

## **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**

We have audited the financial statements of Anglo American Capital plc for the year ended 31 December 2016 which comprise the Profit and Loss account, the Balance Sheet, Statement of changes in equity and the related notes 1 to 15. 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 2016 and of its profit 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, 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 and the Directors' Report.

**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

3 March 2017

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

**Profit and loss account**  
For the year ended 31 December 2016

<b>US\$'000</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Administrative expenses		(3,062)	(3,779)
<b>Operating loss</b>	<b>3</b>	<b>(3,062)</b>	<b>(3,779)</b>
Interest receivable and similar income	4	1,104,247	1,383,526
Interest payable and similar charges	4	(840,689)	(483,892)
Impairment gains/(losses)	5	1,200,012	(3,483,218)
<b>Profit/(Loss) on ordinary activities before taxation</b>		<b>1,460,508</b>	<b>(2,587,363)</b>
Tax on profit on ordinary activities	6	(4,631)	(7,748)
<b>Profit/(Loss) for the financial year</b>		<b>1,455,877</b>	<b>(2,595,111)</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.

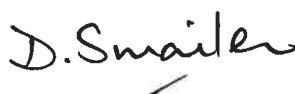
**Anglo American Capital plc**  
Company Registration No. 04658814

**Balance sheet**  
As at 31 December 2016

US\$'000	Note	2016	2015
<b>Non-current assets</b>			
Derivative financial instruments	7	473,623	454,421
		473,623	454,421
<b>Current assets</b>			
Derivative financial instruments	7	19,603	656,642
Debtors – due within one year	8	28,849,606	39,273,117
Investments	9	2,242,386	4,914,846
		31,111,595	44,844,605
<b>Creditors: amounts falling due within one year</b>			
Derivative financial instruments	7,10	(186,136)	(922,021)
Short-term borrowings	10	(15,112,880)	(30,737,200)
Other creditors	10	(161,813)	(186,955)
		(15,460,829)	(31,846,176)
<b>Net current assets</b>		15,650,766	12,998,429
<b>Total assets less current liabilities</b>		16,124,389	13,452,850
<b>Creditors: amounts falling due after more than one year</b>			
Derivative financial instruments	7,10	(1,602,092)	(1,521,029)
Medium and long-term borrowings	10	(10,468,606)	(13,834,007)
		(12,070,698)	(15,355,036)
<b>Net assets/(liabilities)</b>		4,053,691	(1,902,186)
<b>Capital and reserves</b>			
Called-up share capital	12	6	1
Share premium account		4,519,995	20,000
Capital contribution		1,000	1,000
Profit and loss account		(467,310)	(1,923,187)
<b>Total shareholders' funds/(deficit)</b>		4,053,691	(1,902,186)

The financial statements of Anglo American Capital plc were approved by the Board of Directors and authorised for issue on 3 March 2017. They were signed on its behalf by:

Douglas Smailes  
Director



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

**Statement of changes in equity**  
For the year ended 31 December 2016

US\$'000	Called up share capital	Share premium	Capital contribution	Profit and loss account	Total
<b>Balance at 1 January 2015</b>	<b>1</b>	<b>20,000</b>	<b>1,000</b>	<b>671,924</b>	<b>692,925</b>
Issue of share capital	-	-	-	-	-
Capital contribution	-	-	-	-	-
Loss for the financial year	-	-	-	(2,595,111)	(2,595,111)
Dividends	-	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>1</b>	<b>20,000</b>	<b>1,000</b>	<b>(1,923,187)</b>	<b>(1,902,186)</b>
Issue of share capital	5	4,499,995	-	-	4,500,000
Capital contribution	-	-	-	-	-
Profit for the financial year	-	-	-	1,455,877	1,455,877
Dividends	-	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>6</b>	<b>4,519,995</b>	<b>1,000</b>	<b>(467,310)</b>	<b>4,053,691</b>

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 1. Accounting policies

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

##### Basis of accounting

Anglo American Capital plc is a company incorporated in the United Kingdom 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 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC). Accordingly, in the year ended 31 December 2015 the Company had undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 'Reduced Disclosure Framework'. 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 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.

