finance (UK) Limited of £68,137,714.

On 9 October 2019, the Company received a dividend from Anglo American Investments (UK) Limited of USD 6,068,619 (£4,932,433).

ANGLO AMERICAN SERVICES (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. Interest receivable

	2019 £000	2018 £000
Interest receivable from group companies	57,877	29,662
Other interest receivable	163	298
	<u>58,040</u>	<u>29,960</u>

10. Interest payable and similar expenses

	2019 £000	2018 £000
Loans from group undertakings	73,151	55,781
Interest on lease liabilities	1,095	-
	<u>74,246</u>	<u>55,781</u>

11. Other finance income

	2019 £000	2018 £000
Net interest on net defined benefit asset	7,914	5,256
	<u>7,914</u>	<u>5,256</u>

ANGLO AMERICAN SERVICES (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on loss for the year	255	-
Adjustments in respect of previous periods	-	370
Total current tax	255	370
Deferred tax		
Changes to tax rates	1,070	(266)
Current year	(10,419)	(2,522)
Adjustment in respect of previous periods	-	1,127
Total deferred tax	(9,349)	(1,661)
Taxation on profit/(loss)	(9,094)	(1,291)

In addition to the amount charged to the income statement, a deferred tax gain of £10,600,000 (2018 - loss of £11,405,000) has been recognised in other comprehensive income. Refer to note 21 for further details.

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit/(loss) before tax	2,725,743	(334,802)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	517,891	(63,612)
Effects of:		
Expenses not deductible for tax purposes	17,901	92,537
Non-taxable income	(575,502)	(75,998)
Group relief surrendered for nil consideration	-	742
Amounts not recognised	33,983	43,808
Effect of rate change	1,070	(266)
Adjustment to tax charge in respect of previous periods	-	1,498
Share options	(4,437)	-
Total tax credit for the year	(9,094)	(1,291)

ANGLO AMERICAN SERVICES (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12. Taxation (continued)

Factors that may affect future tax charges

On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. Deferred tax has therefore been recognised at the 17% rate where appropriate.

On 17th March 2020, a Budget resolution was passed which substantively enacted an increase in the rate of UK corporation tax to 19% from 1 April 2020.

13. Exceptional items

	2019 £000	2018 £000
Impairment expense	44,776	10,776
	<u>44,776</u>	<u>10,776</u>

After a review of the net asset value of the Company's investments as at 31 December 2019, the Company has recognised an impairment expense of £NIL (2018 - £410,763,000) on its investment in Anglo American Investments (NA) Limited and £44,776,000 (2018 - £NIL) on its investment in Anglo American Finance (UK) Limited.

As a result of the additional investment made by the Company into Anglo American Investments (NA) Limited during the year, that company was able to repay a loan that had previously been impaired, resulting in a net impairment reversal of £NIL (2018 - £400,572,000).

The Company also recognised a loss of £NIL (2018 - £585,000) after writing off a loan receivable from Neville Street Limited.

ANGLO AMERICAN SERVICES (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Tangible fixed assets

	L/Term Leasehold Property £000	S/Term Leasehold Property £000	Plant and machinery £000	Other fixed assets £000	Total £000
Cost or valuation					
At 1 January 2019	-	22,504	49,876	15,647	88,027
Additions	36,597	-	1,127	86,759	124,483
Transfers between classes	-	-	8,560	(8,560)	-
At 31 December 2019	36,597	22,504	59,563	93,846	212,510
Depreciation					
At 1 January 2019	-	18,227	45,891	-	64,118
Charge for the year on owned assets	7,885	3,373	1,364	-	12,622
At 31 December 2019	7,885	21,600	47,255	-	76,740
Net book value					
At 31 December 2019	28,712	904	12,308	93,846	135,770
At 31 December 2018	-	4,277	3,985	15,647	23,909

Included in plant and machinery is antiques and fine art of £2,169,205 (2018 - £2,169,205) which is not depreciated.

ANGLO AMERICAN SERVICES (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2019	14,637,264
Additions	115,198
Disposals	(461,850)
At 31 December 2019	<u>14,290,612</u>
Impairment	
At 1 January 2019	2,151,071
Charge for the period	44,776
Impairment on disposals	(461,850)
At 31 December 2019	<u>1,733,997</u>
Net book value	
At 31 December 2019	<u><u>12,556,615</u></u>
<i>At 31 December 2018</i>	<u><u>12,486,193</u></u>

On 27 March 2019, the Company increased its investment in Anglo American Technical & Sustainability Limited by \$152,500,000 (£115,183,250) in return for 1,525 additional ordinary shares.

