

**Anglo American Capital plc**

Report and Financial Statements  
For the year ended 31 December 2019

Company Registration No. 04658814

## **Anglo American Capital plc**

### **Report and financial statements for the year ended 31 December 2019**

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## **Anglo American Capital plc**

### **Report and financial statements for the year ended 31 December 2019**

#### **Officers and professional advisers**

##### **Directors**

A MacPherson  
C Davage  
S Pearce  
E Klonarides  
R Price  
M Walker (Appointed 28 February 2019)  
A Field (Appointed 23 August 2019)  
Z Quattrocchi (Appointed 2 September 2019)

##### **Secretary**

Anglo American Corporate Secretary Limited

##### **Registered office**

20 Carlton House Terrace  
London SW1Y 5AN  
United Kingdom

##### **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 increased by \$104 million to \$506 million (2018: \$223 million increase to \$402 million) primarily as a result of an increase in interest received from other Group companies due to an increase in intercompany loans. Of the prior year accumulated loss allowance balance of \$763 million, there has been a reversal of \$365 million (2018: \$495 million) for Group loan receivables which are now considered to be recoverable driven by the improved financial position of certain Group companies in the year ended 31 December 2019. The Company has recognised loss allowances against two of its intercompany loans (2018: three loans). This has resulted in the Company recognising a profit after tax of \$848 million (2018: \$466 million) for the year ended 31 December 2019.

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.

### Financial 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 10 on pages 27-30.

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, including the risks of a disorderly Brexit and the processes to manage them are discussed in the Group's Annual Report, which does not form part of this report. Refer to note 15.

### Results and dividends

The profit after taxation for the year is \$848 million (2018: \$466 million). Dividends of \$Nil were paid to the ordinary shareholder during the year (2018: \$Nil). A 3% preference dividend of \$1,848 was paid to the preference shareholder during the year (2018: \$1,962).

Approved by the Board of Directors on 27 February 2020 and signed on its behalf by:



Matthew Walker  
Director  
27 February 2020

# 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 2019.

### Directors

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

A MacPherson  
C Davage  
S Pearce  
E Klonarides  
R Price  
M Walker (Appointed 28 February 2019)  
A Field (Appointed 23 August 2019)  
Z Quattrocchi (Appointed 2 September 2019)  
D Smailes (Resigned 31 July 2019)

### Directors' interests

During the year none of the directors held any beneficial interests in the shares of the Company (2018: none).

### Results and dividends

The results and dividends can be found in the Strategic report on page 2 and forms part of this report by cross-reference.

### Political and charitable donations

There have been no political donations during the year (2018: \$Nil).

### Financial risk management and objectives

Details of financial risk management objectives and policies can be found in the Strategic Report and form part of this report by cross-reference.

### 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.

### Future developments

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.

### Subsequent events

On 10 February 2020, the Company exercised its option to extend the maturity of \$4.5 billion of its committed facilities by a further year and \$0.2 billion by two years to March 2025. There are no other subsequent events.

### Corporate governance

The description of the Company's internal control and risk management systems in relation to the financial reporting process are disclosed in the Group's Annual Report, which includes the Company.

Due to the nature of the debt issued, which is listed on the London Stock Exchange, the Company is exempt from the provisions of UK Corporate Governance Code and the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority with the exception of DTR 7.2.5. The directors are therefore satisfied that there is no requirement for an audit committee or to publish a corporate governance statement.

## Anglo American Capital plc

### Directors' report (continued)

#### Auditor

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

#### Disclosure of information to auditors

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

- 1) so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- 2) they have taken all steps that he ought to have taken as a director to make themselves 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.

Approved by the Board of Directors on 27 February 2020 and signed on its behalf by:



Matthew Walker  
Director  
27 February 2020



## **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 of Anglo American Capital plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- 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 which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity;
- the statement of 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 Financial Reporting Council's (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	<p>The key audit matter that we identified in the current year was loss allowance of amounts due from fellow Group undertakings</p> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"><li>! Newly identified</li><li>⬆ Increased level of risk</li><li>⬅ Similar level of risk</li><li>⬇ Decreased level of risk</li></ul>
Materiality	<p>The materiality that we used in the current year was \$45.7 million which was determined on the basis of 0.5% of debt in issue as at 31 December 2019.</p>
Scoping	<p>Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risks of material misstatement.</p>



#### Significant changes in our approach

There were no significant changes to our approach compared to the prior year.

#### 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.

Loss allowance of amounts due from fellow Group undertakings 	
<b>Key audit matter description</b> 	<p>As disclosed in Note 1, Note 5 and Note 7, the Company provides funding to other members of the Group. Assets comprise of gross loan receivables from Group undertakings totalling \$32,430 million (2018: \$31,547 million) and total accumulated loss allowance of \$411 million (2018: \$763 million).</p> <p>As disclosed in Note 1, Note 5 and Note 7, the Company is exposed to credit risk as losses may be suffered should a counterparty be unable to service its debt obligations. Management review the intercompany loan receivable balances within the Company with particular focus on each of the loss allowance on the investment of the members of the group recognised at the consolidated 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, to determine if there is a significant increase in credit risk.</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, specifically related to the definition of default. This is a critical accounting judgement that involves assumptions, including the ability of the Group undertaking to pay its obligation to the Company in full and the support from the Group entity.</p>
<b>How the scope of our audit responded to the key audit matter</b> 	<p>We evaluated management's assessment as to whether indicators of loss allowance or loss allowance reversal exist for loan receivables from Group undertakings.</p> <p>We obtained an understanding of the controls relevant to management's loss allowance calculations used to determine loss allowance or loss allowance reversal in the current year.</p> <p>We challenged management's assessment on the appropriateness of the carrying value through obtaining the latest financial information of the group undertakings and by assessing the ability of these counterparties to repay these loan amounts.</p>