##### Going concern

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

##### Preference shares

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

##### Foreign currency

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

# Anglo American Capital plc

## Notes to the accounts

Year ended 31 December 2016

### 1. Accounting policies (continued)

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 current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

#### Derivative financial instruments and hedge accounting

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. All derivatives are held at fair value on the balance sheet within derivative financial instruments (assets and liabilities) and are classified as current or non-current depending on the maturity of the derivative.

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

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

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

# Anglo American Capital plc

## Notes to the accounts

Year ended 31 December 2016

### 1. Accounting policies (continued)

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

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

#### Borrowings

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

#### Interest receivable and similar income

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

#### Investments

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

#### 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 (2015: Nil). The directors received no remuneration in respect of their services to the Company (2015: \$Nil).

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 3. Operating loss

Operating loss is stated after charging:

US\$'000	2016	2015
Auditor's remuneration for audit of Anglo American Capital plc		
Audit fee	18	17
Non-recurring audit fee	-	7
Management fees	3,044	3,755
	<b>3,062</b>	<b>3,779</b>

#### 4. Finance income

US\$'000	2016	2015
<b>Interest receivable and similar income</b>		
Interest income on investments	12,994	4,587
Interest receivable from Group companies	1,091,253	1,006,059
Net fair value gain on derivatives	-	372,880
Interest receivable and similar income	<b>1,104,247</b>	<b>1,383,526</b>
<b>Interest payable and similar charges</b>		
Interest on borrowings, bank loans and overdrafts	(447,651)	(392,655)
Interest payable to Group companies		
Anglo American plc	(26,127)	(12,824)
Other Group companies	(260,424)	(61,370)
Foreign exchange losses	(1,020)	(17,043)
Net fair value losses on derivatives	(105,467)	-
Interest payable and similar charges	<b>(840,689)</b>	<b>(483,892)</b>
<b>Net finance income</b>	<b>263,558</b>	<b>899,634</b>

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

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 5. Impairment gains

US\$'000	2016	2015
Impairment gains/(losses) recognised during the year	(1,865,354)	(3,483,218)
Impairment gains/(losses) reversals recognised during the year	3,065,366	-
<b>Impairment gains/(losses)</b>	<b>1,200,012</b>	<b>(3,483,218)</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 loan receivables from group undertakings, highly liquid investments in liquidity funds and US Treasury funds (Investments) and derivative positions (Other financial assets) at 31 December 2016. The carrying value of the Investments and Other financial assets equate to the fair value in a liquid market so are highly certain to be recoverable. For the loan receivables from Group companies a review has been conducted to assess the borrower's ability to repay the debts due as at 31 December 2016.

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 the assessment performed, a net impairment reversal of \$1,200 million (2015: 3,483 million loss) has been recognised during the year. This is net of the reversal of \$3,065 impairments made in 2015 for Group loan receivables that are now recoverable driven by their improved financial position of some Group companies in the year ending 31 December 2016. This has been offset by additional impairment for certain loan receivables of \$1,865 million in the year, due to the deterioration of other Group companies in the year ending 31 December 2016.

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

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

US\$'000	2016	2015
Current tax		
UK corporation tax on profits for the year (20% (2015: 20.25%))	(4,631)	(7,748)
Double tax relief	4,631	7,748
Overseas tax - Withholding tax	(4,631)	(7,748)
<b>Total tax on profit on ordinary activities</b>	<b>(4,631)</b>	<b>(7,748)</b>

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

US\$'000	2016	2015
Profit/(loss) on ordinary activities before tax	1,460,508	(2,587,363)
Estimated amount of tax on ordinary activities (calculated at standard rate of corporation tax in the UK of 20% (2015: 20.25%))	292,102	(523,941)
Income not taxable	(613,073)	-
Expenses not deductible for tax purposes	373,070	705,409
Group relief received for nil consideration	(47,468)	(173,720)
<b>Total tax charge for the year</b>	<b>4,631</b>	<b>7,748</b>

Income not taxable comprises \$613 million (2015: nil) relating to the \$3,065 million (2015: nil) reversal of impairment. Expenses not deductible for tax purposes includes \$373 million (2015: \$705m) relating to the \$1,865 million (2015: \$3,483m) impairment recognised in 2016.

