

Anglo American Capital plc

Report and Financial Statements
For the year ended 31 December 2018

Company Registration No. 04658814

Anglo American Capital plc

Report and financial statements 2018

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Anglo American Capital plc

Report and financial statements 2018

Officers and professional advisers

Directors

D Smailes
A MacPherson
C Davage
S Pearce
E Klonarides
R Price (Appointed 21 May 2018)
J Mills (Resigned 5 April 2018)

Secretaries

Anglo American Corporate Secretary Limited

Registered office

20 Carlton House Terrace
London SW1Y 5AN
United Kingdom

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Auditor

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

Anglo American Capital plc

Strategic report

Business review and principal activities

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

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

As shown in note 4 on page 19, the Company's net finance income increased by \$223 million (2017: \$84 million decrease) primarily due to an increase in interest received from other Group companies due to an increase in LIBOR rates. Of the prior year accumulated impairment balance of \$872 million, there has been a reversal of \$495 million (2017: \$1,449 million) for Group loan receivables which are now considered to be recoverable driven by the improved financial position of certain Group companies in the year ended 31 December 2018. This was offset by the impairment of \$417 million (2017: \$2 million) raised in the current financial year for other Group entities (see note 5) giving a net credit of \$78 million (2017: \$1,446 million) in relation to impairment movements in the year ended 31 December 2018. The Company has impairment recognised against three of its intercompany loans (2017: two loans). This has resulted in the Company recognising a profit after tax of \$466 million (2017: \$1,586 million) for the year ended 31 December 2018.

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

Principal risks and uncertainties

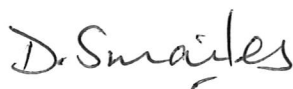
The principal risks to the Company's business are changes in interest rates and movements in foreign exchange rates. An explanation of these risks and how they are managed is referred to in note 10 on pages 27-30.

The Company is also exposed to intercompany credit risk as losses may be suffered should an intercompany counterparty be unable to service its debt obligations. This intercompany credit risk arises from a range of risks to which the rest of the Group is exposed. Group risks and the processes to manage them are discussed in the Group's Annual Report, which does not form part of this Report. Refer to note 15.

Results and dividends

The profit after taxation for the year is \$466 million (2017: \$1,586 million). Dividends of \$Nil were paid to the ordinary shareholder during the year (2017: \$Nil). A 3% preference dividend of \$1,962 was paid to the preference shareholder during the year (2017: \$1,992).

Approved by the Board of Directors on 27 February 2019 and signed on its behalf by:



Doug Smailes
Director
27 February 2019

Anglo American Capital plc

Directors' report

The directors present their Report and the audited financial statements of the Company for the year ended 31 December 2018.

Directors

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

D Smailes
A MacPherson
C Davage
S Pearce
E Klonarides
R Price (Appointed 21 May 2018)
J Mills (Resigned 5 April 2018)

Going concern

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

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

Subsequent events

On 8 February 2019, the Group extended the maturity of \$4.3 billion of its revolving credit facility by one year from March 2023 to March 2024. There are no other subsequent events.

Auditors

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

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

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

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

Approved by the Board of Directors on 27 February 2019 and signed on its behalf by:



Doug Smailes
Director
27 February 2019

Anglo American Capital plc

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Anglo American Capital plc (the 'company'):

- **give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;**
- **have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of amounts due from fellow Group undertakings Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .
Materiality	The materiality that we used in the current year was \$41.7million which was determined on the basis of 0.5% of debt in issue as at 31 December 2018.

Scoping	Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risks of material misstatement.
Significant changes in our approach	Through our risk assessment procedures in the current year, we have determined that Transfer pricing on margin charged on amounts due from/to fellow Group undertakings key audit matter is not significant or a key audit matter in the current year.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

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

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

Impairment of amounts due from fellow Group undertakings

Key audit matter description



As disclosed in Note 1 and Note 7, the Company provides funding to other members of the Group. Assets comprise of gross loan receivables from Group undertakings totalling \$31,547 million (2017: \$29,869 million) and total accumulated impairment of \$767million (2017: \$872 million).

As disclosed in Note 1 and Note 5, the Company is exposed to credit risk as losses may be suffered should a counterparty be unable to service its debt obligations. Management review of the loan receivable balances within the Company with particular focus on each of the impairments recognised at the consolidated Group level. An assessment was made as to the borrower's ability to repay the debts due and therefore the recoverability of the loan receivable balance.

