

Anglo American Capital plc

Report and Financial Statements
For the year ended 31 December 2017

Company Registration No. 04658814

Anglo American Capital plc

Report and financial statements 2017

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Anglo American Capital plc

Report and financial statements 2017

Officers and professional advisers

Directors

J Mills
D Smailes
A MacPherson
C Davage
S Pearce
E Klonarides

Secretaries

Anglo American Corporate Secretary Limited

Registered office

20 Carlton House Terrace
London SW1Y 5AN

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Auditor

Deloitte LLP
Statutory Auditor
Hill House
1 Little New Street
London
EC4A 3TR

Anglo American Capital plc

Strategic report

Business review and principal activities

Anglo American Capital plc ("AA Capital plc") ("the Company") is a wholly owned subsidiary of Anglo American plc ("AA plc") ("the Parent").

The Company is a finance company participating in the finance arrangements of the Anglo American group of companies ("the Group"). The Company supports the Group, managing the Group cash and financing position through capital planning and debt issuances, managing excess cash through liquidity funds and working with the Group to help manage cash flows around large capital expenditure requirements and dividend payments. There have not been any significant changes in the Company's principal activities during the year and the directors do not envisage any significant changes in the Company's activities in the foreseeable future.

As shown in note 4 on page 19, the Company's net finance income decreased by \$84 million (2016: \$636 million decrease) primarily due to an increase in interest payable to Other Group Companies. During 2017, global economic growth quickened to its fastest pace since the financial crisis. In the mining sector, demand turned out to be considerably stronger than had been envisaged some 12 months earlier. This had a positive effect on many of the metals and minerals that Anglo American produces, with notable price increases in metallurgical coal and iron ore prices. This has had a notable impact on the impairments losses recognised in the Company. Of the prior year accumulated impairment balance of \$2,283 million, there has been a reversal of \$1,449 million for Group loan receivables which are now considered to be recoverable driven by the improved financial position of some Group companies in the year ended 31 December 2017. This was offset by the impairment of \$2 million raised in the current financial year for other Group entities (see note 5) giving a net credit of \$1,446 million in relation to impairment movements in the year ended 31 December 2017. The Company has impairments losses recognised against two of its intercompany loans (2016: three loans). This has resulted in the Company recognising a profit after tax of \$1,586 million (2016: \$1,456 million) for the year ended 31 December 2017.

The Group's finance costs are discussed in the Group's Annual Report, which includes this Company. The Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The principal risks to the Company's business are changes in interest rates and movements in foreign exchange rates. An explanation of these risks and how they are managed is referred to in note 7 on pages 22-25.

The Company is also exposed to intercompany credit risk as losses may be suffered should an intercompany counterparty be unable to service its debt obligations. This intercompany credit risk arises from a range of risks to which the rest of the Group is exposed. Group risks and the processes to manage them are discussed in the Group's Annual Report, which does not form part of this Report.

Results and dividends

The profit after taxation for the year is \$1,586 million (2016: \$1,456 million). Dividends of \$Nil were paid to the ordinary shareholder during the year (2016: \$Nil). A 3% preference dividend of \$1,992 was paid to the preference shareholder during the year (2016: \$1,947).

Approved by the Board of Directors on 27 February 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J Mills', with a stylized flourish at the end.

John Mills
Director
27 February 2018

Anglo American Capital plc

Directors' report

The directors present their Report and the audited financial statements of the Company for the year ended 31 December 2017.

Directors

The following served as directors throughout the year up to the date this report was approved, except where indicated:

J Mills
R Médori (resigned 05 May 2017)
D Smailes
A MacPherson
C Davage
S Pearce (appointed 14 June 2017)
E Klonarides (appointed 13 September 2017)

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.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies (note 1) in the financial statements.

Subsequent events

On 7 February 2018, Anglo American gave notice that it will redeem all of its outstanding \$750 million, 9.375% US bond, due April 2019, on 9 March 2018.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- 1) so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- 2) he has taken all steps that he ought to have taken as a director to make himself 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 provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as auditors and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 27 February 2018 and signed on its behalf by:



John Mills
Director
27 February 2018

Anglo American Capital plc

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report and 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 prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 judgements 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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO AMERICAN CAPITAL PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- **give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;**
- **have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements of Anglo American Capital plc (the 'Company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the accounting policies; and
- the related notes 1 to 16.

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 FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none">• Transfer pricing on margin charged on the amounts due from/to other members of the Anglo American plc group (the 'Group').• Impairment of amounts due from fellow Group undertakings
Materiality	The materiality that we used in the current year was \$55.1 million which was determined on the basis of 0.5% of debt in issue as at 31 December 2017.
Scoping	Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risks of

material misstatement.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Transfer pricing on margin charged on amounts due from/to fellow Group undertakings

Key audit matter description




As disclosed in Note 1 and Note 4, the Company recognises interest income and expense from amounts due from/to fellow Group undertakings of \$1,116 million and \$333 million, respectively. The margin charged over the risk free rate in respect of these amounts is determined as a key audit matter with respect to transfer pricing arrangements and the appropriateness of the rate charged over the loans.