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

#### 7. Other financial assets/liabilities

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

#### Foreign exchange risk

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

## **Anglo American Capital plc**

### **Notes to the accounts**

Year ended 31 December 2016

#### **7. Other financial assets/liabilities (continued)**

##### **Interest rate risk**

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

##### **Liquidity risk**

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

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

The Company policy is to borrow funds at floating rates of interest. The Company uses interest rate swaps to manage its exposure to interest rate movements and 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.

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 7. Other financial assets/liabilities (continued)

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

US\$'000	Asset	Liability
<b>Current</b>		
Fair value hedge <sup>(1)</sup>		
Interest rate swaps	9,420	-
Held-for-trading <sup>(2)</sup>		
Cross currency swaps	-	(176,617)
Foreign currency forwards	10,183	(9,519)
<b>Total current derivatives</b>	<b>19,603</b>	<b>(186,136)</b>
<b>Non-current</b>		
Fair value hedge		
Interest rate swaps	473,623	(9,421)
Held-for-trading		
Cross currency swaps	-	(1,592,671)
Foreign currency forwards	-	-
<b>Total non-current derivatives</b>	<b>473,623</b>	<b>(1,602,092)</b>

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

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

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 7. Other financial assets/liabilities (continued)

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

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

<sup>(1)</sup> Recognised in the Profit and Loss account for the year ended 31 December 2015 is a gain on fair value hedged items of \$135 million, offset by a loss on fair value hedging instruments of \$139 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 \$59 million in interest expense (2015: \$ 74 million). A 50 basis point decrease would result in a decrease of \$59 million in interest expense (2015: \$ 74 million).

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 7. 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 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Level 3 <sup>(3)</sup>	Total
<b>At 31 December 2016</b>				
<i>Financial assets</i>				
At fair value through profit and loss				
Derivatives hedging net debt	-	10,183	-	10,183
Other derivatives	-	-	-	-
Designated into hedges				
Derivatives hedging net debt	-	483,043	-	483,043
Other derivatives	-	-	-	-
	-	<b>493,226</b>	-	<b>493,226</b>
<i>Financial liabilities</i>				
At fair value through profit and loss				
Derivatives hedging net debt	-	(1,778,808)	-	(1,778,808)
Other derivatives	-	-	-	-
Designated into hedges				
Derivatives hedging net debt	-	(9,421)	-	(9,421)
Other derivatives	-	-	-	-
	-	<b>(1,788,229)</b>	-	<b>(1,788,229)</b>
<b>Net assets/(liabilities) carried at fair value</b>	-	<b>(1,295,003)</b>	-	<b>(1,295,003)</b>

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

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 7. Other financial assets/liabilities (continued)

US\$'000	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Level 3 <sup>(3)</sup>	Total
<b>At 31 December 2015</b>				
<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	-	-	-	-
	-	<b>1,111,063</b>	-	<b>1,111,063</b>
<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	-	-	-	-
	-	<b>(2,443,050)</b>	-	<b>(2,443,050)</b>
<b>Net assets/(liabilities) carried at fair value</b>	-	<b>(1,331,987)</b>	-	<b>(1,331,987)</b>

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 2016 the debit valuation adjustment was \$73 million (2015: \$374 million) and was fully attributable to derivatives hedging net debt.

