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**ANGLO AMERICAN PREFCO LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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## ANGLO AMERICAN PREFCO LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	R W Henderson G Ingram (appointed 7 May 2021) E Klonarides J P Maher (appointed 6 October 2020) W K B Ward-Brew (resigned 30 April 2021)
<b>Company secretary</b>	Anglo American Corporate Secretary Limited
<b>Registered number</b>	03734783
<b>Registered office</b>	17 Charterhouse Street London United Kingdom EC1N 6RA
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Statutory Auditors 1 Embankment Place London United Kingdom WC2N 6RH
<b>Bankers</b>	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP

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**ANGLO AMERICAN PREFCO LIMITED**

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## ANGLO AMERICAN PREFCO LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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#### Introduction

Anglo American Prefco Limited (the "Company") is a holding company, with interests in Anglo American Holdings Limited from which it receives ordinary and preference dividends. There have not been any significant changes in the Company's principal activities in the year under review. 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.

#### Business review

As shown in the Company's Statement of comprehensive income, the Company shows a profit before tax of \$11,309,000 (2019 - \$89,000 (restated)). The increase in profit compared to the prior year is a result of a decrease in the dividends paid to A.R.H. Limited, partially offset by a decrease in the dividends received from the Company's subsidiary Anglo American Holdings Limited.

The balance sheet shows that the Company is in a net asset position of \$1,605,109,000 (2019 - \$1,593,800,000).

#### 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 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

Due to the nature of the Company as an investment holding company, there are no key performance indicators reviewed by management or the directors when assessing the performance or position of the Company.

#### Section 172(1) statement

The Anglo American Prefco Limited 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 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.

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**ANGLO AMERICAN PREFCO LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Our Purpose and Values**

The Board recognises the role of the Company's 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 20 May 2021 and signed by its order.



**M Loosley**  
For and on behalf of  
Anglo American Corporate Secretary Limited  
Secretary

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## ANGLO AMERICAN PREFCO LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present their report and the financial statements for the year ended 31 December 2020.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the 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.

#### **Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### **Principal activity**

The Company is a holding company, with interests in Anglo American Holdings Limited from which it receives ordinary and preference dividends. There have not been any significant changes in the Company's principal activities in the year under review. 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.

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## ANGLO AMERICAN PREFCO LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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#### Results and dividends

The profit for the year, after taxation, amounted to \$11,349,000 (2019 - \$29,000).

On 6 May 2020, the Company declared and paid an interim dividend of \$1.88 per share to A.R.H. Limited of \$96,630,000 on its preference shares.

On 24 September 2020, the Company declared and paid an interim dividend of \$1.12 per share to A.R.H. Limited of \$57,567,000 on its preference shares.

On 6 May 2021, the Company declared and paid a dividend of \$2.88 per share to A.R.H. Limited of \$148,028,000 on its preference shares, of which \$66,655,000 was a final dividend for the year ended 31 December 2020.

During 2019, the Company paid dividends to A.R.H. Limited of \$232,322,000 on its preference shares.

#### Directors

The directors who served during the year and up to the date of signing the financial statements were:

R W Henderson  
G Ingram (appointed 7 May 2021)  
E Klonarides  
J P Maher (appointed 6 October 2020)  
W K B Ward-Brew (resigned 30 April 2021)

#### 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.

#### Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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. The Company's cash flow forecasts for the period to the end of June 2022, with considerations given to the uncertainty of the impact of Covid-19 pandemic on the wider macroeconomic environment and trading performance of the Group, show that the Company maintains sufficient liquidity throughout the period of assessment without the use of mitigating actions.

The directors have also received support from Anglo American Services (UK) for use to the extent that it is necessary, including but not limited to, not seeking repayment of amounts advanced to the Company by the Group unless alternative financing has been secured by the Company. This support will remain in place for the foreseeable future, including the period of 12 months from authorisation of the Company's financial statements.

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**ANGLO AMERICAN PREFCO LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Post balance sheet events**

On 6 May 2021, the Company received dividends of \$147,539,000 from its subsidiary Anglo American Holdings Limited.

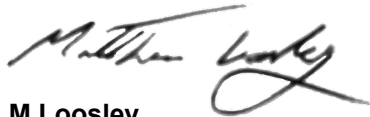
On 6 May 2021, the Company declared and paid an interim dividend of \$2.88 per share to A.R.H. Limited of \$148,028,000 on its preference shares.

**Auditors**

At the 2020 Annual General Meeting of Anglo American plc, the Company's ultimate parent company, PricewaterhouseCoopers LLP were appointed as external auditor to the Group.