The transfer pricing implications on intercompany transactions could result in a risk of material misstatement due to possible over- or understatement of revenue or expense included in the Company's tax computations.

How the scope of our audit responded to the key audit matter	<p>We reviewed the transfer policy related to intercompany transactions and, along with the tax specialists within the audit team, we assessed the appropriateness of the margin thresholds used in determining the interest rate used on calculating interest income or expense.</p> <p>We evaluated the design and implementation of key controls around Management's calculation of the interest rate used on amounts due from/to fellow Group undertakings.</p> <p>We also obtained intercompany agreements and recalculated the interest income/expense balance for a sample of loans.</p>
Key observations	<p>From the work performed, we concluded that management's margin applied to the intercompany balances during the year was appropriate.</p>

Impairment of amounts due from fellow Group undertakings

Key audit matter description 	<p>As disclosed in Note 1 and Note 8, the Company provides funding to other members of the Group. Assets comprise of loan receivables from Group undertakings totalling \$29,869 million and accumulated impairment of \$872 million.</p> <p>As disclosed in Note 1 and Note 5, the Company is exposed to credit risk as losses may be suffered should a counterparty be unable to service its debt obligations. A review of the loan receivable balances within the Company was undertaken with particular focus on each of the impairments recognised at a Group level. An assessment was made as to the borrower's ability to repay the debts due and therefore the recoverability of the loan receivable balance.</p> <p>Given the high level of judgements involved, we have determined that there was a potential for fraud through possible manipulation of this balance. This is a critical accounting judgement that involves assumptions, including the discount rate used, the short-term and long-term commodity prices and the expected production profiles of the Group undertaking, used by management in their assessment.</p>
How the scope of our audit responded to the key audit matter	<p>We evaluated management's assessment as to whether indicators of impairment or impairment reversal exist for loan receivables from Group undertakings.</p> <p>We evaluated the design and implementation of key controls around Management's impairment assessment and calculations used to determine impairment or impairment reversal in the current year.</p> <p>We challenged management's assessment on the appropriateness of the carrying value through obtaining the latest audited financial information and by assessing the ability of the group undertakings to repay these amounts. Where the Group team determined an impairment should be recognised, we compared the outstanding loan amount to the net asset value ("NAV") to determine the amount of impairment recognised in the current year.</p> <p>For the loan receivables which are now considered to be recoverable, we evaluated management's assessment on the recoverability of the loan amount, including the current NAV of the borrower and the economic situation as assessed by the Group team to determine if the impairment reversal is appropriate in the current year.</p>

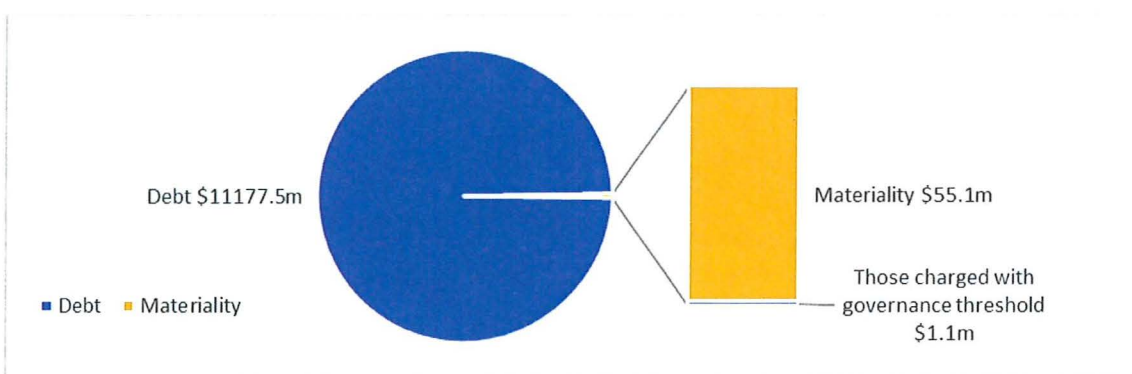
Key observations From the work performed, we concluded that management's assessment of the impairment provision, including the portion that reversed in the current year, was appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	\$55.1 million
Basis for determining materiality	0.5% of debt in issue as at 31 December 2017
Rationale for the benchmark applied	In our professional judgement, we believe the main purpose of the Company is to issue debt in the market in order to fund the Group and its subsidiaries and this is the main driver of activities in the Company. The debt is long term and the levels are determined based on the requirements of the Group.



We agreed with those charged with governance that we would report to them all audit differences in excess of \$1.1 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. We have not scoped out any significant balances.

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.

We have nothing to report in respect of these matters.

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.