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 8. Debtors

US\$'000	2016	2015
Amounts due from fellow Group undertakings:		
Other Group companies	31,131,297	42,627,662
Impairment	(2,283,206)	(3,483,218)
Interest receivable	1,515	128,673
	<b>28,849,606</b>	<b>39,273,117</b>

#### 9. Financial assets

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

US\$'000	2016		2015	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
Debtors <sup>(1)</sup>	28,849,606	28,849,606	39,273,117	39,273,117
Investments <sup>(2)</sup>	2,242,386	2,242,386	4,914,846	4,914,846
Other financial assets (derivatives) <sup>(3)</sup>	493,226	493,226	1,111,063	1,111,063
<b>Total financial assets</b>	<b>31,585,218</b>	<b>31,585,218</b>	<b>45,299,026</b>	<b>45,299,026</b>

<sup>(1)</sup> Debtors are classed under level 2 in the fair value hierarchy as they are valued using techniques based significantly on observable market data. The debtor balances represent the present value of the future cash flows after taking into account impairments. The carrying value of Debtors approximates the fair value as the credit risk element has been taken into account with the impairments raised. All the Debtors form part of the AA plc group, the credit rating of AA plc as at 31 December 2016 was BB+ (S&P) and Ba2 (Moody's).

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

<sup>(3)</sup> 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.

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

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 9. Financial assets (continued)

##### Currency and interest rate profile

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

##### Floating rate financial assets

US\$ '000	2016	2015
US\$	2,234,923	4,907,444
Sterling	7,463	7,402
<b>Total (excluding derivatives)</b>	<b>2,242,386</b>	<b>4,914,846</b>
Derivatives	493,226	1,111,063
<b>Total financial assets (excluding debtors)</b>	<b>2,735,612</b>	<b>6,025,909</b>

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

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

#### 10. Financial liabilities

There were no debt issuances by the Company in 2016. In March 2016 the Group completed a bond buyback programme consisting of Euro, Sterling and US dollar denominated bonds with maturities from December 2016 to September 2018. The Group used \$1.7 billion of cash to retire \$1.83 billion of contractual repayment obligations (including derivatives hedging the bonds).

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 10. Financial Liabilities (continued)

##### Fair values of financial liabilities

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

US\$'000	2016		2015	
	Fair values	Carrying Values	Fair values	Carrying Values
Other creditors (including interest accruals)	161,813	161,813	186,955	186,955
Other financial liabilities (derivatives)	1,788,229	1,788,229	2,443,050	2,443,050
Current external borrowings	1,778,306	1,770,003	1,385,834	1,424,499
Current borrowings from Group companies (excluding AA plc)	12,930,448	12,930,448	14,409,735	14,409,735
Anglo American plc	412,429	412,429	14,902,966	14,902,966
Preference shares	79	79	79	79
Non-current external borrowings	10,534,574	10,468,527	10,457,453	13,833,928
<b>Total financial liabilities</b>	<b>27,605,878</b>	<b>27,531,528</b>	<b>43,786,072</b>	<b>47,201,212</b>

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 7.

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

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 10. Financial Liabilities (continued)

##### Maturity profile

All liabilities are unsecured. The maturity profile of the Company's borrowings at 31 December 2016 was 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 2016</b>					
Bank loans and overdrafts	51,872	-	-	-	51,872
Bond issues	1,718,131	1,900,581	5,601,283	2,966,663	12,186,658
Preference shares	-	-	-	79	79
Borrowings from Group Companies <sup>(1)</sup>	13,342,877	-	-	-	13,342,877
<b>Total borrowings (excluding hedges)</b>	<b>15,112,880</b>	<b>1,900,581</b>	<b>5,601,283</b>	<b>2,966,742</b>	<b>25,581,486</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 2015</b>					
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
<b>Total borrowings (excluding hedges)</b>	<b>30,737,200</b>	<b>2,341,148</b>	<b>7,127,216</b>	<b>4,365,643</b>	<b>44,571,207</b>

<sup>(1)</sup> Where there are non USD denominated borrowings from group companies, foreign currency forwards are entered into to reduce the currency risk. The foreign currency forward derivative liability balance at 31 December 2016 is \$10 million (2015: \$608 million), all are due to mature with in one year.