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 20 May 2021 and signed by its order.



**M Loosley**  
For and on behalf of  
Anglo American Corporate Secretary Limited  
Secretary



# Independent auditors' report to the directors of Anglo American Prefco Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Anglo American Prefco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

### **Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax regulations and anti-bribery and corruption laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias included within significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Review of Board minutes, discussions with management, internal audit and the internal legal function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Assessing significant judgements and estimates, in particular those relating to impairment or impairment reversals in respect of investments in and receivables from fellow Group undertakings, to ensure that there is no indication of management bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Alex Lazarus'.

Alex Lazarus (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
20 May 2021

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ANGLO AMERICAN PREFCO LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

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	Note	2020 \$000	As restated 2019 \$000
Revenue	4	165,503	232,410
<b>Gross profit</b>		<b>165,503</b>	<b>232,410</b>
Interest receivable and similar income	7	2	1
Interest payable and similar expenses	8	(154,196)	(232,322)
<b>Profit before tax</b>		<b>11,309</b>	<b>89</b>
Taxation	9	40	(60)
<b>Profit for the financial year</b>		<b>11,349</b>	<b>29</b>
<b>Total comprehensive income for the year</b>		<b>11,349</b>	<b>29</b>

The notes on pages 14 to 25 form part of these financial statements.

The results relate to continuing operations of the Company.

Further details in respect of the prior year adjustment are disclosed in note 17.

**ANGLO AMERICAN PREFCO LIMITED**  
**REGISTERED NUMBER: 03734783**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2020**

	Note	2020 \$000	2019 \$000
<b>Fixed assets</b>			
Investments	10	<u>2,063,055</u>	<u>2,063,055</u>
		<b>2,063,055</b>	<b>2,063,055</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	<u>66,577</u>	<u>55,271</u>
		<b>66,577</b>	<b>55,271</b>
Creditors: amounts falling due within one year	12	<u>(6)</u>	<u>(49)</u>
		<b>66,571</b>	<b>55,222</b>
<b>Net current assets</b>		<u>66,571</u>	<u>55,222</u>
<b>Total assets less current liabilities</b>		<u>2,129,626</u>	<u>2,118,277</u>
Creditors: amounts falling due after more than one year	13	<u>(524,477)</u>	<u>(524,477)</u>
		<b>1,605,149</b>	<b>1,593,800</b>
<b>Net assets</b>		<u><u>1,605,149</u></u>	<u><u>1,593,800</u></u>
<b>Capital and reserves</b>			
Called up share capital	15	25,699	25,699
Share premium account	16	1,988,218	1,988,218
Other reserves	16	(475,286)	(475,286)
Profit and loss account	16	<u>66,518</u>	<u>55,169</u>
<b>Shareholders' funds</b>		<u><u>1,605,149</u></u>	<u><u>1,593,800</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 May 2021.



**E Klonarides**  
 Director

The notes on pages 14 to 25 form part of these financial statements.

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ANGLO AMERICAN PREFCO LIMITED

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STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020

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	Called up share capital \$000	Share premium account \$000	Other reserves \$000	Profit and loss account \$000	Total equity \$000
At 1 January 2020	25,699	1,988,218	(475,286)	55,169	1,593,800
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	11,349	11,349
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,349</u>	<u>11,349</u>
<b>At 31 December 2020</b>	<u>25,699</u>	<u>1,988,218</u>	<u>(475,286)</u>	<u>66,518</u>	<u>1,605,149</u>

The notes on pages 14 to 25 form part of these financial statements.

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ANGLO AMERICAN PREFCO LIMITED

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

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	Called up share capital	Share premium account	Other reserves	As restated Profit and loss account	Total equity
	\$000	\$000	\$000	\$000	\$000
At 1 January 2019	25,699	1,988,218	(475,286)	55,140	1,593,771
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	29	29
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29</u>	<u>29</u>
<b>At 31 December 2019</b>	<u>25,699</u>	<u>1,988,218</u>	<u>(475,286)</u>	<u>55,169</u>	<u>1,593,800</u>

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## ANGLO AMERICAN PREFCO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1. General information

Anglo American Prefco Limited 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 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;
- 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 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 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.

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## ANGLO AMERICAN PREFCO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 2. Accounting policies (continued)

##### 2.3 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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. The Company's cash flow forecasts for the period to the end of June 2022, with considerations given to the uncertainty of the impact of Covid-19 pandemic on the wider macroeconomic environment and trading performance of the Group, show that the Company maintains sufficient liquidity throughout the period of assessment without the use of mitigating actions.