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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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 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.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Other matters

Auditor tenure

Following the recommendation of those charged with governance, we were appointed by directors on 6 February 2003 to audit the financial statements for the year ending 31 December 2003 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 15 years, covering the years ending 31 December 2003 to 31 December 2017.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).



Simon Stephens (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 February 2018

Anglo American Capital plc
Company Registration No. 04658814

Profit and loss account
For the year ended 31 December 2017

US\$'000	Note	2017	2016
Administrative expenses		(3,185)	(3,062)
Operating loss	3	(3,185)	(3,062)
Interest receivable and similar income	4	1,152,214	1,104,247
Interest payable and similar charges	4	(972,486)	(840,689)
Impairment reversals	5	1,446,309	1,200,012
Profit on ordinary activities before taxation		1,622,852	1,460,508
Tax on profit on ordinary activities	6	(37,062)	(4,631)
Profit for the financial year		1,585,790	1,455,877

All results derive from continuing operations.

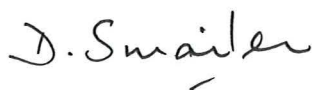
There are no recognised gains and losses for the year other than the gain shown above. Therefore, no separate Statement of other comprehensive income has been presented.

Anglo American Capital plc
Company Registration No. 04658814

Balance sheet
As at 31 December 2017

US\$'000	Note	2017	2016
Fixed assets			
Derivative financial instruments	7	306,859	473,623
		306,859	473,623
Current assets			
Derivative financial instruments	7	28,261	19,603
Debtors – due within one year	8	29,002,206	28,849,606
Investments	9	4,398,204	2,242,386
Cash and cash equivalents		10,532	-
		33,439,203	31,111,595
Creditors: amounts falling due within one year			
Derivative financial instruments	7,10	(225,935)	(186,136)
Short-term borrowings	10	(17,320,660)	(15,112,880)
Other creditors	10	(7,360)	(161,813)
		(17,553,955)	(15,460,829)
Net current assets		15,885,248	15,650,766
Total assets less current liabilities		16,192,107	16,124,389
Creditors: amounts falling due after more than one year			
Deferred tax	11	(31,018)	-
Derivative financial instruments	7,10	(457,520)	(1,602,092)
Medium and long-term borrowings	10	(10,064,088)	(10,468,606)
		(10,552,626)	(12,070,698)
Net assets		5,639,481	4,053,691
Capital and reserves			
Called-up share capital	13	6	6
Share premium account		4,519,995	4,519,995
Capital contribution		1,000	1,000
Profit and loss account		1,118,480	(467,310)
Total shareholder's funds		5,639,481	4,053,691

The financial statements of Anglo American Capital plc were approved by the Board of Directors and authorised for issue on 27 February 2018. They were signed on its behalf by:



Douglas Smailes
Director

Anglo American Capital plc
Company Registration No. 04658814

Statement of changes in equity
For the year ended 31 December 2017

US\$'000	Called up share capital	Share premium	Capital contribution	Profit and loss account	Total
Balance at 1 January 2016	1	20,000	1,000	(1,923,187)	(1,902,186)
Issue of share capital	5	4,499,995	-	-	4,500,000
Profit for the financial year	-	-	-	1,455,877	1,455,877
Dividends	-	-	-	-	-
Balance at 31 December 2016	6	4,519,995	1,000	(467,310)	4,053,691
Issue of share capital	-	-	-	-	-
Profit for the financial year	-	-	-	1,585,790	1,585,790
Dividends	-	-	-	-	-
Balance at 31 December 2017	6	4,519,995	1,000	1,118,480	5,639,481

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Anglo American Capital plc is a company incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on page 2.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC). The financial statements are therefore prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the Group financial statement of Anglo American plc. The Group financial statements of Anglo American plc are available to the public and can be obtained as set out in note 15.

Going concern

The financial statements have been prepared on a going concern basis. The Company's ability to continue as a going concern is assessed in conjunction with the Group, as its viability is dependent on the ability of other Group companies to settle their intercompany balances with the Company. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the foreseeable future. The directors of the Company are satisfied after appropriate consultation with the directors of Anglo American plc that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for foreseeable future.

Preference shares

Under IAS 32 "Financial Instruments: Presentation", where the terms of issuance require the issuer to redeem preference shares for a fixed or determinable amount at a fixed or determinable future date, or where the holder has the option of redemption, these shares are classified as liabilities and the dividends paid on these shares classified as a finance cost. When preference shares are non-redeemable, the appropriate classification is determined by the other rights that attach to them which are not at the discretion of the directors. The Company's preference shares entitle the holders to a fixed cumulative dividend of 3% per annum and these shares are, therefore, considered financial liabilities.

Foreign currency

Transactions in currencies other than the functional currency during the year have been translated and included in the financial statements at the rates of exchange prevailing at the time those transactions were executed. Monetary assets and liabilities denominated in foreign currencies at

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

1. Accounting policies (continued)

the balance sheet date has been translated at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Profits and losses arising on foreign currency transactions and balances are recognised in the profit and loss account.

