

Anglo American Capital plc

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

We have audited the financial statements of Anglo American Capital plc for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, Statement of changes in equity 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Independent auditor's report to the members of Anglo American Capital plc

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Simon Stephens FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

12 April 2016

Anglo American Capital plc
Company Registration No. 04658814

Profit and loss account
For the year ended 31 December 2015

US\$'000	Note	2015	2014
Administrative expenses		(3,779)	(4,871)
Operating loss	3	(3,779)	(4,871)
Interest receivable and similar income	4	1,383,526	1,101,625
Interest payable and similar charges	4	(483,892)	(530,633)
Impairment losses	5	(3,483,218)	-
Loss on ordinary activities before taxation		(2,587,363)	566,121
Tax on profit on ordinary activities	6	(7,748)	(9,757)
(Loss)/Profit for the financial year		(2,595,111)	556,364

All results derive from continuing operations.

There are no recognised gains and losses for the year other than the loss 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 2015

US\$'000	Note	2015	2014
Non-current assets			
Derivative financial instruments	8	454,421	962,282
		454,421	962,282
Current assets			
Debtors – due within one year	9	39,273,117	30,544,106
Investments	10	4,914,846	4,894,946
Derivative financial instruments	8	656,642	66,694
		44,844,605	35,505,746
Creditors: amounts falling due within one year			
Short-term borrowings	7	(30,737,200)	(19,459,255)
Other creditors	7	(186,955)	(229,710)
Derivative financial instruments	7,8	(922,021)	(383,500)
		(31,846,176)	(20,072,465)
Net current assets		12,998,429	15,433,281
Total assets less current liabilities		13,452,850	16,395,563
Creditors: amounts falling due after more than one year			
Medium and long-term borrowings	7	(13,834,007)	(14,056,183)
Derivative financial instruments	7,8	(1,521,029)	(1,646,455)
		(15,355,036)	(15,702,638)
Net (liabilities)/assets		(1,902,186)	692,925
Capital and reserves			
Called-up share capital	12	1	1
Share premium account		20,000	20,000
Capital contribution		1,000	1,000
Profit and loss account		(1,923,187)	671,924
Total shareholders' (deficit)/funds		(1,902,186)	692,925

The financial statements of Anglo American Capital plc were approved by the Board of Directors and authorised for issue on 12 April 2016. They were signed on its behalf by:

Doug Smailes
Director



Anglo American Capital plc
Company Registration No. 04658814

Statement of changes in equity
For the year ended 31 December 2015

US\$'000	Called up share capital	Share premium	Capital contribution	Profit and loss account	Total
Balance at 1 January 2014	1	20,000	1,000	1,615,562	1,636,563
Issue of share capital	-	-	-	-	-
Capital contribution	-	-	-	-	-
Profit for the financial year	-	-	-	556,364	556,364
Dividends	-	-	-	(1,500,002)	(1,500,002)
Balance at 31 December 2014	1	20,000	1,000	671,924	692,925
Issue of share capital	-	-	-	-	-
Capital contribution	-	-	-	-	-
Loss for the financial year	-	-	-	(2,595,111)	(2,595,111)
Dividends	-	-	-	-	-
Balance at 31 December 2015	1	20,000	1,000	(1,923,187)	(1,902,186)

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2015

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year except for the standards and amendments adopted as a result of the transition to FRS 101 (Financial Reporting Standard 101).

Basis of accounting

Anglo American Capital plc is a company incorporated in the United Kingdom under the Companies Act. 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 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The prior year financial statements have been re-stated for material adjustments on adoption of FRS 101. For more information see note 16.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, 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 14.

Adoption of new and revised Standards

As explained above, the Company has adopted FRS 101 for the first time in the current year. Other than the impact of IFRS 13 which is discussed in more detail below, there has not been a material impact upon transition. This is due to under the UK GAAP financial reporting framework previously followed the Company had adopted FRS 25, FRS 26 & FRS 29 which are broadly follow the equivalent IFRSs.

As part of this adoption, the following new and revised Standards and Interpretations have been adopted in the current year. The application of these specific Standards and Interpretations has not had a material effect on the Company.

IFRS 13 Fair value measurement

The Company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements.