The directors have also received support from Anglo American Services (UK) for use to the extent that it is necessary, including but not limited to, not seeking repayment of amounts advanced to the Company by the Group unless alternative financing has been secured by the Company. This support will remain in place for the foreseeable future, including the period of 12 months from authorisation of the Company's financial statements.

##### 2.4 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:

###### 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).

##### 2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.6 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.

##### 2.7 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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2. Accounting policies (continued)

2.7 Financial instruments (continued)

**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.

**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.

**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.

2.8 Creditors

Creditors are amounts owed to group undertakings in respect of facility agreements.

Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

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**ANGLO AMERICAN PREFCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. Accounting policies (continued)**

**2.9 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is USD as this is the currency of the primary economic environment in which the Company operates.

**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.

**2.10 Dividends**

Dividends on preference shares are recognised as interest payable in the Statement of comprehensive income as there is no discretion for the Company to avoid paying dividends on its preference shares if Anglo American plc declares and pays a dividend.

**2.11 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

**2.12 Taxation**

Tax is recognised in profit or loss 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.

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## ANGLO AMERICAN PREFCO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 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 assessing investments for impairment and determining recoverability of loans.

##### Impairment of investments in subsidiaries

Determining whether the Company's 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 10 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.

#### 4. Revenue

	2020 \$000	2019 \$000
Dividend revenue	165,503	232,410
	<u>165,503</u>	<u>232,410</u>

During the year, the Company received dividends totalling \$165,503,000 (2019: \$232,410,000) from its subsidiary Anglo American Holdings Limited.

#### 5. Operating profit

Audit fees for the audit of these financial statements of \$25,858 (2019 - \$10,015) have been borne by Anglo American Services (UK) Ltd.

#### 6. Employees

The Company has no employees other than the directors, who did not receive any remuneration for their services to the Company (2019 - \$NIL). The directors do not believe it is practicable to apportion their total remuneration between their services as the directors of the Company and as directors of fellow group companies.

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**ANGLO AMERICAN PREFCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**7. Interest receivable and similar income**

	<b>2020</b>	<i>2019</i>
	<b>\$000</b>	<i>\$000</i>
Interest income and similar income	-	1
Exchange gain	2	-
	<b>2</b>	<i>1</i>
	<b>2</b>	<i>1</i>

**8. Interest payable and similar expenses**

	<b>2020</b>	<i>As restated</i> <i>2019</i>
	<b>\$000</b>	<i>\$000</i>
Dividends paid on financial liability component of preference shares	<b>154,196</b>	232,322
	<b>154,196</b>	232,322
	<b>154,196</b>	232,322

On 6 May 2020, the Company declared and paid an interim dividend of \$1.88 per share to A.R.H. Limited of \$96,630,000 on its preference shares.

On 24 September 2020, the Company declared and paid an interim dividend of \$1.12 per share to A.R.H. Limited of \$57,567,000 on its preference shares.

These dividends have been disclosed as interest payable.

Amounts paid in excess of the minimum dividend entitlement of \$0.60 per preference share were previously classified as dividends paid. In 2020 these amounts have been classified as interest payable, consistent with the treatment of the minimum dividend entitlement and the 2019 comparatives have been restated to move \$201,483,000 from dividends in the Statement of changes in equity to interest payable in the Statement of comprehensive income. The impact on the 2018 comparatives would be the restatement of \$180,924,000 from dividends in the Statement of changes in equity to interest payable in the Statement of comprehensive income.

Disclosure of the terms and conditions attached to the preference shares is made in note 15.

**9. Taxation**

	<b>2020</b>	<i>2019</i>
	<b>\$000</b>	<i>\$000</i>
<b>Corporation tax</b>		
Current tax on profits for the year	1	59
Adjustments in respect of previous periods	(41)	1
	<b>(40)</b>	<i>60</i>
<b>Total current tax</b>	<b>(40)</b>	<i>60</i>

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**ANGLO AMERICAN PREFCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**9. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2019 - *lower than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	<b>2020</b>	<i>As restated</i>
	<b>\$000</b>	<i>2019</i>
		<i>\$000</i>
Profit before tax	<b>11,309</b>	<i>89</i>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	<b>2,149</b>	<i>17</i>
<b>Effects of:</b>		
Exempt dividends from UK companies	<b>(31,446)</b>	<i>(44,158)</i>
Adjustments in respect of prior periods	<b>(41)</b>	<i>1</i>
Non-deductible interest on preference shares	<b>29,297</b>	<i>44,141</i>
Transfer pricing adjustments	<b>1</b>	<i>59</i>
<b>Total tax (credit)/charge for the year</b>	<b>(40)</b>	<i>60</i>