Taxation

Current tax, including UK Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Derivative financial instruments and hedge accounting

To manage its exposure to foreign exchange and interest rate risks, the Company enters into foreign exchange forward, interest rate and cross currency interest rate swap contracts. All derivatives are held at fair value on the balance sheet within derivative financial instruments (assets and liabilities) and are classified as current or non-current depending on the maturity of the derivative.

The valuations of financial instruments are adjusted for the risk that contractual cash flows will not be paid because of the risk of default by one of the parties. A credit valuation adjustment (CVA) is applied to the valuation of financial assets, reflecting the possibility of default by the counterparty. A debit valuation adjustment (DVA) is applied to the valuation of financial liabilities, reflecting the possibility that the Company may default on its obligations. These adjustments are calculated based on the expected net positive or negative exposure to the counterparty, and with reference to the counterparty's and Anglo American plc's, as guarantor, credit default swap spread at the balance sheet date.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in the fair value attributable to the risk being hedged with the corresponding entry in the profit and loss account. Gains or losses from revaluing the associated derivative (i.e. the hedging instrument) are also recognised in the profit and loss account, resulting in an offset.

Where, during the life of the hedge relationship the hedge becomes ineffective, hedge accounting is discontinued and the future fair value changes on the hedge instrument are recorded in the profit and loss account but are no longer offset with the fair value changes of the underlying hedged item.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

1. Accounting policies (continued)

Changes in fair value of any derivative instruments that are not hedge accounted are recognised immediately in the profit and loss account and are classified within net interest receivable and payable.

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

Borrowings

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

Interest receivable and similar income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investments

Investments comprise short term, highly liquid investments in liquidity funds and US Treasury funds that are readily convertible to a known amount of cash as well as money market deposits which have a maturity of less than three months. Both are subject to an insignificant risk of changes in value.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet. Cash and cash equivalents are measured at amortised cost.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The critical judgements and estimations that could have a significant impact on the results of the Company are set out below and should be read in conjunction with the information provided in the Notes to the financial statements.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

1. Accounting policies (continued)

Impairment of financial assets (including receivables)

A financial asset not measured at fair value through profit and loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in the profit and loss account. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through the profit and loss account.

Reporting currency

As permitted by UK Company law, the Company reports in US dollars, the currency in which most of its business is conducted (functional currency).

2. Information regarding directors and employees

The Company has no employees (2016: Nil). The directors received no remuneration in respect of their services to the Company (2016: \$Nil).

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

3. Operating loss

Operating loss is stated after charging:

US\$'000	2017	2016
Auditor's remuneration for audit of Anglo American Capital plc		
Audit fee	18	18
Management fees	3,167	3,044
	3,185	3,062

Fees payable to Deloitte LLP and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. No services were provided pursuant to a contingent fee arrangements. A portion of the Company's audit fee was borne by its Parent company and included in the consolidated financial statements of the Group entity.

4. Finance income

US\$'000	2017	2016
Interest receivable and similar income		
Interest income on investments	35,996	12,994
Interest receivable from Group companies	1,116,218	1,091,253
Interest receivable and similar income	1,152,214	1,104,247
Interest payable and similar charges		
Interest on borrowings, bank loans and overdrafts	(464,955)	(447,651)
Interest payable to Group companies		
Anglo American plc	(4,698)	(26,127)
Other Group companies	(328,445)	(260,424)
Foreign exchange losses	(66,433)	(1,020)
Net fair value losses on derivatives	(107,955)	(105,467)
Interest payable and similar charges	(972,486)	(840,689)
Net finance income	179,728	263,558

Fair value gains and losses on derivatives, presented above, include the mark-to-market fair value of changes of interest rate derivatives and currency derivatives designated as fair value hedges, net of fair value changes in the associated hedged risk.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

5. Impairment and impairment reversals

US\$'000	2017	2016
Impairments recognised during the year	(2,389)	(1,865,354)
Impairment reversals recognised during the year	1,448,698	3,065,366
Net Impairment reversals	1,446,309	1,200,012

As one of the Group's main financing entities, AA Capital plc provides funding to a large number of other Group companies and assets are comprised of loans receivable from group undertakings, highly liquid investments in liquidity funds and US Treasury funds (Investments) and derivative positions (Other financial assets) at 31 December 2017. The carrying value of the Investments and Other financial assets equate to the fair value in a liquid market so are highly certain to be recoverable. For the loan receivables from Group companies a review has been conducted to assess the borrower's ability to repay the debts due as at 31 December 2017.

A review of the loan receivable balances within AA Capital plc was undertaken with particular focus on each of the impairments recognised at a Group level. These specific receivables were traced through to their direct lending relationships. Those involving AA Capital plc were identified and an assessment was made as to the impact the impairments had on the borrower's ability to repay the debts due and therefore the recoverability of the loan receivable balance by AA Capital plc.