We evaluated management's assessment of the recoverability of the loan amount, including assessing the highly liquid asset balance of the borrower and the economic situation to determine if a loss allowance or a loss allowance reversal is appropriate in the current year.

#### Key observations



From the work performed, we concluded that management's assessment of the loss allowance, including the portion that reversed in the current year, was appropriate.

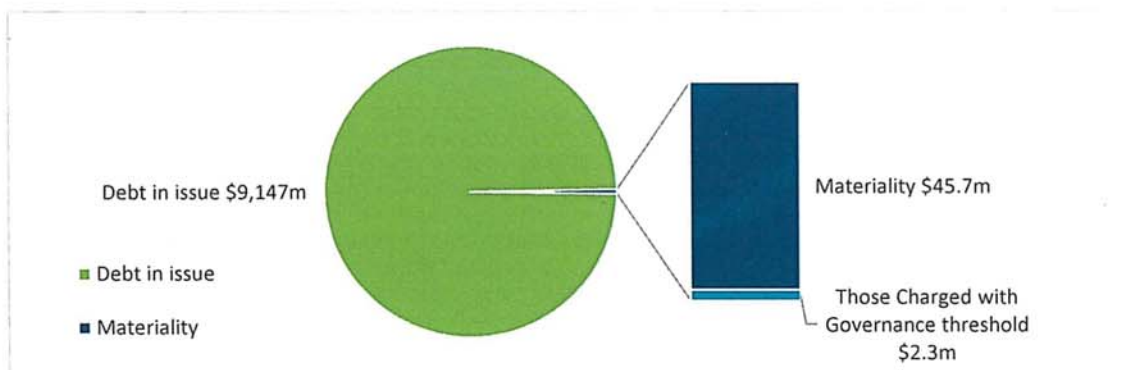
#### Our application of materiality

##### 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	\$45.7 million (2018: \$41.7 million)
Basis for determining materiality	0.5% of debt in issue as at 31 December 2019 (2018: 0.5% of debt in issue)
Rationale for the benchmark applied	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.



##### Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%).

##### Error reporting threshold

We agreed with those charged with governance that we would report to them all audit differences in excess of \$2.3 million (2018: \$0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The change year on year was made following discussion with those charged with



governance, such that our reporting threshold changed from 2% to 5% of materiality. This was because the main purpose of the entity is a treasury function and it has historically had a low level of uncorrected misstatements. 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

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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. There has been no changes to our scoping from the prior year.

### Other information

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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

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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

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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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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 auditor's report.

## Extent to which the audit was considered capable of detecting irregularities, including fraud

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We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

### *Identifying and assessing potential risks related to irregularities*

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit, and those charged with governance, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including tax and valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: loss allowance of amounts due from fellow Group undertakings and Interest income charged on the amounts due from other members of the Anglo American plc group (the 'Group'); and
- obtaining an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act, and Listing Rules.

### *Audit response to risks identified*

As a result of performing the above, we identified loss allowance of amounts due from fellow Group undertakings as a key audit matter. The key audit matter section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, those charged with governance and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud through interest income charged on the amounts due from other members of the Group, obtaining intercompany agreements and recalculating the interest income balance for a sample of loans and evaluating the design and implementation of key controls around management's calculation of the interest income.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialist, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.



## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

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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

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#### *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

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#### *Auditor tenure*

Following the recommendation of those charged with governance, we were appointed by the 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 17 years, covering the years ending 31 December 2003 to 31 December 2019.

#### *Consistency of the audit report with the additional report to those charged with governance*

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

### Use of our report

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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.



Simon Stephens (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
27 February 2020



**Anglo American Capital plc**  
Company Registration No. 04658814

**Income statement**

For the year ended 31 December 2019

US\$'000	Note	2019	2018
Administrative expenses		(6,841)	(3,531)
<b>Operating loss</b>	<b>3</b>	<b>(6,841)</b>	<b>(3,531)</b>
Finance income	4	1,585,708	1,464,709
Finance expense	4	(1,079,499)	(1,062,452)
Loss allowance reversals	5	364,998	78,302
<b>Profit on ordinary activities before taxation</b>		<b>864,366</b>	<b>477,028</b>
Tax on profit on ordinary activities	6	(16,069)	(10,746)
<b>Profit for the year</b>		<b>848,297</b>	<b>466,282</b>

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.