Given the high level of judgements involved, we have determined that there was a potential for fraud through possible manipulation of this balance, specifically related to the definition of default. This is a critical accounting judgement that involves assumptions, including the ability of the Group undertaking to pay its obligation to the Company in full and the support from the Group entity.

How the scope of our audit responded to the key audit matter



We evaluated management's assessment as to whether indicators of impairment or impairment reversal exist for loan receivables from Group undertakings.

We evaluated the design and implementation of key controls around Management's impairment assessment and calculations used to determine impairment or impairment reversal in the current year.

We challenged management's assessment on the appropriateness of the carrying value through obtaining the latest audited financial information and by assessing the ability of the group undertakings to repay these amounts. Where the Group team determined an impairment should be recognised, we compared the outstanding loan amount to the net asset value ("NAV") to determine the amount of impairment recognised in the current year.

For the loan receivables which are now considered to be recoverable, we evaluated management's assessment on the recoverability of the loan amount, including the current NAV of the borrower and the economic situation as assessed by the Group team to determine if the impairment reversal is appropriate in the current year.

Key observations



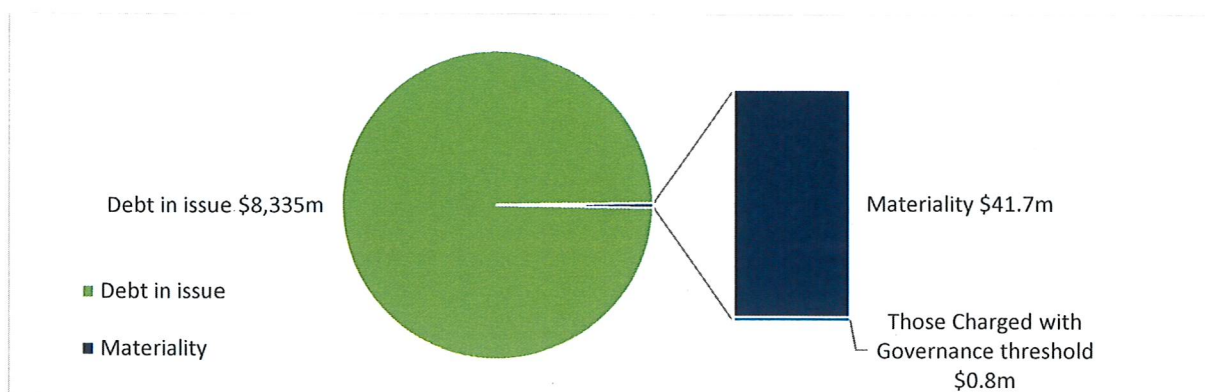
From the work performed, we concluded that management's assessment of the impairment provision, including the portion that reversed in the current year, was appropriate.

Our application of materiality

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

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

Materiality	\$41.7 million (2017: \$55.1 million)
Basis for determining materiality	0.5% of debt in issue as at 31 December 2018 (2017: 0.5% of debt in issue)
Rationale for the benchmark applied	In our professional judgement, we believe the main purpose of the Company is to issue debt in the market in order to fund the Group and its subsidiaries and this is the main driver of activities in the Company. The debt is long term and the levels are determined based on the requirements of the Group.



We agreed with those charged with governance that we would report to them all audit differences in excess of \$ \$0.8 million (2017: \$1.1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. We have not scoped out any significant balances. There has been no changes to our scoping from the prior year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

Identifying and assessing potential risks related to irregularities

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

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

Audit response to risks identified

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of this matter.

Other matters

Auditor tenure

Following the recommendation of those charge with governance, we were appointed by the directors on 6 February 2003 to audit the financial statements for the year ending 31 December 2003 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ending 31 December 2003 to 31 December 2018.

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Simon Stephens (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 February 2019

Income statement

For the year ended 31 December 2018

US\$'000	Note	2018	2017
Administrative expenses		(3,531)	(3,185)
Operating loss	3	(3,531)	(3,185)
Finance income	4	1,464,709	1,152,214
Finance expense	4	(1,062,452)	(972,486)
Impairment reversals	5	78,302	1,446,309
Profit on ordinary activities before taxation		477,028	1,622,852
Tax on profit on ordinary activities	6	(10,746)	(37,062)
Profit for the year		466,282	1,585,790

All results derive from continuing operations.