Based on the assessment performed, a net impairment reversal of \$1,446 million (2016: \$1,200 million) has been recognised during the year. This is net of the reversal of \$1,449 million impairments made in 2016 for Group loan receivables which are now considered to be recoverable driven by the improved financial position of some Group companies in the year ended 31 December 2017. This has been offset by additional impairment for certain loan receivables of \$2 million in the year, due to the deterioration of the financial positions of other Group companies in the year ended 31 December 2017.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

6(a). Tax charge on profit on ordinary activities

US\$'000	2017	2016
Current & Deferred tax		
Current tax on profits for the year	(6,044)	(4,631)
Deferred tax for the year	(31,018)	-
Total tax on profit on ordinary activities	(37,062)	(4,631)

6(b). Factors affecting tax charge for year

US\$'000	2017	2016
Profit/(loss) on ordinary activities before tax	1,622,852	1,460,508
Estimated amount of tax on ordinary activities (calculated at standard rate of corporation tax in the UK of 19.25% (2016: 20%))	312,343	292,102
Effects of:		
Income not taxable	(278,825)	(613,073)
Expenses not deductible for tax purposes	461	373,070
Group relief received for nil consideration	(27,935)	(47,468)
Deferred withholding tax liability on accrued interest	31,018	-
Total tax charge for the year	37,062	4,631

Income not taxable comprises \$279 million (2016: \$613 million) relating to the \$1,449 million (2016: \$3,065 million) reversal of impairment. Expenses not deductible for tax purposes includes \$0.5 million (2016: \$373m) relating to the \$2 million (2016: \$1,865m) impairment recognised in 2017.

On 26 October 2015, the Finance (No. 2) Act 2015 was substantively enacted and provided for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and a further 1% reduction to 18% from 1 April 2020. On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for an additional reduction in the main rate of UK corporation tax to 17% from 1 April 2020. Where relevant the reduced rates have been reflected in the calculation of deferred tax at the balance sheet date.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

7. Other financial assets/liabilities

The fair values of all derivatives and financial assets and liabilities designated as fair value through profit and loss are separately recorded on the balance sheet within 'Other financial assets' and 'Other financial liabilities'. Derivatives are classified as current or non-current depending on their maturity. Derivatives are only used to hedge fluctuations in foreign exchange rates and interest rates. They are not used for speculative purposes.

Foreign exchange risk

The Company uses currency swaps to limit the effects of movements in exchange rates on foreign currency denominated assets and liabilities.

Interest rate risk

The Company uses interest rate swap contracts to manage its exposure to interest rate movements on its existing debt.

Liquidity risk

The Company ensures that there are sufficient committed loan facilities in order to meet short term business requirements, after taking into account cash flows from operations and its holdings of cash and cash equivalents, as well as any distribution restrictions that exist.

Fair value hedges

The Company policy is to borrow funds at floating rates of interest. The Company uses interest rate swaps to manage its exposure to interest rate movements and these are designated as fair value hedges. The respective carrying values of the hedged debt are adjusted to reflect the fair value of the interest rate risk being hedged. Subsequent changes in the fair value of the hedged risk are offset against fair value changes in the interest rate swap and classified within financing costs in the profit and loss account.

Other derivatives

The Company may choose not to designate certain derivatives as hedges ('Held-for-trading') where although economically hedged, hedge accounting cannot be achieved or where gains and losses on both the derivative and hedge item naturally offset in the profit and loss account as is the case for certain cross currency swaps of non-US dollar debt. Fair value changes on these derivatives are recognised in the profit and loss account and are classified within net finance income.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

7. Other financial assets/liabilities (continued)

The fair values of the open derivative positions as at 31 December 2017 are as follows:

US\$'000	Asset	Liability
Current		
Fair value hedge ⁽¹⁾		
Interest rate swaps	21,131	-
Held-for-trading ⁽²⁾		
Cross currency swaps	-	(209,261)
Foreign currency forwards	7,130	(16,674)
Total current derivatives	28,261	(225,935)
Non-current		
Fair value hedge		
Interest rate swaps	285,198	(57,716)
Held-for-trading		
Cross currency swaps	21,661	(399,804)
Total non-current derivatives	306,859	(457,520)

⁽¹⁾ Recognised in the Profit and Loss account is a gain on fair value hedged items of \$205 million, offset by a loss on fair value hedging instruments of \$215 million.

⁽²⁾ Recognised in the Profit and Loss account is a \$98 million loss relating to derivatives held at fair value through profit and loss.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

7. Other financial assets/liabilities (continued)

The fair values of the open derivative positions as at 31 December 2016 were as follows:

US\$'000	Asset	Liability
Current		
Fair value hedge ⁽¹⁾		
Interest rate swaps	9,420	-
Held-for-trading		
Cross currency swaps	-	(176,617)
Foreign currency forwards	10,183	(9,519)
Total current derivatives	19,603	(186,136)
Non-current		
Fair value hedge		
Interest rate swaps	473,623	(9,421)
Held-for-trading		
Cross currency swaps	-	(1,592,671)
Total non-current derivatives	473,623	(1,602,092)

⁽¹⁾ Recognised in the Profit and Loss account is a gain on fair value hedged items of \$104 million, offset by a loss on fair value hedging instruments of \$109 million.