**Balance sheet**  
As at 31 December 2019

US\$'000	Note	2019	2018
<b>Non-current assets</b>			
Derivative financial assets	8,9	345,747	208,551
Receivables – due greater than one year	7	40,200	-
		<b>385,947</b>	<b>208,551</b>
<b>Current assets</b>			
Derivative financial assets	8,9	14,655	15,577
Receivables – due within one year	7	31,982,865	30,789,469
Cash and cash equivalents	9	3,749,579	2,419,472
		<b>35,747,099</b>	<b>33,224,518</b>
<b>Creditors: amounts falling due within one year</b>			
Derivative financial liabilities	8,9	(85,037)	(39,631)
Short-term borrowings	10	(19,875,201)	(18,611,038)
Other creditors		(6,698)	(6,734)
		<b>(19,966,936)</b>	<b>(18,657,403)</b>
<b>Net current assets</b>		<b>15,780,163</b>	<b>14,567,115</b>
<b>Total assets less current liabilities</b>			
		<b>16,166,110</b>	<b>14,775,666</b>
<b>Creditors: amounts falling due after more than one year</b>			
Deferred tax	11	(20,105)	(38,545)
Derivative financial liabilities	8,9	(519,826)	(608,917)
Medium and long-term borrowings	10	(8,672,119)	(8,022,441)
		<b>(9,212,050)</b>	<b>(8,669,903)</b>
<b>Net assets</b>		<b>6,954,060</b>	<b>6,105,763</b>
<b>Capital and reserves</b>			
Called-up share capital	13	6	6
Share premium account		4,519,995	4,519,995
Capital contribution		1,000	1,000
Retained earnings		2,433,059	1,584,762
<b>Total shareholder's funds</b>		<b>6,954,060</b>	<b>6,105,763</b>

The financial statements of Anglo American Capital plc were approved by the Board of Directors and authorised for issue on 27 February 2020. They were signed on its behalf by:



Matthew Walker  
Director

**Anglo American Capital plc**  
Company Registration No. 04658814

**Statement of changes in equity**  
For the year ended 31 December 2019

US\$'000	Called up share capital	Share premium	Capital contribution	Retained earnings	Total
<b>Balance at 1 January 2018</b>	<b>6</b>	<b>4,519,995</b>	<b>1,000</b>	<b>1,118,480</b>	<b>5,639,481</b>
Profit for the year	-	-	-	466,282	466,282
Dividends	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>6</b>	<b>4,519,995</b>	<b>1,000</b>	<b>1,584,762</b>	<b>6,105,763</b>
Profit for the year	-	-	-	848,297	848,297
Dividends	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>6</b>	<b>4,519,995</b>	<b>1,000</b>	<b>2,433,059</b>	<b>6,954,060</b>

# Anglo American Capital plc

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Accounting policies

The principal accounting policies are summarised below.

#### Basis of accounting

Anglo American Capital plc ("AA Capital plc") ("the Company") is a wholly-owned subsidiary of Anglo American plc ("AA plc") ("the Parent") 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, loss allowance for assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of Anglo American plc. The consolidated financial statements of Anglo American plc are available to the public and can be obtained as set out in note 15.

#### Changes in accounting policies and disclosures

Interest Rate Benchmark Reform: Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures.

The Company uses interest rate derivatives to swap all its Euro, Sterling and US Dollar bonds from fixed interest rates to EURIBOR, GBP LIBOR and USD LIBOR respectively. Any non-USD interest rate derivatives are then swapped to USD LIBOR. The interest rate derivatives are designated into fair value hedges.

LIBOR is expected to be replaced by alternative risk-free rates by the end of 2021 as part of inter-bank offer rate (IBOR) reform. The Company is currently assessing the impact of these changes on its hedging arrangements and any future transactions in the financial market. Amendments to IFRS 7 and IFRS 9 have been issued which modify specific hedge accounting requirements and allow it to be assumed that the interest rate benchmark is not altered as a result of the uncertainties of IBOR reform when performing hedge effectiveness testing. These amendments are effective from 1 January 2020 with early adoption allowed. The Company has elected to early adopt for the period ending 31 December 2019. There is no impact on the Company's fair value hedge accounting as a result of adopting the amendments.

The Company will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Company is exposed ends. The Company is currently assessing alternative interest rate derivative contracts and the reliance upon replacement rates where relevant.

Refer to the consolidated financial statements of Anglo American plc for a list of the Company's Euro, Pound and US dollar bonds which in turn reflects the nominal amount of the hedging instruments.

The accounting policies applied are consistent with those adopted and disclosed in the Company's financial statements for the year ended 31 December 2018, except for changes arising from the early adoption of amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures set out below in note 9.

#### 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.



# Anglo American Capital plc

## Notes to the financial statements For the year ended 31 December 2019

### 1. Accounting policies (continued)

#### 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 the balance sheet date have been translated at the rates of exchange prevailing at that date. Gains and losses arising on retranslation are included in the income statement for the period and are classified in the income statement according to the nature of the monetary item giving rise to them. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### 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 income statement 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.

#### Derivative financial instruments and hedge accounting

In order to hedge exposure to foreign exchange and interest rate risk for economic and fair value hedge relationships respectively, the Company enters into forward and swap contracts. The Company does not use derivative financial instruments for speculative purposes.