Amounts paid in excess of the minimum dividend entitlement of \$0.60 per preference share were previously classified as dividends paid. In 2020 these amounts have been classified as interest payable, consistent with the treatment of the minimum dividend entitlement and the 2019 comparatives have been restated to move \$201,483,000 from dividends in the Statement of changes in equity to interest payable in the Statement of comprehensive income which resulted in a corresponding decrease in the 2019 comparative profit before tax. The 2019 comparative for non-deductible interest on preference shares has been increased by \$38,282,000.

Further details in respect of the prior year adjustment are disclosed in note 17.

**Factors that may affect future tax charges**

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019 – 17%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date.

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ANGLO AMERICAN PREFCO LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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10. Investments

	Investments in subsidiary companies \$000
<b>Cost or valuation</b>	
At 1 January 2020	2,063,055
At 31 December 2020	<u>2,063,055</u>
<b>Net book value</b>	
At 31 December 2020	<u>2,063,055</u>
<i>At 31 December 2019</i>	<u>2,063,055</u>

**Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
Anglo American Holdings Limited	17 Charterhouse Street, London, EC1N 6RA, United Kingdom	Holding Company	Ordinary B shares 8% Preference 8.3% Preference	100%

As at 31 December 2020 the Company held the entire issued preference share capital and ordinary B shares of Anglo American Holdings Limited, an intermediate holding company incorporated in the United Kingdom and registered in England and Wales. The entire issued ordinary voting shares of Anglo American Holdings Limited are held by Anglo American Investments (UK) Limited.

Group financial statements are not presented as the Company is a wholly owned subsidiary undertaking of Anglo American plc, a company incorporated in the United Kingdom and registered in England and Wales. Accordingly, these financial statements present information about the Company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared because the Company is exempt under s400 of the Companies Act 2006.

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**ANGLO AMERICAN PREFCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**11. Debtors: Amounts falling due within one year**

	<b>2020</b>	<i>2019</i>
	<b>\$000</b>	<i>\$000</i>
Amounts owed by group undertakings	<b>66,577</b>	<i>55,271</i>
	<b>66,577</b>	<i>55,271</i>

The Company has facility agreements with affiliated undertakings of which \$489,000 (2019 - \$103,000) had been advanced at year end. The balance bears interest at the one month LIBOR rate less ten basis points. The classification of the amounts owed is based on the repayment terms.

The Company has a dividend receivable due from its subsidiary Anglo American Holdings Limited of \$66,088,000 (2019 - \$55,168,000).

**12. Creditors: Amounts falling due within one year**

	<b>2020</b>	<i>2019</i>
	<b>\$000</b>	<i>\$000</i>
Corporation tax	<b>6</b>	<i>49</i>
	<b>6</b>	<i>49</i>

**13. Creditors: Amounts falling due after more than one year**

	<b>2020</b>	<i>2019</i>
	<b>\$000</b>	<i>\$000</i>
Financial liability component of preference shares	<b>524,477</b>	<i>524,477</i>
	<b>524,477</b>	<i>524,477</i>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 15.

\$524,477,000 (2019 - \$524,477,000) of preference shares has been classified as debt in accordance with the presentation requirements of IAS 32.

The preference shares of US\$0.50 each entitle the holder to receive a cumulative preferential dividend on the paid up capital equal to the greater of US\$0.60 per preference share in issue or four times the aggregate dividends declared or paid on an Anglo American plc ordinary share.

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**ANGLO AMERICAN PREFCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**14. Financial instruments**

	<b>2020</b>	<i>2019</i>
	<b>\$000</b>	<i>\$000</i>
<b>Financial assets</b>		
Financial assets measured at amortised cost	<u><b>66,577</b></u>	<u><i>55,271</i></u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u><b>(524,477)</b></u>	<u><i>(524,477)</i></u>

Financial assets measured at amortised cost comprise amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise the financial liability component of preference shares.