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Year ended 31 December 2015

1. Accounting policies (continued)

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The application of IFRS 13 has resulted in both a credit and debit valuation adjustment being recognised within the financial statements for the year ended 31 December 2015. Please see note 8 on page 22 for more detail.

The financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

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.

The above assessment has been made after taking into account that the Company has recognised a loss after tax of US\$2,595 million for the financial year ended 31 December 2015 and has net liabilities of US\$1,902 million as at 31 December 2015.

The loss for the year and the net liabilities position is due to recognising impairment losses against specific intercompany loans as a result of impairments identified at a Group level. In assessing the recoverability of the loan receivable balances within AA Capital plc, the relationships with each of the entities borrowing from the Company was considered and where necessary provision made to reduce the amount the Company expects to receive from the borrowing entity. Further details of the impairment losses recognised during the financial year can be found in note 5.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2015

1. Accounting policies (continued)

To provide support to the Company and to maintain its financial viability, the Company's parent company, AA plc, invested \$4,500 million of ordinary share capital into the Company subsequent to the year end, which was funded via AA plc recalling funds deposited with AA Capital plc. As a consequence, at the date these financial statements were approved, the Company has been returned to a net asset position.

Key to the viability of the Company is the support provided by its parent company along with other Group entities. A formal letter of support was in place at the date these financial statements were approved that provides AA Capital plc with support from its parent for a period of at least 12 months to ensure adequate financial resources are in place such that the Company can meet its obligations.

Furthermore, the external borrowings issued by the Company, which totalled US\$15,259 million as at 31 December 2015, are guaranteed by AA plc, the Company's parent company.

After taking into account the impairments recognised during the year, the Company has net amounts due from other Group companies of US\$9,832 million as at 31 December 2015 which it expects to be fully recoverable.

In addition to this liquidity, the Company has short term, highly liquid investments of US\$4,915 million as at 31 December 2015. These investments are readily converted to a known amount of cash and comprise investments in liquidity funds and US Treasury funds as well as money market deposits which have a maturity of less than three months. Both of which are deemed to be subject to an insignificant risk of changes in value.

Complementing this liquidity is access to a number of additional sources of finance, all of which were unutilised at the 31 December 2015 and remain as such at the date these financial statements were approved;

- A committed Revolving Credit Facility of US\$5,000 million, of which US\$192 million which matures in April 2019 and \$4,808 million matures in April 2020; and
- Two bilateral committed facilities of US\$200 million each which mature in April 2020;

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.

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Notes to the accounts

Year ended 31 December 2015

1. Accounting policies (continued)

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. 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 tax current 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

In order 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. Net income or expense associated with interest rate swap agreements is recognised on an accruals basis over the life of the swap agreements as a component of interest.

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.

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2015

1. Accounting policies (continued)

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.

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.

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.

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.

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 (2014: Nil). The directors received no remuneration in respect of their services to the Company (2014: \$Nil).

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2015

3. Operating loss

Operating loss is stated after charging:

US\$'000	2015	2014
Auditor's remuneration for audit of Anglo American Capital plc		
Audit fee	17	17
Non-recurring audit fee	7	-
Management fees	3,755	4,854
	3,779	4,871

4. Finance income

US\$'000	2015	2014
Interest receivable and similar income		
Interest income on investments	4,587	3,179
Interest receivable from Group companies	1,006,059	1,098,446
Net fair value gains on derivatives	372,880	-
Interest receivable and similar income	1,383,526	1,101,625
Interest payable and similar charges		
Interest on borrowings, bank loans and overdrafts	(392,655)	(390,933)
Interest payable to Group companies		
Anglo American plc	(12,824)	(7,462)
Other Group companies	(61,370)	(5,710)
Foreign exchange losses	(17,043)	(32,854)
Net fair value losses on derivatives	-	(93,674)
Interest payable and similar charges	(483,892)	(530,633)
Net finance income	899,634	570,992

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.

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Notes to the accounts

Year ended 31 December 2015

5. Impairment losses

US\$'000	2015	2014
Impairment losses recognised during the year	3,483,218	-
Impairment losses	(3,483,218)	-

Following a review at a Group level of AA plc's investments in other Group companies, impairments were recognised within the AA plc Group financial statements for the year ended 31 December 2015. The factors leading to the impairments being recognised included expected growth slowing in China as well as a rebalancing of its economy which affected the demand outlook and general over-supply in the market leading to continued downward pressure on commodity prices.