All derivatives are held at fair value through profit and loss in the balance sheet within 'Derivative financial assets' or 'Derivative financial liabilities' except if they are linked to settlement and delivery of an unquoted equity instrument and the fair value cannot be measured reliably, in which case they are carried at cost. Derivatives are classified as current or non-current depending on the contractual maturity of the derivative. A derivative cannot be measured reliably where the range of reasonable fair value estimates is significant, and the probabilities of various estimates cannot be reasonably assessed.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Company's material hedging instruments are interest rate swaps that have similar critical terms to the related debt instruments, such as payment dates, maturities and notional amounts. As all critical terms matched during the year, there was no material hedge ineffectiveness. The Company also uses cross currency swaps to manage foreign exchange risk associated with borrowings denominated in foreign currencies. These are not designated in an accounting hedge as there is a natural offset against foreign exchange movements on associated borrowings.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, revoked, or no longer qualifies for hedge accounting.



## Anglo American Capital plc

### Notes to the financial statements

For the year ended 31 December 2019

#### 1. Accounting policies (continued)

Changes in the fair value of any derivative instruments that are not designated in a hedge relationship are recognised immediately in the income statement.

##### **Borrowings**

Interest bearing borrowings and overdrafts are initially recognised at fair value, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are recognised in the income statement 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.

##### **Finance Income**

Interest income is recognised when it is probable that the economic benefits will flow to the Company 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. Interest income is calculated based on the gross carrying amount of financial assets except purchase on credit impaired (POCI) financial assets and credit impaired (stage 3) financial assets for interest income calculated by applying EIR to the amortised costs using the net carrying amount of the financial assets.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and on demand deposits, together with short-term, highly liquid investments 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 except for money market fund investments which are held at fair value through profit and loss as they are redeemed through the sale of units in the funds and not solely through the recovery of principal and interest.

##### **Financial assets**

Financial assets are classified into the following measurement categories: receivables at amortised cost and debt instruments and derivatives at fair value through profit and loss. Financial assets are classified as at amortised cost only if the asset is held within a business model whose objective is to collect the contractual cash flows and the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest.

At subsequent reporting dates, financial assets at amortised cost are measured at amortised cost less any loss allowances.

The Company monitors all financial assets that are subject to loss allowance requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month probability of default (PD). The Company has adopted the practical expedient that any financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company computes the risk of a default occurring on the financial instrument at the reporting date based on the repayment terms of the instrument, changes in the country risk premium and any other factors which may indicate an increased probability of default.

##### **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 directors do not consider estimates to be material to the financial statements and therefore have not included a sensitivity analysis. The critical judgements 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 financial statements

For the year ended 31 December 2019

#### 1. Accounting policies (continued)

##### *Loss allowance for financial assets (including receivables)*

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

The Company applies the expected credit loss model to assess any loss allowances on financial assets (including receivables). The expected credit losses (ECL) on receivables are estimated using a provision matrix by reference to past default experience and credit rating, adjusted for current observable data.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL of whether the loss allowance is based on 12 month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECL's and the indication of a significant increase in credit risk.

The company considers the following as constituting an event of default, which represents a judgement made by the company:

- no sufficient liquid assets to repay the loan on demand; and
- the borrower is unlikely to pay its credit obligations to the company in full.

##### **Reporting currency**

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

##### **Segmental reporting**

The Company operates in one business sector and generates all income in the United Kingdom.

## Anglo American Capital plc

### Notes to the financial statements

For the year ended 31 December 2019

#### 2. Information regarding directors and employees

The Company has no employees (2018: \$none). The directors received no remuneration in respect of their services to the Company (2018: \$none).

#### 3. Operating loss

Operating loss is stated after charging:

US\$'000	2019	2018
Auditor's remuneration for audit of Anglo American Capital plc		
Audit fee	(20)	(19)
Management fees	(6,821)	(3,512)
	<b>(6,841)</b>	<b>(3,531)</b>

Fees payable to Deloitte LLP and its associates for non-audit services to the Company are not required to be disclosed because the consolidated parent financial statements (refer to note 15) are required to disclose such fees on a consolidated basis. No services were provided pursuant to a contingent fee arrangement. A portion of the Company's audit fee was borne by its Parent company and included in the consolidated financial statements of the consolidated financial statements of Anglo American Plc.

#### 4. Finance income/expense

US\$'000	2019	2018
<b>Finance income</b>		
Interest income on cash	55,593	85,413
Interest income from Group companies	1,530,115	1,341,989
Foreign exchange gains	-	37,307
<b>Finance Income</b>	<b>1,585,708</b>	<b>1,464,709</b>
<b>Finance expense</b>		
Interest on borrowings, bank loans and overdrafts	(442,101)	(449,734)
Interest expense for Group companies		
Anglo American plc	(8,373)	(2,410)
Other Group companies	(593,259)	(492,960)
Foreign exchange losses	(23,609)	-
Net fair value losses on derivatives	(12,157)	(117,348)
<b>Finance expense</b>	<b>(1,079,499)</b>	<b>(1,062,452)</b>
<b>Net finance income</b>	<b>506,207</b>	<b>402,257</b>

Interest income recognised at amortised cost is \$1,531 million (2018: \$1,344 million) and interest expense at amortised cost is \$1,044 million (2018: \$945 million). Interest income on cash in 2019 includes \$55 million (2018: \$53 million) recognised at fair value through profit and loss.