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

Balance sheet
As at 31 December 2018

US\$'000	Note	2018	2017
Non-current assets			
Derivative financial assets	8,9	208,551	306,859
		208,551	306,859
Current assets			
Derivative financial assets	8,9	15,577	28,261
Receivables – due within one year	7	30,789,469	29,002,206
Cash and cash equivalents	9	2,419,472	4,408,736
		33,224,518	33,439,203
Creditors: amounts falling due within one year			
Derivative financial liabilities	8,9	(39,631)	(225,935)
Short-term borrowings	10	(18,611,038)	(17,320,660)
Other creditors		(6,734)	(7,360)
		(18,657,403)	(17,553,955)
Net current assets		14,567,115	15,885,248
Total assets less current liabilities			
		14,775,666	16,192,107
Creditors: amounts falling due after more than one year			
Deferred tax	11	(38,545)	(31,018)
Derivative financial liabilities	8,9	(608,917)	(457,520)
Medium and long-term borrowings	10	(8,022,441)	(10,064,088)
		(8,669,903)	(10,552,626)
Net assets		6,105,763	5,639,481
Capital and reserves			
Called-up share capital	13	6	6
Share premium account		4,519,995	4,519,995
Capital contribution		1,000	1,000
Retained earnings		1,584,762	1,118,480
Total shareholder's funds		6,105,763	5,639,481

The financial statements of Anglo American Capital plc were approved by the Board of Directors and authorised for issue on 27 February 2019. They were signed on its behalf by:

D. Smailes.

Douglas Smailes
Director

Statement of changes in equity
For the year ended 31 December 2018

US\$'000	Called up share capital	Share premium	Capital contribution	Retained earnings	Total
Balance at 1 January 2017	6	4,519,995	1,000	(467,310)	4,053,691
Issue of share capital	-	-	-	-	-
Profit for the year	-	-	-	1,585,790	1,585,790
Dividends	-	-	-	-	-
Balance at 31 December 2017	6	4,519,995	1,000	1,118,480	5,639,481
Issue of share capital	-	-	-	-	-
Profit for the year	-	-	-	466,282	466,282
Dividends	-	-	-	-	-
Balance at 31 December 2018	6	4,519,995	1,000	1,584,762	6,105,763

Anglo American Capital plc

Notes to the financial statements

Year ended 31 December 2018

1. Accounting policies

The principal accounting policies are summarised below.

Basis of accounting

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

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

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

Changes in accounting policies and disclosures

The accounting policies applied are consistent with those adopted and disclosed in the Company's financial statements for the year ended 31 December 2017, except for changes arising from the adoption of the following IFRS 9 Financial Instruments which became effective in the current reporting period.

IFRS 9: Financial Instruments

Impairment: The standard introduces an 'expected credit loss' model for the assessment of impairment of financial assets held at amortised cost as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The impact of this transition difference is not considered material to the Company. The Company assessed the carrying values at 1 January 2018 and no adjustments to impairments were identified. Therefore, comparative values and opening retained earnings at 1 January 2018 have not been restated.

Classification and measurement: The measurement and accounting treatment of the Company's financial assets is materially unchanged on application of the new standard with the exception of Money Market Funds (MMF) previously measured at amortised cost. These are now held at fair value through profit and loss. As a result, there is no impact to the net assets of the Company at 1 January 2017, 31 December 2017 or 1 January 2018 or to the Company's results for the year ended 31 December 2017.

Hedge Accounting: The Company has elected to adopt the IFRS 9 hedge accounting requirements from 1 January 2018. The adoption of the new standard had no effect on the amounts recognised in relation to hedging arrangements for the year ended 31 December 2017 or the year ended 31 December 2018.

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

Anglo American Capital plc

Notes to the financial statements

Year ended 31 December 2018

directors. The Company's preference shares entitle the holders to a fixed cumulative dividend of 3% per annum and these shares are, therefore, considered financial liabilities.

Foreign currency

Transactions in currencies other than the functional currency during the year have been translated and included in the financial statements at the rates of exchange prevailing at the time those transactions were executed. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date have been translated at the rates of exchange prevailing at that date. Gains and losses arising on retranslation are included in the income statement for the period and are classified in the income statement according to the nature of the monetary item giving rise to them. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Taxation

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

Borrowings

Interest bearing borrowings and overdrafts are initially recognised at fair value, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are recognised in the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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Year ended 31 December 2018

Finance Income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is calculated based on the gross carrying amount of financial assets except purchase on credit impaired (POCI) financial assets and credit impaired (stage 3) financial assets for interest income calculated by applying EIR to the amortised costs using the net carrying amount of the financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet. Cash and cash equivalents are measured at amortised cost except for money market fund investments which are held at fair value through profit and loss as they are redeemed through the sale of units in the funds and not solely through the recovery of principal and interest.