On 9 October 2019, the Company purchased 200 ordinary shares in Anglo American (TIH) B.V. for a total consideration of £1.

During the year, the Company increased its investments in Anglo American Ecuador S.A. for a total consideration of \$18,601 (£14,499).

During the year, the Company's subsidiary Anglo American Investments (NA) Limited was dissolved, resulting in a reduction in cost and impairment of £461,850,000.

After a review of the net asset value of the Company's investments as at 31 December 2019, the Company has recognised an impairment expense of £NIL (2018 - £410,763,000) on its investment in Anglo American Investments (NA) Limited and £44,776,000 (2018 - £NIL) on its investment in Anglo American Finance (UK) Limited.

ANGLO AMERICAN SERVICES (UK) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Anglo American Investments (UK) Limited	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom	Holding Company	Ordinary	100%
Anglo American Technical & Sustainability Limited	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom	Holding Company	Ordinary	100%
Anglo American Finance (UK) Limited	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom	Holding Company	Ordinary	100%
Anglo American Corporate Secretary Limited	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom	Corporate Secretary	Ordinary	100%
Anglo American Medical Plan Limited	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom	Administration Company	Ordinary	100%
Anglo UK Pension Trustee Limited	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom	Pension Trustee	Ordinary	100%
Anglo American Ecuador S.A.	Av. Patria E4-69 y Av. Amazonas, Cofiec, 16th Floor, Ecuador	Exploration	Ordinary	1%
Tokafala (Proprietary) Limited	3rd Floor, DTCB Building, Plot 63016, Black 8, Airport Road, Gaborone, Botswana	Enterprise Development	Ordinary	25%
Anglo American (TIH) B.V.	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom	Holding Company	Ordinary	100%

16. Debtors

	2019 £000	2018 £000
Amounts owed by group undertakings	2,732,791	2,469,833
Other debtors	14,535	7,920
Prepayments and accrued income	15	3,455
	<u>2,747,341</u>	<u>2,481,208</u>

ANGLO AMERICAN SERVICES (UK) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Debtors (continued)

The Company has a deposit agreement with Anglo American Capital plc in respect of surplus cash, of which the balance was £2,577,805,000 at year end (2018 - £2,379,569,000). The classification of the balance as due within one year is based on the balance being repayable on demand. Interest is charged on the balance at the one month LIBOR rate less ten basis points.

The remaining amounts owed by group undertakings relate to operating receivable balances in respect of management services charged by the Company. The balances are non-interest bearing.

17. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	1,702	8,824
Less: cash pooling overdraft	(2,578,024)	(2,379,794)
	<u>(2,576,322)</u>	<u>(2,370,970)</u>

The Company administers cash on behalf of certain group companies under a cash pooling arrangement and places this cash in the short-term money market. Interest of £54,584,000 (2018 - £29,003,000) was earned by the participants to the cash pooling arrangement during the course of the year.

ANGLO AMERICAN SERVICES (UK) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Cash pooling overdraft	2,578,024	2,379,794
Trade creditors	11,871	10,507
Amounts owed to group undertakings	769,145	3,382,746
Other taxation and social security	12	2,637
Lease liabilities	1,411	-
Other creditors	10,790	933
Accruals and deferred income	76,133	81,354
	<u>3,447,386</u>	<u>5,857,971</u>

All liabilities are unsecured. Loans are considered to be due within one year based on being repayable on demand.

The Company has a deposit agreement with Anglo American 2005 Limited. The amount deposited with the Company amounted to £NIL as at 31 December 2019 (2018 - £2,960,819,000). Interest is charged on the balance at the one month LIBOR rate less ten basis points.

The Company has a balance due to Anglo American Capital plc of £691,394,000 as at 31 December 2019 (2018 - £388,127,000). Interest is charged on the balance at the three month LIBOR rate applicable to the currency of each balance plus 225 basis points.

The remaining amounts owed to group undertakings relate to operating payable balances in respect of services charged by other group companies to the Company. The balances are non-interest bearing.

19. Creditors: Amounts falling due after more than one year

	2019 £000	2018 £000
Lease liabilities	27,761	-
Other creditors	68,516	-
	<u>96,277</u>	<u>-</u>

Other creditors represent borrowings in respect of refurbishment work on the Charterhouse Street property. The balance is secured against the property and is repayable up to 2044.

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20. Financial instruments

	2019 £000	2018 £000
Financial assets		
Cash	1,702	8,824
Loans and receivables	2,747,326	2,477,753
	<u>2,749,028</u>	<u>2,486,577</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,514,477)</u>	<u>(5,855,329)</u>

Loans and receivables comprise amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise amounts owed by group undertakings and other creditors.