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 10. Financial Liabilities (continued)

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

US\$'000	Within 1 year or on demand	Between 1-2 years	Between 2-5 years	After 5 years	Total
<b>At 31 December 2016</b>					
Total borrowings <sup>(1)</sup>	1,770,003	1,900,581	5,601,283	2,966,742	12,238,609
Interest rate swaps	(9,420)	(72,133)	(202,303)	(189,766)	(473,622)
Currency derivatives	176,228	610,586	559,317	423,158	1,769,289
<b>Total hedged borrowings</b>	<b>1,936,811</b>	<b>2,439,034</b>	<b>5,958,297</b>	<b>3,200,134</b>	<b>13,534,276</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 2015</b>					
Total borrowings <sup>(1)</sup>	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
<b>Total hedged borrowings</b>	<b>1,715,589</b>	<b>2,568,833</b>	<b>7,548,021</b>	<b>4,783,762</b>	<b>16,616,205</b>

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

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 10. Financial Liabilities (continued)

##### Currency and interest rate profile

As AA Capital plc uses cross currency interest rate swaps to swap foreign currency 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 2016</b>					
US\$	5,004,305	51,872	4,952,433	4.67	3.64
Sterling	347,583	-	347,583	6.88	1.33
Euro	6,428,886	-	6,428,886	2.57	3.49
Other currencies	457,835	-	457,835	4.86	1.92
<b>Gross borrowings (excluding hedges)</b>	<b>12,238,609</b>	<b>51,872</b>	<b>12,186,737</b>	<b>3.68</b>	<b>3.40</b>
Impact of Interest Rate Swaps	-	12,186,737	(12,186,737)		
<b>Gross borrowings (after hedges)</b>	<b>12,238,609</b>	<b>12,238,609</b>	<b>-</b>		
Borrowings from Group Companies & Other creditors	13,342,877				
Derivatives	1,788,229				
<b>Total financial liabilities</b>	<b>27,369,715</b>				

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2015

#### 10. Financial Liabilities (continued)

US\$'000	Total	Floating rate borrowings	Fixed rate borrowings	Effective interest rate %	Weighted average for which rate is fixed in years
<b>At 31 December 2015</b>					
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
<b>Gross borrowings (excluding hedges)</b>	<b>15,258,507</b>	<b>585,458</b>	<b>14,673,049</b>	<b>3.54</b>	<b>3.88</b>
Impact of Interest Rate Swaps	-	14,673,049	(14,673,049)		
<b>Gross borrowings (after hedges)</b>	<b>15,258,507</b>	<b>15,258,507</b>	<b>-</b>		
Borrowings from Group Companies & Other creditors	29,312,701				
Derivatives	2,443,050				
<b>Total financial liabilities</b>	<b>47,014,258</b>				

#### Undrawn committed borrowing facilities

The Company is a borrower under a \$5.0 billion syndicated facility and two \$200 million bilateral facilities. There were no other changes to these facilities during 2016 and as at 31 December 2016 there were no outstanding amounts drawn under these committed facilities (2015: \$Nil). A \$1.5 billion Club committed facility was negotiated in February 2016, maturing February 2018. The facility was reduced in October 2016 to \$1.05 billion following the sale of the Niobium and Phosphates businesses. The facility was subsequently cancelled in January 2017. As at 31 December 2016 there were no outstanding amounts drawn under this Club committed facility.

## Anglo American Capital plc

### Notes to the accounts

Year ended 31 December 2016

#### 11. Preference shares

US\$'000	2016	2015
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.

#### 12. Called-up share capital

US\$'000	2016	2015
Authorised:		
1,000,000,000 ordinary shares of US\$1 each	1,000,000	1,000,000
	1,000,000	1,000,000
Called up, allotted and fully paid:		
5,700 ordinary shares of US\$1 each	6	1
	6	1

During the year to maintain the financial viability of the Company, its parent company AA plc, invested in AA Capital Plc \$4,500 million (4,500 ordinary shares) on 15 March 2016.

#### 13. Related party transactions

At 31 December 2016, 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.

## **Anglo American Capital plc**

### **Notes to the accounts**

Year ended 31 December 2016

#### **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, in January 2017, the Company cancelled its \$1.05 billion Club committed facility, which was originally due to mature in February 2018.