⁽²⁾ Recognised in the Profit and Loss account is a \$100 million loss relating to derivatives held at fair value through profit and loss.

These marked to market valuations are not predictive of the future value of the hedged position, nor the future impact on the profit of the Company. The valuations represent the cost of closing out all hedge contracts at the year end, at market prices and rates available at the time.

Included within the fair value of the derivative assets and liabilities above is the credit and debit valuation adjustments recorded to reflect in the fair value of financial assets and liabilities the effect of our counterparty's credit quality and Anglo American's own credit quality respectively based on observed credit spreads. These adjustments are calculated in total for each counterparty based on the net expected exposure. In many cases this includes exposures on a number of different types of derivative instruments. As at 31 December 2017 the debit valuation adjustment was \$9 million (2016: \$73 million) and was fully attributable to derivatives hedging net debt.

The Company is exposed in varying degrees to a variety of financial instrument related risks. For more information about these risks and the ways in which the Company manages them please refer to note 1.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

7. Other financial assets/liabilities (continued)

As all external debt is swapped to US dollar 3-month Libor, the greatest sensitivity to the Company is a change in US dollar 3-month Libor.

A 50 basis point increase in US dollar 3-month Libor would result in an increase of \$55 million in interest expense (2016: \$ 59 million). A 50 basis point decrease would result in a decrease of \$55 million in interest expense (2016: \$ 59 million).

The fair value hierarchy has 3 levels and they are defined as follows:

Level 1 - valued using unadjusted quoted prices in active markets for identical financial instruments;

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

Level 3 - instruments in this category have been valued using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input.

All derivatives, current and prior year, held by the Company fall within the Level 2 fair value hierarchy as they are traded in an active market but the nature of the derivative contracts are unique and between two counterparties for which quoted prices are not continuously available.

There has been no movements in or out of the Level 3 category during both the current or prior year.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

8. Debtors

US\$'000	2017	2016
Amounts due from fellow Group undertakings:		
Other Group companies	29,869,236	31,131,297
Accumulated impairment ⁽¹⁾	(871,797)	(2,283,206)
Interest receivable	4,767	1,515
	29,002,206	28,849,606

⁽¹⁾ Recognised in accumulated impairments are amounts relating to foreign exchange movements as well as capitalised interest.

9. Financial assets

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

US\$'000	2017		2016	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
Debtors ⁽¹⁾	29,002,206	29,002,206	28,849,606	28,849,606
Investments ⁽²⁾	4,398,204	4,398,204	2,242,386	2,242,386
Other financial assets (derivatives) ⁽³⁾	335,120	335,120	493,226	493,226
Cash and Cash Equivalents ⁽⁴⁾	10,532	10,532	-	-
Total financial assets	33,746,062	33,746,062	31,585,218	31,585,218

⁽¹⁾ Debtors are classed under level 2 in the fair value hierarchy as they are valued using techniques based significantly on observable market data. The debtor balances represent the present value of the future cash flows after taking into account impairments. The carrying value of Debtors approximates the fair value as the credit risk element has been taken into account with the impairments raised. All the Debtors form part of the AA plc group, the credit rating of AA plc as at 31 December 2017 was BBB- (Standard & Poor's) and Baa3 (Moody's Investors Services).

⁽²⁾ Investments are highly liquid and short term in nature therefore the fair value approximates the carrying value. As such these are classed as level 1 in the fair value hierarchy.

⁽³⁾ Fair value is determined by reference to market prices where available, otherwise pricing or valuation models are applied to current market information to estimate their value.

⁽⁴⁾ Cash and cash equivalents comprise cash in hand that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. As such these are classed as level 1 in the fair value hierarchy.

As there is no collateral held, the amounts shown above represent the maximum exposure to credit risk.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

9. Financial assets (continued)

Currency and interest rate profile

The exposure of the Company to interest rate and currency risk is in respect of financial assets as follows:

Floating rate financial assets

US\$'000	2017	2016
US dollar	4,406,562	2,234,923
Sterling	2,174	7,463
Total (excluding derivatives)	4,408,736	2,242,386
Derivatives	335,120	493,226
Total financial assets (excluding debtors)	4,743,856	2,735,612

Financial assets include loans to and deposits from other Group companies which are denominated in a variety of currencies. Where such loans and deposits are denominated in currencies other than US dollar, foreign currency forwards are entered into to reduce the currency risk. Interest on floating rate assets is predominantly based on the relevant national inter-bank rates.