Fair value gains and losses on derivatives presented above, include the mark-to-market fair value changes of interest rate derivatives designated in fair value hedges and cross currency swaps economically hedging foreign exchange risk on the external debt net of the fair value changes of the associated hedged risks.



## Anglo American Capital plc

### Notes to the financial statements For the year ended 31 December 2019

#### 5. Loss allowance and reversals

US\$'000	2019	2018
Loss allowance recognised during the year	-	(417,120)
Loss allowance reversals recognised during the year	364,998	495,422
Net loss allowance reversals	<b>364,998</b>	<b>78,302</b>

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 (Cash and cash equivalents) and derivative positions (Other financial assets) at 31 December 2019. 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 2019.

The expected credit loss allowances on receivables are estimated using a provision matrix by reference to past default experience and credit rating, adjusted for as appropriate for current observable data.

Based on the assessment performed, a net loss allowance reversal of \$365 million (2018: \$78 million) has been recognised during the year. This is a reversal of \$365 million loss allowance made in 2019 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 2019.

## Anglo American Capital plc

### Notes to the financial statements

For the year ended 31 December 2019

#### 6. Taxation

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

US\$'000	2019	2018
Current and Deferred tax		
Current tax on profits for the year	(34,509)	(3,219)
Deferred tax for the year	18,440	(7,527)
<b>Total tax on profit on ordinary activities</b>	<b>(16,069)</b>	<b>(10,746)</b>

##### 6(b). Factors affecting tax charge for year

US\$'000	2019	2018
Profit on ordinary activities before tax	864,366	477,028
Estimated amount of tax on ordinary activities (calculated at standard rate of corporation tax in the UK of 19% (2018: 19%))	(164,230)	(90,635)
Effects of:		
Income not taxable	69,350	94,130
Expenses not deductible for tax purposes	(1,786)	(79,253)
Transfer pricing adjustments	1,222	-
Group and other relief received for nil consideration	60,935	72,539
Deferred withholding tax liability on accrued interest	18,440	(7,527)
<b>Total tax charge for the year</b>	<b>(16,069)</b>	<b>(10,746)</b>

On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for a 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.

#### 7. Receivables

US\$'000	2019	2018
Amounts due from fellow Group undertakings:		
Other Group companies	32,429,973	31,547,434
Accumulated loss allowance <sup>(1)</sup>	(411,385)	(762,904)
Interest receivable	4,477	4,939
	<b>32,023,065</b>	<b>30,789,469</b>

<sup>(1)</sup> Recognised in accumulated loss allowance are amounts relating to foreign exchange movements of \$13 million (2018: \$5 million).

The accumulated loss allowance is recognised against two intercompany loans, which have a gross carrying value of \$411 million. The accumulated loss allowance represents the expected life-time credit loss of the receivables. Included in the Receivables balance is \$40.2 million (2018: \$Nil) due from a joint venture that is due in 2027. As such it is shown as non-current on the balance sheet.



## **Anglo American Capital plc**

### **Notes to the financial statements**

For the year ended 31 December 2019

#### **8. Derivative financial assets/(liabilities)**

The Company utilises derivative instruments to manage certain market risk exposures. The Company does not use derivative financial instruments for speculative purposes, however it may choose not to designate certain derivatives as hedges for accounting purposes. Such derivatives are classified as 'Derivatives not designated in hedge relationships' and fair value movements are recorded in the income statement. The use of derivative instruments is subject to limits and the positions are regularly monitored and reported to senior management.

##### **Fair value hedges**

Interest rate swaps have been designated as fair value hedges. The carrying value of the hedged debt and related interest payable is adjusted at each balance sheet date to reflect the impact on its fair value of changes in market interest rates. Changes in the fair value of the hedged debt are offset against fair value changes in the interest rate swap and recognised in the income statement. Recognised in the income statement is a net loss on fair value hedged items of \$234 million (2018: gain of \$123 million).

##### **Derivatives not designated in hedge relationships**

The Company may choose not to designate certain derivatives as hedges. This may occur where the Company is economically hedged but IFRS 9 hedge accounting cannot be achieved or where gains and losses on both the derivative and hedged item naturally offset in the income statement, as is the case for certain cross currency swaps of non-US dollar debt. Fair value changes on these derivatives are recognised in the income statement.

##### **Accounting policies**

Refer to note 1 for the Company's accounting policies on derivative financial instruments and hedge accounting.

## Anglo American Capital plc

### Notes to the financial statements

For the year ended 31 December 2019

#### 8. Derivative financial assets/liabilities (continued)

The fair values of the open derivative positions as at 31 December 2019 are as follows:

US\$'000	Asset	Liability
<b>Current</b>		
Fair value hedge <sup>(1)</sup>		
Interest rate swaps	7,057	-
Derivatives not designated in hedge relationships <sup>(2)</sup>		
Cross currency swaps	1,822	(65,848)
Foreign currency forwards	5,776	(19,189)
<b>Total current derivatives</b>	<b>14,655</b>	<b>(85,037)</b>
<b>Non-current</b>		
Fair value hedge <sup>(1)</sup>		
Interest rate swaps	345,747	-
Derivatives not designated in hedge relationships <sup>(2)</sup>		
Cross currency swaps	-	(519,826) <sup>(3)</sup>
<b>Total non-current derivatives</b>	<b>345,747</b>	<b>(519,826)</b>

<sup>(1)</sup> Recognised in the income statement is a loss on fair value hedged items of \$234 million, offset by a gain on fair value hedging instruments of \$236 million.