**15. Called up share capital**

	<b>2020</b>	<i>2019</i>
	<b>\$000</b>	<i>\$000</i>
<b>Shares classified as equity</b>		
<b>Authorised</b>		
100 ( <i>2019 - 100</i> ) Ordinary shares of £1.00 each	-	-
100,000,000 ( <i>2019 - 100,000,000</i> ) capital preference shares of \$0.50 each	<u><b>50,000</b></u>	<u><i>50,000</i></u>
	<u><b>50,000</b></u>	<u><i>50,000</i></u>
<b>Allotted, called up and fully paid</b>		
1 ( <i>2019 - 1</i> ) Ordinary share of £1.00	-	-
51,398,751 ( <i>2019 - 51,398,751</i> ) capital preference shares of \$0.50 each	<u><b>25,699</b></u>	<u><i>25,699</i></u>
	<u><b>25,699</b></u>	<u><i>25,699</i></u>
	<b>2020</b>	<i>2019</i>
	<b>\$000</b>	<i>\$000</i>
<b>Shares classified as debt</b>		
<b>Authorised</b>		
100,000,000 ( <i>2019 - 100,000,000</i> ) preference shares of \$0.50 each	<u><b>50,000</b></u>	<u><i>50,000</i></u>
<b>Allotted, called up and fully paid</b>		
51,398,751 ( <i>2019 - 51,398,751</i> ) preference shares of \$0.50 each	<u><b>25,699</b></u>	<u><i>25,699</i></u>

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## ANGLO AMERICAN PREFCO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 15. Called up share capital (continued)

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

The Company's issued share capital is one ordinary share of £1, 51,398,751 capital preference shares of US\$0.50 and 51,398,751 preference shares of US\$0.50. Capital preference and preference shares have been classified as debt or equity based on the terms of the shares in accordance with IAS 32 (refer to note 14). The capital preference shares do not have any rights to dividends.

On a return of capital on winding up, holders of preference shares have the right, in priority to any payment to holders of any other class of shares, to the repayment of a sum equal to the nominal capital and any premium paid up or credited as paid up on the preference shares held by them and accruals (if any) of the preferential dividend, whether declared or not, accrued up to the date of winding up. The holders of preference shares are not entitled to any further or other right of participation in the assets of the Company.

In the event of winding up, capital preference shareholders will be, in priority to any payment to holders of any other class of shares (with the exception of preference shareholders), entitled to the repayment of a sum equal to the nominal capital paid up, or credited as paid up, on the capital preference shares held by them together with a premium of US\$38.65 per capital preference share held. Holders of capital preference shares are not entitled to any further participation or right of participation in the assets of the Company.

The holders of the preference shares and the capital preference shares have the right to vote at General Meetings of the Company only if a resolution is to be proposed modifying any rights of the holders of such shares or to wind up the Company. In addition, the preference shareholders are entitled to vote if and when the dividend on the preference shares is six months or more in arrears.

#### 16. 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

The other reserves balance represents the negative equity component of preference shares. The liability proportion of the 51,398,751 preference shares of \$0.50 was revalued in 2005 on transition to FRS 25 and resulted in a value significantly higher than the nominal value of \$25,699,000. The difference between the fair value of the liability on transition and the previous carrying value in share capital and share premium was recorded as a negative other reserve of \$475,286,000.

##### Profit and loss account

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

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**ANGLO AMERICAN PREFCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**17. Prior year adjustment**

Amounts paid in excess of the minimum dividend entitlement of \$0.60 per preference share were previously classified as equity dividends paid. In 2020 these amounts have been classified as interest payable, consistent with the treatment of the minimum dividend entitlement as there is no discretion for the Company to avoid paying the additional preferential dividend if Anglo American plc declares and pays a dividend and the 2019 comparatives have been restated to move \$201,483,000 from dividends in the Statement of changes in equity to interest payable in the Statement of comprehensive income. The impact on the 2018 comparatives would be the restatement of \$180,924,000 from dividends in the Statement of changes in equity to interest payable in the Statement of comprehensive income.

**18. Post balance sheet events**

On 6 May 2021, the Company received dividends of \$147,539,000 from its subsidiary Anglo American Holdings Limited.

On 6 May 2021, the Company declared and paid an interim dividend of \$2.88 per share to A.R.H. Limited of \$148,028,000 on its preference shares.

**19. Ultimate parent undertaking and controlling party**

The ultimate parent company and ultimate controlling entity is Anglo American plc, a company incorporated in the United Kingdom and registered in England and Wales. Anglo American plc is the parent undertaking of the largest and smallest group which includes the Company and for which group financial statements are prepared. Its financial statements may be obtained from the Company Secretary, 17 Charterhouse Street, London, EC1N 6RA, the registered office of the Company.