Derivative assets consist of interest rate swaps and foreign currency forwards. Where the interest rate swap relates to non-US dollar debt, a cross currency swap has been entered into to swap the debt into US dollar which reduces the currency risk.

10. Financial liabilities

In March and September 2017, the Company completed bond buyback transactions consisting of Euro, Sterling and US Dollar denominated bonds with maturities from April 2018 to November 2020. The Company used \$3.2 billion of cash to retire \$3.1 billion of contractual repayment obligations (including derivatives hedging the bonds).

During 2017, the Company issued corporate bonds with a US dollar equivalent value of \$3 billion. These included the following bonds:

- €600 million 1.625% guaranteed loan notes due 2025 issued under the European Medium Term Note programme.
- \$300 million 3.75% senior notes due 2022, \$650 million 3.625% senior notes due 2024, \$700 million 4.75% senior notes due 2027 and \$650 million 4% senior notes due 2027 through accessing the US bond markets.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

10. Financial Liabilities (continued)

Fair values of financial liabilities

The carrying value and fair value of financial liabilities are as follows:

US\$'000	2017		2016	
	Fair values	Carrying Values	Fair values	Carrying Values
Other creditors (including interest accruals)	7,360	7,360	161,813	161,813
Other financial liabilities (derivatives)	683,455	683,455	1,788,229	1,788,229
Current external borrowings	1,283,758	1,274,282	1,778,306	1,770,003
Current borrowings from Group companies (excluding AA plc)	15,482,651	15,482,652	12,930,448	12,930,448
Anglo American plc deposit	563,726	563,726	412,429	412,429
Preference shares	79	79	79	79
Non-current external borrowings	10,458,510	10,064,009	10,534,574	10,468,527
Total financial liabilities	28,479,539	28,075,563	27,605,878	27,531,528

All of the financial liabilities above are held at amortised cost other than Other financial liabilities (derivatives) which are recognised at fair value.

Fair value is determined by reference to quoted market prices for similar issues, where applicable; in all other cases, the directors consider that the carrying value is a good approximation to fair value apart from derivatives where the carrying value is adjusted by a credit and debit valuation adjustment to reflect in the fair value the effect of our counterparty's credit quality and Anglo American's own credit quality respectively based on observed credit spreads. Further details are included in note 7.

The borrowings are presented on an unhedged basis. The fair value of associated derivatives is recorded separately within 'Other financial assets' and 'Other financial liabilities' (see note 7).

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

10. Financial Liabilities (continued)

Maturity profile

All liabilities are unsecured. The maturity profile of the Company's borrowings at 31 December 2017 was as follows.

US\$'000	Within 1 year or on demand	Between 1-2 years	Between 2-5 years	After 5 years	Total
At 31 December 2017					
Bank loans and overdrafts	10,001	-	-	-	10,001
Bond issues	1,264,281	1,202,200	4,607,098	4,254,711	11,328,290
Preference shares	-	-	-	79	79
Borrowings from Group Companies ⁽¹⁾	16,046,378	-	-	-	16,046,378
Total borrowings (excluding hedges)	17,320,660	1,202,200	4,607,098	4,254,790	27,384,748

US\$'000	Within 1 year or on demand	Between 1-2 years	Between 2-5 years	After 5 years	Total
At 31 December 2016					
Bank loans and overdrafts	51,872	-	-	-	51,872
Bond issues	1,718,131	1,900,581	5,601,283	2,966,663	12,186,658
Preference shares	-	-	-	79	79
Borrowings from Group Companies ⁽¹⁾	13,342,877	-	-	-	13,342,877
Total borrowings (excluding hedges)	15,112,880	1,900,581	5,601,283	2,966,742	25,581,486

⁽¹⁾ Where there are non USD denominated borrowings from group companies, foreign currency forwards are entered into to reduce the currency risk. The foreign currency forward derivative liability balance at 31 December 2017 is \$17 million (2016: \$10 million), all are due to mature with in one year.

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Notes to the accounts

Year ended 31 December 2017

10. Financial Liabilities (continued)

The effect of derivatives used to hedge interest and currency risk is as follows. The table shows the carrying value of borrowings together with the mark-to-market at the balance sheet date of the associated swaps; the maturity of which is analysed to match the maturity of the underlying bonds:

US\$'000	Within 1 year or on demand	Between 1-2 years	Between 2-5 years	After 5 years	Total
At 31 December 2017					
Total borrowings ⁽¹⁾	1,274,282	1,202,200	4,607,098	4,254,790	11,338,370
Interest rate swaps	(21,131)	(33,810)	(161,027)	(32,645)	(248,613)
Currency derivatives	209,080	25,238	219,042	134,044	587,404
Total hedged borrowings	1,462,231	1,193,628	4,665,113	4,356,189	11,677,161

US\$'000	Within 1 year or on demand	Between 1-2 years	Between 2-5 years	After 5 years	Total
At 31 December 2016					
Total borrowings ⁽¹⁾	1,770,003	1,900,581	5,601,283	2,966,742	12,238,609
Interest rate swaps	(9,420)	(72,133)	(202,303)	(189,766)	(473,622)
Currency derivatives	176,228	610,586	559,317	423,158	1,769,289
Total hedged borrowings	1,936,811	2,439,034	5,958,297	3,200,134	13,534,276

⁽¹⁾ Excludes other creditors and amounts payable to Group companies

Anglo American Capital plc

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Year ended 31 December 2017

10. Financial Liabilities (continued)

Currency and interest rate profile

As AA Capital plc uses cross currency interest rate swaps to swap foreign currency debt issues to US dollar.