21. Deferred taxation

	2019 £000	2018 £000
At beginning of year	-	591
Charged to profit or loss	9,349	1,662
Charged to other comprehensive income	10,600	(11,405)
Utilised in year	(19,949)	9,152
At end of year	<u>-</u>	<u>-</u>

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21. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	5,649	4,108
Tax losses carried forward	9,443	5,053
Pension surplus	(37,268)	(46,268)
R&D expenditure credit	1,645	371
Short term timing differences	2,998	3,224
Share options	17,533	33,512
	<u>-</u>	<u>-</u>

At 31 December 2018, the Company had unutilised tax losses carried forward of £502,817,568 for which no deferred tax asset has been recognised. This is on the basis that it is not probable that there will be sufficient and suitable taxable profits arising in future years against which to utilise them.

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22. Leases

Company as a lessee

The Company has entered into a lease on office property at 17 Charterhouse Street, London.

Lease liabilities are due as follows:

	2019 £000
Not later than one year	1,411
Between one year and five years	5,116
Later than five years	22,645
	29,172

Contractual undiscounted cash flows are due as follows:

	2019 £000
Not later than one year	1,469
Between one year and five years	5,875
Later than five years	40,375
	47,719

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2019 £000
Interest expense on lease liabilities	1,095

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23. Share capital

	2019 £	2018 £
Authorised		
20,000,000 (2018 - 20,000,000) Ordinary shares of £1.00 each	20,000,000	20,000,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
5,810,979 (2018 - 5,810,979) Ordinary shares of £1.00 each	5,810,979	5,810,979
	<u> </u>	<u> </u>

The Company has one class of ordinary shares which carry no right to fixed income.

24. Reserves

Share premium account

Share premium represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

Other reserves

Other reserves represent a share-based payment reserve. During the year an amount of £32,139,000 was transferred from the share-based payment reserve to the profit and loss account in respect of share awards that vested.

Profit and loss account

Profit and loss account reserve represents accumulated retained earnings or losses.

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25. Share based payments

During the year ended 31 December 2019, the Company had six share-based payment arrangements with employees. All of the Group's schemes are equity settled, either by award of options to acquire Anglo American plc ordinary shares of 54 86/91 US cents (the "Ordinary Shares") (SAYE) or award of Ordinary Shares (BSP, LTIP, TIP, NCA and SIP).

The fair values of options granted under the SAYE schemes were calculated using a Black Scholes model.

The fair value of Ordinary Shares awarded under the BSP and LTIP – ROCE was calculated using a Black Scholes model. The fair value of Ordinary Shares awarded under the LTIP – TSR scheme was calculated using a Monte Carlo model.

All options outstanding at 31 December 2019 with an exercise date on or prior to 31 December 2019 are deemed exercisable. Options were exercised regularly during the period and the weighted average share price for the year ended 31 December 2019 was £19.85 (2018 - £16.91).

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the beginning of the year	951	312,084	738	342,358
Granted during the year	1,419	88,617	1,233	110,683
Forfeited during the year	1,059	(7,841)	886	(22,539)
Exercised during the year	732	(50,126)	589	(109,997)
Expired during the year	1,209	(6,113)	899	(8,421)
Outstanding at the end of the year	1,100	336,621	951	312,084

	2019	2018
Weighted average share price (pence)	1,985	1,691
Exercise price (pence)	1,419	1,233
Weighted average contractual life (days)	1,193	1,258

	2019 £000	2018 £000
Equity-settled schemes	39,529	36,783
	39,529	36,783

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26. Pension commitments

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £5,318,000 (2018 - £5,855,000).

The Company operates 3 defined benefit pension schemes. These defined benefit pension schemes are funded.

These are the Anglo UK Pension Scheme, the Tarmac UK Pension Scheme and Tarmac B Pension Scheme. The Company contributions during the year amounted to £NIL (2018 - £3,333,333).

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 2019 using assumptions suitable for IAS 19. Assumptions are set after consultation with the qualified actuaries. At that date the market value of assets was £1,540,142,427 (2018 - £1,484,586,936) which was sufficient to cover 117% (2018 - 122%) of the benefits, on the IAS 19 basis, that had accrued to members after allowing for expected increases in future earnings and pensions.

The defined benefit plans are exposed to risks such as longevity, investment risk, inflation risk, interest rate risk and foreign exchange risk.

Employer contributions are made in accordance with the terms of each plan and may vary from year to year. Employer contributions made to funded plans in the year ended 31 December 2019 were £NIL (2018 - £3,333,333).