<sup>(2)</sup> Recognised in the income statement is a \$14 million loss relating to derivatives held at fair value through profit and loss.

<sup>(3)</sup> 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 2019 the debit valuation adjustment was \$1 million.

## Anglo American Capital plc

### Notes to the financial statements For the year ended 31 December 2019

#### 8. Derivative financial assets/liabilities (continued)

The fair values of the open derivative positions as at 31 December 2018 were as follows:

US\$'000	Asset	Liability
<b>Current</b>		
Fair value hedge <sup>(1)</sup>		
Interest rate swaps	7,045	-
Derivatives not designated in hedge relationships <sup>(2)</sup>		
Cross currency swaps	-	(32,853)
Foreign currency forwards	8,532	(6,778)
<b>Total current derivatives</b>	<b>15,577</b>	<b>(39,631)</b>
<b>Non-current</b>		
Fair value hedge <sup>(1)</sup>		
Interest rate swaps	204,110	(108,603)
Derivatives not designated in hedge relationships <sup>(2)</sup>		
Cross currency swaps	4,441	(500,314) <sup>(3)</sup>
<b>Total non-current derivatives</b>	<b>208,551</b>	<b>(608,917)</b>

<sup>(1)</sup> Recognised in the income statement is a gain on fair value hedged items of \$123 million, offset by a loss on fair value hedging instruments of \$117 million.

<sup>(2)</sup> Recognised in the income statement is a \$123 million loss relating to derivatives held at fair value through profit and loss.

<sup>(3)</sup> 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 2018 the debit valuation adjustment was \$15 million .

## Anglo American Capital plc

### Notes to the financial statements

For the year ended 31 December 2019

#### 9. Financial Instruments

##### Overview

For financial assets and liabilities which are traded on an active market, fair value is determined by reference to market value. For non-traded financial assets and liabilities, fair value is calculated using discounted cash flows, considered to be reasonable and consistent with those that would be used by a market participant, and based on observable market data where available (for example forward exchange or interest rate curve), unless carrying value is considered to approximate fair value. Where discounted cash flow models based on management's assumptions are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy, as defined in IFRS 13 Fair Value Measurement, as they depend to a significant extent on unobservable valuation inputs.

The values of financial instruments for the year ended 31 December 2019 are as follows:

US\$'000	At fair value through profit and loss	Financial assets at amortised cost	Designated into hedges	Financial liabilities at amortised cost	Total
<b>Financial assets</b>					
Derivative financial assets	7,598	-	352,804	-	360,402
Receivables	4,477	32,018,588	-	-	32,023,065
Cash and cash equivalents	3,564,487	185,092	-	-	3,749,579
	<b>3,576,562</b>	<b>32,203,680</b>	<b>352,804</b>	<b>-</b>	<b>36,133,046</b>
<b>Financial liabilities</b>					
Derivative financial liabilities	(604,863)	-	-	-	(604,863)
Borrowings	-	-	(9,270,329)	(19,276,991)	(28,547,320)
Other creditors	-	-	-	(6,698)	(6,698)
	<b>(604,863)</b>	<b>-</b>	<b>(9,270,329)</b>	<b>(19,283,689)</b>	<b>(29,158,881)</b>
Net financial assets/(liabilities)	<b>2,971,699</b>	<b>32,203,680</b>	<b>(8,917,525)</b>	<b>(19,283,689)</b>	<b>6,974,165</b>

The values of financial instruments for the year ended 31 December 2018 are as follows:

US\$'000	At fair value through profit and loss	Financial assets at amortised cost	Designated into hedges	Financial liabilities at amortised cost	Total
<b>Financial assets</b>					
Derivative financial assets	12,973	-	211,155	-	224,128
Receivables	4,939	30,784,530	-	-	30,789,469
Cash and cash equivalents	2,384,953	34,519	-	-	2,419,472
	<b>2,402,865</b>	<b>30,819,049</b>	<b>211,155</b>	<b>-</b>	<b>33,433,069</b>
<b>Financial liabilities</b>					
Derivative financial liabilities	(539,945)	-	(108,603)	-	(648,548)
Borrowings	-	-	(8,456,187)	(18,177,292)	(26,633,479)
Other creditors	-	-	-	(6,734)	(6,734)
	<b>(539,945)</b>	<b>-</b>	<b>(8,564,790)</b>	<b>(18,184,026)</b>	<b>(27,288,761)</b>
Net financial assets/(liabilities)	<b>1,862,920</b>	<b>30,819,049</b>	<b>(8,353,635)</b>	<b>(18,184,026)</b>	<b>6,144,308</b>

## **Anglo American Capital plc**

### **Notes to the financial statements** For the year ended 31 December 2019

#### **9. Financial Instruments (continued)**

Cash and cash equivalents at 31 December 2019 includes cash held in the Company bank accounts and cash equivalents held in short-term money market funds. These funds are selected to ensure compliance with the minimum credit rating requirements and counterparty exposure limits set out in the Company's Treasury policy.