As one of the Group's main financing entities, AA Capital plc provides funding to a large number of other Group companies and therefore recognises loan receivables balances from those entities in the financial statements.

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 identified and an assessment 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 this assessment, a total impairment adjustment of \$3,483 million (2014: \$Nil) has been recognised during the year and represents the value by which the AA Capital plc loan receivable balance has been reduced such that the net residual values reported with the financial statements reflect the estimated recoverable amount.

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Notes to the accounts

Year ended 31 December 2015

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

US\$'000	2015	2014
Current tax		
UK corporation tax on profits for the year (20.25% (2014: 21.5%))	(7,748)	(9,753)
Prior year adjustment	-	(4)
Double tax relief	7,748	9,753
Overseas tax - Withholding tax	(7,748)	(9,753)
Total tax on profit on ordinary activities	(7,748)	(9,757)

6(b). Factors affecting tax charge for year

US\$'000	2015	2014
Loss on ordinary activities before tax	(2,587,363)	566,121
Estimated amount of tax on ordinary activities (calculated at standard rate of corporation tax in the UK of 20.25% (2014: 21.5%))	(523,941)	121,716
Expenses not deductible for tax purposes	705,409	170
Prior year adjustment	-	4
Group relief received for nil consideration	(173,720)	(112,133)
Total tax charge for the year	7,748	9,757

Expenses not deductible for tax purposes includes \$705 million relating to the \$3,483 million impairment recognised during the year.

On 26 October 2015, the Finance 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. Where relevant the reduced rates have been reflected in the calculation of deferred tax at the balance sheet date.

7. Financial liabilities

In 2015, the Company issued a €600 million five year 1.5% bond under the existing Euro Medium Term Note programme. In addition, the Company issued a \$850 million five year 3.625% bond and a \$650 million ten year 4.875% bond.

All notes are guaranteed by Anglo American plc. Any bonds issued in currencies other than US dollar are hedged to US dollar, and any fixed interest rate coupons are swapped to result in floating interest rates being paid. For all outstanding US dollar, Euro, Sterling, Australian dollar and Japanese Yen bonds fair value hedges are put in place with the related interest rate swaps.

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Notes to the accounts

Year ended 31 December 2015

7. Financial Liabilities (continued)

Fair values of financial liabilities

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

US\$'000	2015		2014	
	Fair values	Carrying Values	Fair values	Carrying Values
Other creditors (including interest accruals)	186,955	186,955	229,710	229,710
Other financial liabilities (derivatives)	2,443,050	2,443,050	2,029,955	2,029,955
Current external borrowings	1,385,834	1,424,499	1,348,953	1,344,411
Current borrowings from Group companies (excluding AA plc)	14,409,735	14,409,735	4,371,813	4,371,813
Anglo American plc	14,902,966	14,902,966	13,743,031	13,743,031
Preference shares	79	79	79	79
Non-current external borrowings	10,457,453	13,833,928	14,337,491	14,056,104
Total financial liabilities	43,786,072	47,201,212	36,061,032	35,775,103

All of the above 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 8 on page 27.

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 8).

Anglo American Capital plc

Notes to the accounts

Year ended 31 December 2015

7. Financial Liabilities (continued)

Maturity profile

All liabilities are unsecured. The maturity profile of the Company's borrowings at 31 December 2015 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 2015					
Bank loans and overdrafts	85,637	-	-	-	85,637
Bond issues	1,338,862	2,341,148	7,127,216	4,365,564	15,172,790
Preference shares	-	-	-	79	79
Borrowings from Group Companies	29,312,701	-	-	-	29,312,701
Total borrowings (excluding hedges)	30,737,200	2,341,148	7,127,216	4,365,643	44,571,207

US\$'000	Within 1 year or on demand	Between 1-2 years	Between 2-5 years	After 5 years	Total
At 31 December 2014					
Bank loans and overdrafts	116,893	-	-	-	116,893
Bond issues	1,227,518	1,458,691	7,276,270	5,321,143	15,283,622
Preference shares	-	-	-	79	79
Borrowings from Group Companies	18,114,844	-	-	-	18,114,844
Total borrowings (excluding hedges)	19,459,255	1,458,691	7,276,270	5,321,222	33,515,438