Reconciliation of present value of plan liabilities:

	2019 £000	2018 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	1,212,423	1,377,582
Interest cost	34,105	33,895
Actuarial gains/(losses)	147,162	(109,413)
Benefits paid	(71,274)	(98,528)
Past service cost	(1,500)	8,887
At the end of the year	1,320,916	1,212,423

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26. Pension commitments (continued)

Composition of plan liabilities:

	2019 £000	2018 £000
Deferred members	(522,810)	(468,583)
Pensioners	(798,106)	(743,840)
Total plan liabilities	<u>(1,320,916)</u>	<u>(1,212,423)</u>

Reconciliation of present value of plan assets:

	2019 £000	2018 £000
At the beginning of the year	1,484,586	1,582,952
Interest income	42,020	39,152
Actuarial gains	84,810	(42,323)
Contributions	-	3,333
Benefits paid	(71,274)	(98,528)
At the end of the year	<u>1,540,142</u>	<u>1,484,586</u>

Composition of plan assets:

	2019 £000	2018 £000
Bonds	1,510,126	1,455,093
Cash	4,740	11,408
Other	25,276	18,085
Total plan assets	<u>1,540,142</u>	<u>1,484,586</u>

All investments have been fair valued based on quoted market prices.

	2019 £000	2018 £000
Fair value of plan assets	1,540,142	1,484,586
Present value of plan liabilities	(1,320,916)	(1,212,423)
Net pension scheme assets	<u>219,226</u>	<u>272,163</u>

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26. Pension commitments (continued)

The amounts recognised in profit or loss are as follows:

	2019 £000	2018 £000
Interest on obligation	7,914	5,256
Total	7,914	5,256

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £101,394,000 (2018 - £163,746,000).

The Company expects to contribute £NIL to its defined benefit pension schemes in 2020.

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2019 %	2018 %
Discount rate	2.00	2.90
Increase in salary	2.05	2.20
Future pension increases	3.49	3.56
Inflation assumption	2.95	3.20
Expected future lifetime:		
- for a male aged 60 now	27.1	27.1
- at 60 for a male aged 45 now	28.2	28.3
- for a female aged 60 now	29.2	29.0
- at 60 for a female member aged 45 now	30.5	30.4

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	0.5% increase in inflation rate £000	0.5% decrease in discount rate £000
Effect on defined benefit obligation	(120,254)	(104,763)

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26. Pension commitments (continued)

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2019	2018	2017	2016	2015
	£000	£000	£000	£000	£000
Defined benefit obligation	(1,320,916)	(1,212,423)	(1,377,582)	(1,496,808)	(1,215,996)
Scheme assets	1,540,142	1,484,586	1,582,952	1,615,480	1,338,801
Surplus	219,226	272,163	205,370	118,672	122,805
Experience adjustments on scheme liabilities	(147,162)	109,413	44,842	(298,780)	132,306
Experience adjustments on scheme assets	84,810	(42,323)	13,446	264,438	(59,539)

The Company also participates in a scheme that provides post-retirement benefits based on an unfunded account accrued through notional contributions during members' employment. The unfunded liability is calculated as the total value of the notional accounts. On that basis, the scheme's financial statements to 31 December 2019 show an unfunded liability of £17,426,000 (2018 - £17,236,000). The unfunded liability will result in future payments by the Company. The scheme has 22 members, of whom 12 are current and 10 are former employees of Anglo American Services (UK) Ltd. or their dependants. The expense recognised in the Profit and loss account, which is equal to notional contributions due for the year was £1,390,536 (2018 - £1,573,000).

27. Post balance sheet events

On 27 February 2020, the Company made a new allotment of 5,000 ordinary shares of £1. These ordinary shares were subscribed by Anglo American plc for total consideration of £500,000,000.

Following the end of 2019 the novel coronavirus (COVID-19) has been declared a pandemic by the World Health Organisation. The emergence of COVID-19 is considered a non-adjusting post balance sheet event as defined in IAS 10 Events after the reporting period since it represents a set of conditions which only arose after the balance sheet date. The impact of COVID-19 on the world economy and the Company's future financial performance remains uncertain. Depending on the extent and severity of the pandemic, there may be a material impact on the Company's accounting estimates in future periods.

The directors have reviewed the Company's expected future cashflows and available sources of liquidity and concluded that it remains appropriate to adopt the going concern basis of accounting as disclosed in note 2 for these financial statements.

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28. Ultimate parent undertaking and controlling party

The immediate and ultimate parent company and controlling entity is Anglo American plc, a company incorporated in the United Kingdom and registered in England and Wales, which is the largest and smallest group which includes the Company and for which group financial statements are prepared.

Copies of the group financial statements of Anglo American plc, which include the results of the Company, are available from Anglo American plc at 20 Carlton House Terrace, London, SW1Y 5AN, its registered address.