The exposure of the Company to interest rate and currency risk with respect to financial liabilities is as follows:

US\$'000	Total	Floating rate borrowings	Fixed rate borrowings	Effective interest rate %	Weighted average for which rate is fixed in years
At 31 December 2017					
US Dollar	5,434,064	10,001	5,424,063	4.94	5.53
Sterling	130,344	-	130,344	6.88	0.33
Euro	5,285,778	-	5,285,778	2.67	3.92
Other currencies	488,184	-	488,184	4.89	0.92
Gross borrowings (excluding hedges)	11,338,370	10,001	11,328,369	3.90	4.52
Impact of Interest Rate Swaps	-	11,328,369	(11,328,369)		
Gross borrowings (after hedges)	11,338,370	11,338,370	-		
Borrowings from Group Companies & Other creditors	16,046,378				
Derivatives	683,455				
Total financial liabilities	28,068,203				

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Year ended 31 December 2016

10. Financial Liabilities (continued)

US\$'000	Total	Floating rate borrowings	Fixed rate borrowings	Effective interest rate %	Weighted average for which rate is fixed in years
At 31 December 2016					
US\$	5,004,305	51,872	4,952,433	4.67	3.64
Sterling	347,583	-	347,583	6.88	1.33
Euro	6,428,886	-	6,428,886	2.57	3.49
Other currencies	457,835	-	457,835	4.86	1.92
Gross borrowings (excluding hedges)	12,238,609	51,872	12,186,737	3.68	3.40
Impact of Interest Rate Swaps	-	12,186,737	(12,186,737)		
Gross borrowings (after hedges)	12,238,609	12,238,609	-		
Borrowings from Group Companies & Other creditors	13,342,877				
Derivatives	1,788,229				
Total financial liabilities	27,369,715				

Undrawn committed borrowing facilities

The Company is a borrower under a \$5.0 billion syndicated facility and two \$200 million bilateral facilities. There were no other changes to these facilities during 2017 and as at 31 December 2017 there were no outstanding amounts drawn under these committed facilities (2016: \$Nil).

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2017

11. Deferred Tax

US\$'000	2017	2016
Opening Balance	-	-
Movement in Profit/ Loss in current year	(31,018)	-
Closing Balance	(31,018)	-

The entire deferred tax liability of \$31 million relates to withholding tax on accrued interest arising on an intercompany loan.

12. Preference shares

US\$'000	2017	2016
Authorised:		
50,000 3% cumulative preference shares of £1 each	79	79
Called up, allotted and fully paid:		
50,000 3% cumulative preference shares of £1 each	79	79

The 3% preference shares of £1 each entitle the holders to receive a cumulative preferential dividend at the rate of 3% per annum, on the paid-up capital. On a return of capital on winding up, the holders of preference shares have the right to the repayment of a sum equal to the nominal capital and any premiums paid up or credited as paid up on the preference shares held by them, and accruals, if any, of the preferential dividend whether accrued or not up to the date of commencement of winding up.

Anglo American Capital plc

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Year ended 31 December 2017

13. Called-up share capital

US\$'000	2017	2016
Authorised:		
1,000,000,000 ordinary shares of US\$1 each	1,000,000	1,000,000
	1,000,000	1,000,000
Called up, allotted and fully paid:		
5,700 ordinary shares of US\$1 each	6	6
	6	6

14. Related party transactions

At 31 December 2017, as identified in note 15, Anglo American plc is the Company's ultimate parent Company. The Company has taken advantage of the exemption granted by Financial Reporting Standard 101 not to disclose related party transactions with Anglo American Group companies. With the exception of an intercompany loan with LLX Minas-Rio Logistica Comercial Exportadora S.A. which has a balance owing to Anglo American Capital plc of US\$230 million (2016: US\$242 million) and related interest income of US\$28 million (2016: US\$32 million). There were no other related party transactions.

15. Ultimate parent company

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.

Anglo American plc is head of the largest and smallest group of undertakings of which the Company is a member and for which Group accounts are prepared.

Copies of the Group accounts 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.

16. Events occurring after end of year

On 7 February 2018, Anglo American gave notice that it will redeem all of its outstanding \$750 million, 9.375% US bond, due April 2019, on 9 March 2018.