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Notes to the accounts

Year ended 31 December 2015

7. 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 2015					
Total borrowings ⁽¹⁾	1,424,499	2,341,148	7,127,216	4,365,644	15,258,507
Interest rate swaps	(22,927)	(12,610)	(244,574)	(182,571)	(462,682)
Currency derivatives	314,017	240,295	665,379	600,689	1,820,380
Total hedged borrowings	1,715,589	2,568,833	7,548,021	4,783,762	16,616,205

US\$'000	Within 1 year or on demand	Between 1-2 years	Between 2-5 years	After 5 years	Total
At 31 December 2014					
Total borrowings ⁽¹⁾	1,344,411	1,458,691	7,276,270	5,321,222	15,400,594
Interest rate swaps	(14,252)	(49,231)	(259,909)	(279,104)	(602,496)
Currency derivatives	365,441	226,377	630,150	415,890	1,637,858
Total hedged borrowings	1,695,600	1,635,837	7,646,511	5,458,008	16,435,956

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

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Notes to the accounts

Year ended 31 December 2015

7. Financial Liabilities (continued)

Currency and interest rate profile

The exposure of the Company to interest rate and currency risk with respect to financial liabilities is as follows. As AA Capital plc uses cross currency interest rate swaps to swap foreign currency issues to US dollar, no currency risk or exposure exists:

US\$'000	Total	Floating rate borrowings	Fixed rate borrowings	Effective interest rate %	Weighted average for which rate is fixed in years
At 31 December 2015					
US\$	5,830,508	585,458	5,245,050	4.28	4.02
Sterling	643,928	-	643,928	6.88	2.33
Euro	8,321,942	-	8,321,942	2.69	3.89
Other currencies	462,129	-	462,129	4.90	2.92
Gross borrowings (excluding hedges)	15,258,507	585,458	14,673,049	3.54	3.88
Impact of Interest Rate Swaps	-	14,673,049	(14,673,049)		
Gross borrowings (after hedges)	15,258,507	15,258,507	-		
Borrowings from Group Companies & Other creditors	29,312,701				
Derivatives	2,443,050				
Total financial liabilities	47,014,258				

Anglo American Capital plc

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Year ended 31 December 2015

7. 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 2014					
US\$	4,365,571	616,090	3,749,481	4.34	4.00
Sterling	700,836	-	700,836	6.88	3.33
Euro	9,827,986	-	9,827,986	3.18	4.29
Other currencies	506,201	-	506,201	4.97	3.55
Gross borrowings (excluding hedges)	15,400,594	616,090	14,784,504	3.73	4.27
Impact of Interest Rate Swaps	-	14,784,504	(14,784,504)		
Gross borrowings (after hedges)	15,400,594	15,400,594	-		
Borrowings from Group Companies & Other creditors	18,344,554				
Derivatives	2,029,955				
Total financial liabilities	35,775,103				

Undrawn committed borrowing facilities

The Company is a borrower under a renegotiated \$5.0 billion facility. There were no other changes to the facility as result of the renegotiations, which were completed in April 2015, other than agreeing the one year extension to April 2020 for all but one of the participating banks whose share of \$192 million matures in April 2019. As at 31 December 2015 there were no outstanding amounts drawn under this committed facility (2014: \$Nil). Two new bilateral committed facilities, of \$200m each and maturing in April 2020, were negotiated in December 2015. As at 31 December 2015 there were no outstanding amounts drawn under these committed facilities.

8. 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.

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Notes to the accounts

Year ended 31 December 2015

8. Other financial assets/liabilities (continued)

Interest rate risk

The Company uses interest rate swap contracts to manage its exposure to interest rate movements on a portion of 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 the majority 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 chose 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.