#### **Valuation techniques and assumptions applied for the purposes of measuring fair value**

The fair values of financial assets and financial liabilities are determined as follows:

- Cash and cash equivalents including cash held in short-term money market funds are valued using unadjusted quoted prices in active markets for identical financial instruments.
- The fair values of derivative instruments are valued using techniques based significantly on observable market data. Derivatives instruments 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.



## Anglo American Capital plc

### Notes to the financial statements

For the year ended 31 December 2019

#### 10. Financial risk management

##### Overview

The Board approves and monitors the risk management processes, including documented treasury policies, counterparty limits and controlling and reporting structures. The types of risk exposure, the way in which such exposure is managed and quantification of the level of exposure in the balance sheet at 31 December 2019 is as follows:

##### A. Liquidity risk

The Company ensures that there are sufficient committed loan facilities (including refinancing, where necessary) in order to meet short-term business requirements, after taking into account its cash and cash equivalents.

All liabilities are unsecured. The maturity profile of the Company's borrowings were as follows:

US\$'000	Within 1 year or on demand	Between 1- 2 years	Between 2-5 years	After 5 years	Total
<b>At 31 December 2019</b>					
Bank loans and overdrafts	-	-	-	-	-
Bond issues	(598,289)	(934,445)	(3,332,999)	(4,404,596)	(9,270,329)
Preference shares	-	-	-	(79)	(79)
Borrowings from Group companies <sup>(1)</sup>	(19,276,912)	-	-	-	(19,276,912)
Derivatives hedging debt	(56,969)	(56,925)	(219,789)	102,635	(231,048)
<b>Total</b>	<b>(19,932,170)</b>	<b>(991,370)</b>	<b>(3,552,788)</b>	<b>(4,302,040)</b>	<b>(28,778,368)</b>

US\$'000	Within 1 year or on demand	Between 1- 2 years	Between 2-5 years	After 5 years	Total
<b>At 31 December 2018</b>					
Bank loans and overdrafts	(4,190)	-	-	-	(4,190)
Bond issues	(433,825)	(490,556)	(3,645,056)	(3,886,750)	(8,456,187)
Preference shares	-	-	-	(79)	(79)
Borrowings from Group companies <sup>(1)</sup>	(18,173,023)	-	-	-	(18,173,023)
Derivatives hedging debt	(25,808)	(43,867)	(251,579)	(104,920)	(426,174)
<b>Total</b>	<b>(18,636,846)</b>	<b>(534,423)</b>	<b>(3,896,635)</b>	<b>(3,991,749)</b>	<b>(27,059,653)</b>

<sup>(1)</sup> Where there are non US dollar 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 2019 is \$19 million (2018: \$7 million), all are due to mature within one year.

As at 31 December 2019 the company has access to a \$4.7 billion (2018: \$4.5 billion) of committed facilities with \$0.2 billion expiring in March 2023 and \$4.5 billion expiring in March 2024. On 10 February 2020, the Company exercised its option to extend the maturity of \$4.5 billion by a further year and \$0.2 billion by two years to March 2025. There were no outstanding amounts drawn under these committed facilities as at 31 December 2019 (2018: \$Nil).

## Anglo American Capital plc

### Notes to the financial statements For the year ended 31 December 2019

#### 10. Financial risk management (continued)

##### B. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a loss to the Company by failing to pay its obligation.

The Company's principal financial assets are cash and cash equivalents, receivables and derivative financial instruments. The Group's maximum exposure to credit risk primarily arises from these financial assets and is as follows:

US\$'000	2019	2018
Cash and cash equivalents	3,749,579	2,419,472
Receivables	32,023,065	30,789,469
Derivative financial assets	360,402	224,128
<b>Total</b>	<b>36,133,046</b>	<b>33,433,069</b>

The Company limits credit risk on liquid funds and derivative financial instruments through diversification of exposures with a range of financial institutions approved by the Board. Counterparty limits are set for each financial institution with reference to credit ratings assigned by Standard & Poor's, Moody's and Fitch Ratings, shareholder equity (in case of relationship banks) and fund size (in case of asset managers).

Given the diverse nature of the Company's debtors (both in relation to commodity markets and geographically), and the use of payment security instruments (including letters of credit from financial institutions), it does not have significant concentration of credit risk in respect of receivables, with exposure spread over a large number of debtors.

##### C. Foreign exchange and interest rate risk

Interest rate risk arises due to fluctuations in interest rates which impact on the value of short-term investments and financing activities. The Company's policy is to borrow funds at floating rates of interest given the link with economic output and therefore the correlation, over the longer term, with commodity prices. The Company uses interest rate swap contracts to manage its exposure to interest rate movements on its debt. Various inter-bank offer rates (IBOR) are expected to be replaced by alternative risk-free rates by the end of 2021 as part of the IBOR reform. The Group is currently assessing the impact of these changes on its hedging arrangements and any future transactions in the financial market.

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments (less than one year) to maintain liquidity.