Financial assets

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

At subsequent reporting dates, financial assets at amortised cost are measured at amortised cost less any impairment losses. Other investments are classified at fair value through profit or loss. Where investments are held for trading purposes, unrealised gains and losses for the period are included in the income statement within other gains and losses.

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

Impairment of financial assets (including receivables)

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

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

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

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

- negative net asset value indicating the entity does not have the ability to repay the loan on demand; and
- the borrower is unlikely to pay its credit obligations to the company in full.

Reporting currency

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

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Year ended 31 December 2018

2. Information regarding directors and employees

The Company has no employees (2017: Nil). The directors received no remuneration in respect of their services to the Company (2017: \$Nil).

3. Operating loss

Operating loss is stated after charging:

US\$'000	2018	2017
Auditor's remuneration for audit of Anglo American Capital plc		
Audit fee	(19)	(18)
Management fees	(3,512)	(3,167)
	(3,531)	(3,185)

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

4. Finance income/expense

US\$'000	2018	2017
Finance income		
Interest income on investments	85,413	35,996
Interest income from Group companies	1,341,989	1,116,218
Foreign exchange gains	37,307	-
Finance Income	1,464,709	1,152,214
Finance expense		
Interest on borrowings, bank loans and overdrafts	(449,734)	(464,955)
Interest expense for Group companies		
Anglo American plc	(2,410)	(4,698)
Other Group companies	(492,960)	(328,445)
Foreign exchange losses	-	(66,433)
Net fair value losses on derivatives	(117,348)	(107,955)
Finance expense	(1,062,452)	(972,486)
Net finance income	402,257	179,728

Interest income recognised at amortised cost is \$1,344 million (2017: \$1,152 million) and interest expense at amortised cost is \$945 million (2017: \$798 million). Interest income on investments in 2018 includes \$53 million recognised at fair value through profit and loss. In 2017 \$36 million interest income related to money market funds and is recognised at amortised cost. Included in interest income during the year ended 31 December 2018 is a \$31 million gain on settlement of a commercial dispute.

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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Year ended 31 December 2018

5. Impairment and impairment reversals

US\$'000	2018	2017
Impairments recognised during the year	(417,120)	(2,389)
Impairment reversals recognised during the year	495,422	1,448,698
Net Impairment reversals	78,302	1,446,309

As one of the Group's main financing entities, AA Capital plc provides funding to a large number of other Group companies and assets are comprised of loans receivable from Group undertakings, highly liquid investments in liquidity funds and US Treasury funds (Investments) and derivative positions (Other financial assets) at 31 December 2018. 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 2018.

The Company applies the simplified expected credit loss model for its receivables measured at amortised cost as permitted by IFRS 9. The expected credit losses on receivables are estimated using a provision matrix by reference to past default experience and credit rating, adjusted for as appropriate for current observable data.

Based on the assessment performed, a net impairment reversal of \$78 million (2017: \$1,446 million) has been recognised during the year. This is net of the reversal of \$495 million impairments made in 2017 for Group loan receivables which are now considered to be recoverable driven by the improved financial position of some Group companies in the year ended 31 December 2018. This has been offset by additional impairment for certain loan receivables of \$417 million in the year, due to the deterioration of the financial positions of other Group companies in the year ended 31 December 2018.

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

US\$'000	2018	2017
Current & Deferred tax		
Current tax on profits for the year	(3,219)	(6,044)
Deferred tax for the year	(7,527)	(31,018)
Total tax on profit on ordinary activities	(10,746)	(37,062)

6(b). Factors affecting tax charge for year

US\$'000	2018	2017
Profit/(loss) on ordinary activities before tax	477,028	1,622,852
Estimated amount of tax on ordinary activities (calculated at standard rate of corporation tax in the UK of 19% (2017: 19.25%))	90,635	312,343
Effects of:		
Income not taxable	(94,130)	(278,825)
Expenses not deductible for tax purposes	79,253	461
Group relief received for nil consideration	(72,539)	(27,935)
Deferred withholding tax liability on accrued interest	7,527	31,018
Total tax charge for the year	10,746	37,062

Income not taxable comprises \$94 million (2017: \$279 million) relating to the \$495 million (2017: \$1,449 million) reversal of impairment. Expenses not deductible for tax purposes includes \$79 million (2017: \$0.5m) relating to the \$417 million (2017: \$2m) impairment recognised in 2018.