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Year ended 31 December 2015

8. Other financial assets/liabilities (continued)

The fair values of the open derivative positions as at 31 December 2015 are as follows:

US\$'000	Asset	Liability
Current		
Fair value hedge ⁽¹⁾		
Interest rate swaps	22,927	-
Held-for-trading		
Cross currency swaps	-	(314,017)
Foreign currency forwards	633,715	(608,004)
Total current derivatives	656,642	(922,021)
Non current		
Fair value hedge		
Interest rate swaps	454,421	(14,666)
Held-for-trading		
Cross currency swaps	-	(1,506,363)
Foreign currency forwards	-	-
Total non-current derivatives	454,421	(1,521,029)

⁽¹⁾ Recognised in the Profit and Loss account is a gain on fair value hedged items of \$135 million (2014: loss of \$441 million), offset by a loss on fair value hedging instruments of \$139 million (2014: gain of \$384 million).

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Year ended 31 December 2015

8. Other financial assets/liabilities (continued)

The fair values of the open derivative positions as at 31 December 2014 were as follows:

US\$'000	Asset	Liability
Current		
Fair value hedge ⁽¹⁾		
Interest rate swaps	14,252	-
Held-for-trading		
Cross currency swaps	-	(365,441)
Foreign currency forwards	52,442	(18,059)
Total current derivatives	66,694	(383,500)
Non current		
Fair value hedge		
Interest rate swaps	615,255	(27,011)
Held-for-trading		
Cross currency swaps	-	(1,272,417)
Foreign currency forwards	347,027	(347,027)
Total non-current derivatives	962,282	(1,646,455)

⁽¹⁾ Recognised in the Profit and Loss account for the year ended 31 December 2014 is a loss on fair value hedged items of \$441 million, offset by a gain on fair value hedging instruments of \$384 million.

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.

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.

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 \$74 million in interest expense (2014: \$ 74 million). A 50 basis point decrease would result in a decrease of \$74 million in interest expense (2014: \$ 74 million).

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Notes to the accounts

Year ended 31 December 2015

8. Other financial assets/liabilities (continued)

Fair value hierarchy

An analysis of the financial assets and liabilities carried at fair value is set out below:

US\$'000	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total
At 31 December 2015				
<i>Financial assets</i>				
At fair value through profit and loss				
Derivatives hedging net debt	-	633,498	-	633,498
Other derivatives	-	217	-	217
Designated into hedges				
Derivatives hedging net debt	-	477,348	-	477,348
Other derivatives	-	-	-	-
	-	1,111,063	-	1,111,063
<i>Financial liabilities</i>				
At fair value through profit and loss				
Derivatives hedging net debt	-	(2,428,167)	-	(2,428,167)
Other derivatives	-	(217)	-	(217)
Designated into hedges				
Derivatives hedging net debt	-	(14,666)	-	(14,666)
Other derivatives	-	-	-	-
	-	(2,443,050)	-	(2,443,050)
Net assets/(liabilities) carried at fair value	-	(1,331,987)	-	(1,331,987)

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

⁽¹⁾ Valued using unadjusted quoted prices in active markets for identical financial instruments.

⁽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.

⁽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.

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Year ended 31 December 2015

8. Other financial assets/liabilities (continued)

US\$'000	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total
At 31 December 2014				
<i>Financial assets</i>				
At fair value through profit and loss				
Derivatives hedging net debt	-	399,192	-	399,192
Other derivatives	-	277	-	277
Designated into hedges				
Derivatives hedging net debt	-	629,507	-	629,507
Other derivatives	-	-	-	-
	-	1,028,976	-	1,028,976
<i>Financial liabilities</i>				
At fair value through profit and loss				
Derivatives hedging net debt	-	(2,002,667)	-	(2,002,667)
Other derivatives	-	(277)	-	(277)
Designated into hedges				
Derivatives hedging net debt	-	(27,011)	-	(27,011)
Other derivatives	-	-	-	-
	-	(2,029,955)	-	(2,029,955)
Net assets/(liabilities) carried at fair value	-	(1,000,979)	-	(1,000,979)

⁽¹⁾ Valued using unadjusted quoted prices in active markets for identical financial instruments.

⁽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.

⁽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.

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 2015 the credit valuation adjustment was \$0.5 million and the debit valuation adjustment was \$374 million and was fully attributable to derivatives hedging net debt. As IFRS 13 has been adopted for the first time this year, the impact of this adjustment at 31 December 2014, and whether it required a restatement was considered however as the amount was insignificant, no adjustment has been made to the prior year presentation.