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	2019	2018
Cash and cash equivalents - US dollar	3,744,135	2,409,114
Cash and cash equivalents - Sterling	5,444	10,358
<b>Total (excluding derivatives)</b>	<b>3,749,579</b>	<b>2,419,472</b>
Derivatives	360,402	224,128
<b>Total financial assets (excluding receivables)</b>	<b>4,109,981</b>	<b>2,643,600</b>

## Anglo American Capital plc

### Notes to the financial statements

For the year ended 31 December 2019

#### 10. Financial risk management (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
<b>At 31 December 2019</b>					
Total borrowings	(598,289)	(934,445)	(3,332,999)	(4,404,675)	<b>(9,270,408)</b>
Interest rate swaps	7,057	17,501	155,959	172,287	<b>352,804</b>
Currency derivatives	(64,026)	(74,426)	(375,748)	(69,652)	<b>(583,852)</b>
<b>Total hedged borrowings</b>	<b>(655,258)</b>	<b>(991,370)</b>	<b>(3,552,788)</b>	<b>(4,302,040)</b>	<b>(9,501,456)</b>
<b>At 31 December 2018</b>					
Total borrowings	(438,015)	(490,556)	(3,645,056)	(3,886,829)	<b>(8,460,456)</b>
Interest rate swaps	7,045	12,424	151,121	(68,038)	<b>102,552</b>
Currency derivatives	(32,853)	(56,291)	(402,700)	(36,882)	<b>(528,726)</b>
<b>Total hedged borrowings</b>	<b>(463,823)</b>	<b>(534,423)</b>	<b>(3,896,635)</b>	<b>(3,991,749)</b>	<b>(8,886,630)</b>

The Company 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
<b>At 31 December 2019</b>					
US dollar	(4,846,151)	-	(4,846,151)	4.27	5.35
Sterling	(410,844)	-	(410,844)	3.38	9.20
Euro	(4,013,413)	-	(4,013,413)	2.61	3.36
<b>Gross borrowings (excluding hedges)</b>	<b>(9,270,408)</b>	<b>-</b>	<b>(9,270,408)</b>	<b>3.51</b>	<b>4.66</b>
Impact of Interest Rate Swaps	-	(9,270,408)	9,270,408		
<b>Gross borrowings (after hedges)</b>	<b>(9,270,408)</b>	<b>(9,270,408)</b>	<b>-</b>		
Borrowings from Group companies & Other creditors	(19,276,912)				
Derivatives	(604,863)				
<b>Total financial liabilities</b>	<b>(29,152,183)</b>				



## Anglo American Capital plc

### Notes to the financial statements For the year ended 31 December 2019

#### 10. Financial risk management (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 2018					
US dollar	(4,616,150)	(4,190)	(4,611,960)	4.27	6.31
Sterling	-	-	-	-	-
Euro	(3,844,306)	-	(3,844,306)	2.78	3.57
<b>Gross borrowings (excluding hedges)</b>	<b>(8,460,456)</b>	<b>(4,190)</b>	<b>(8,456,266)</b>	<b>3.59</b>	<b>5.06</b>
Impact of Interest Rate Swaps	-	(8,456,266)	8,456,266		
<b>Gross borrowings (after hedges)</b>	<b>(8,460,456)</b>	<b>(8,460,456)</b>	-		
Borrowings from Group companies & Other creditors	(18,173,023)				
Derivatives	(648,548)				
<b>Total financial liabilities</b>	<b>(27,282,027)</b>				

Based on the net foreign currency and interest rate risk exposures detailed above, and considering the effects of the hedging arrangements in place, management considers that earnings and equity are not materially sensitive to reasonable foreign exchange or interest rate movements in respect of the financial instruments held as at 31 December 2019 or 31 December 2018.

#### 11. Deferred tax

US\$'000	2019	2018
Opening balance	(38,545)	(31,018)
Movement in profit/ loss in current year	18,440	(7,527)
Closing balance	<b>(20,105)</b>	<b>(38,545)</b>

The entire deferred tax liability of \$20 million (2018: \$39 million) relates to withholding tax on accrued interest arising on an intercompany loan.

#### 12. Preference shares

US\$'000	2019	2018
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

## Anglo American Capital plc

### Notes to the financial statements

For the year ended 31 December 2019

#### 12. Preference shares (continued)

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.

#### 13. Called-up share capital

US\$'000	2019	2018
Authorised:		
1,000,000,000 ordinary shares of US\$1 each	1,000,000	1,000,000
	<b>1,000,000</b>	<b>1,000,000</b>
Called up, allotted and fully paid:		
5,700 ordinary shares of US\$1 each	6	6
	<b>6</b>	<b>6</b>

#### 14. Related party transactions

At 31 December 2019, 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 transactions or balances between entities where 100% of the voting rights are controlled by the Group. The Company has granted loans to LLX Minas-Rio Logística Comercial Exportadora S.A. (Joint Venture) and Cerrejon Zona Norte S.A. (Associate) which had balances owing to the Company at 31 December 2019 of \$191 million (2018: \$195 million) and related interest income for the year ended 31 December 2019 of \$15 million (2018: \$17 million). There is no loss allowance recognised against these loans. Additional information is included in the Group consolidated financial statements.

#### 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 consolidated financial statements are prepared.

Copies of the consolidated financial statements of Anglo American plc, which include the results of the Company, are available from Anglo American plc at 20 Carlton House Terrace, London and on the Group website.

#### 16. Events occurring after end of year

On 10 February 2020, the Company exercised its option to extend the maturity of \$4.5 billion of its committed facilities by a further year and \$0.2 billion by two years to March 2025. There are no other subsequent events.