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Year ended 31 December 2015

9. Debtors

US\$'000	2015	2014
Amounts due from fellow Group undertakings:		
Anglo American plc	-	405
Other Group companies	39,144,444	30,364,242
Interest receivable	128,673	179,459
	39,273,117	30,544,106

10. Financial assets

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

US\$'000	2015		2014	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
Debtors	39,273,117	39,273,117	30,544,106	30,544,106
Investments	4,914,846	4,914,846	4,894,946	4,894,946
Other financial assets (derivatives)	1,111,063	1,111,063	1,028,976	1,028,976
Total financial assets	45,299,026	45,299,026	36,468,028	36,468,028

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	Total	Total
	2015	2014
US\$	4,907,444	4,877,272
Sterling	7,402	17,674
Total (excluding derivatives)	4,914,846	4,894,946
Derivatives	1,111,063	1,028,976
Total financial assets (excluding debtors)	6,025,909	5,923,922

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Notes to the accounts

Year ended 31 December 2015

10. Financial assets (continued)

Financial assets include loans to and deposits from other Group companies which are denominated in a variety of currencies. Therefore entities may have both loans and deposits in different currencies which are set-off on conversion to US dollar. Interest on floating rate assets is based on the relevant national inter-bank rates.

The following methods were used to estimate the fair value of the financial assets and liabilities:

Short and long-term debt

Fair value is determined by reference to quoted market prices for similar issues, where applicable, otherwise carrying value is used as an approximation to fair value.

Derivative instruments

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.

11. Preference shares

US\$'000	2015	2014
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.

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12. Called-up share capital

US\$'000	2015	2014
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:		
1,200 ordinary shares of US\$1 each	1	1
	1	1

13. Related party transactions

At 31 December 2015, as identified in note 14, 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. There were no other related party transactions.

14. 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.

15. Events occurring after end of year

Subsequent to the year end the Company entered into a \$1,500 million Club committed facility with three international banks, which matures in February 2018, has no financial covenants and which is broadly on the same terms as the existing US\$5,000 million Revolving Credit Facility.

On 1 March 2016, the Company repurchased and retired a total US dollar equivalent value of \$1,564 million of bonds issued under the EMTN programme including the unwind the associated swaps as part of the liability management programme launched on 18 February 2016. A further \$263 million of bonds issued under the US debt programme were repurchased and retired, including the associated swaps unwound, on 21 March 2016. This total reduction of US\$1,827 million of contractual repayment obligations was undertaken at a cost of US\$1,697 million.

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Year ended 31 December 2015

15. Events occurring after end of year (continued)

Each of these bonds were designated in a fair value hedge relationship and up until the point they were repurchased their carrying value had been adjusted for the risk being hedged. Upon repurchase this adjustment was de-recognised from the balance sheet, which together with the principal repurchases noted above, has the effect of reducing short term and long term borrowings by \$186 million, \$600 million and \$716 million in the years 2016, 2017 and 2018 respectively based on the FX spot rates at the time of the repurchase.

The total fair value of the derivative financial instruments hedging the bonds repurchased and cancelled was \$324 million which has been de-recognised from the balance sheet. This has had the effect of reducing non-current derivative assets and liabilities by \$35million and \$292 million respectively and current derivatives assets and liabilities by \$4 million and \$70 million respectively.

Following the impairment of certain loan receivables, as discussed further in note 5, the Company recognised net liabilities as at 31 December 2015 of \$1,902 million. As part of the steps to ensure the continued viability of the Company, the Company's parent, AA plc, invested \$4,500 million of ordinary share capital into the Company on the 15 March 2016 which it funded by recalling funds deposited with AA Capital plc. As a consequence, at the date these financial statements were approved, the Company has been returned to a net asset position.

16. First time adoption of FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. There have been no restatements upon transition and therefore there has been no change to equity. The transition has resulted in IFRS 13 – Fair Value Measurement being adopted for the first time and comparative figures were not affected by the transition except where specifically indicated otherwise.

The last financial statements under a previous GAAP (UK GAAP which included the adoption of FRS 25 "Financial Instruments: Presentation", FRS 26 "Financial Instruments: Recognition and Measurement" & FRS 29 "Financial Instruments: Disclosures", were for the year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2015.