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. 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. Receivables

US\$'000	2018	2017
Amounts due from fellow Group undertakings:		
Other Group companies	31,547,434	29,869,236
Accumulated impairment ⁽¹⁾	(762,904)	(871,797)
Interest receivable	4,939	4,767
	30,789,469	29,002,206

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

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8. Derivative financial assets/liabilities

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

Fair value hedges

Interest rate swaps have been designated as fair value hedges. The carrying value of the hedged debt and related interest payable is adjusted at each balance sheet date to reflect the impact on its fair value of changes in market interest rates. Changes in the fair value of the hedged debt are offset against fair value changes in the interest rate swap and recognised in the income statement. Recognised in the income statement is a net gain on fair value hedged items of \$123 million (2017: \$205 million).

Held for trading

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

Accounting judgement

The Company's derivatives are required to be measured on the balance sheet at fair value through profit and loss. Where a quoted market price for an identical instrument is not available, a valuation model is used to estimate the fair value based on the net present value of the expected cash flows under the contract. Valuation assumptions are usually based on observable market data (for example forward foreign exchange rate, interest rate or commodity price curves) where available.

Accounting policies

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

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8. Derivative financial assets/liabilities (continued)

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

US\$'000	Asset	Liability
Current		
Fair value hedge ⁽¹⁾		
Interest rate swaps	7,045	-
Held-for-trading ⁽²⁾		
Cross currency swaps	-	(32,853)
Foreign currency forwards	8,532	(6,778)
Total current derivatives	15,577	(39,631)
Non-current		
Fair value hedge		
Interest rate swaps	204,110	(108,603)
Held-for-trading		
Cross currency swaps	4,441	(500,314) ⁽³⁾
Total non-current derivatives	208,551	(608,917)

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

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

⁽³⁾ Included within the fair value of the derivative assets and liabilities above is the credit and debit valuation adjustments recorded to reflect in the fair value of financial assets and liabilities the effect of our counterparty's credit quality and Anglo American's own credit quality respectively based on observed credit spreads. These adjustments are calculated in total for each counterparty based on the net expected exposure. In many cases this includes exposures on a number of different types of derivative instruments. As at 31 December 2018 the debit valuation adjustment was \$15 million.

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Year ended 31 December 2018

8. Derivative financial assets/liabilities (continued)

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

US\$'000	Asset	Liability
Current		
Fair value hedge ⁽¹⁾		
Interest rate swaps	21,131	-
Held-for-trading ⁽²⁾		
Cross currency swaps	-	(209,261)
Foreign currency forwards	7,130	(16,674)
Total current derivatives	28,261	(225,935)
Non-current		
Fair value hedge		
Interest rate swaps	285,198	(57,716)
Held-for-trading		
Cross currency swaps	21,661	(399,804) ⁽³⁾
Total non-current derivatives	306,859	(457,520)

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

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

⁽³⁾ Included within the fair value of the derivative assets and liabilities above is the credit and debit valuation adjustments recorded to reflect in the fair value of financial assets and liabilities the effect of our counterparty's credit quality and Anglo American's own credit quality respectively based on observed credit spreads. These adjustments are calculated in total for each counterparty based on the net expected exposure. In many cases this includes exposures on a number of different types of derivative instruments. As at 31 December 2017 the debit valuation adjustment was \$9 million.

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9. Financial Instruments

Overview

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

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

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

The values of financial instruments for the year ended 31 December 2017 are as follows:

US\$'000	At fair value through profit and loss	Financial assets at amortised cost	Designated into hedges	Financial liabilities at amortised cost	Total
Financial assets					
Derivative financial assets	28,791	-	306,329	-	335,120
Receivables	-	29,002,206	-	-	29,002,206
Cash and cash equivalents	-	4,408,736	-	-	4,408,736
	28,791	33,410,942	306,329	-	33,746,062

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Year ended 31 December 2018

US\$'000	At fair value through profit and loss	Financial assets at amortised cost	Designated into hedges	Financial liabilities at amortised cost	Total
Financial liabilities					
Derivative financial liabilities	(625,739)	-	(57,716)	-	(683,455)
Borrowings	-	-	(11,328,290)	(16,056,458)	(27,384,748)
Other creditors	-	-	-	(7,360)	(7,360)
	(625,739)	-	(11,386,006)	(16,063,818)	(28,075,563)
Net financial (liabilities)/assets	(596,948)	33,410,942	(11,079,677)	(16,063,818)	5,670,499

Cash and cash equivalents at 31 December 2018 includes cash held in the Company bank accounts and cash held in short-term money market funds. These funds are selected to ensure compliance with the minimum credit rating requirements and counterparty exposure limits set out in the Company's Treasury policy. Following the adoption of IFRS 9 from 1 January 2018 these balances have been reclassified as at fair value through profit and loss as they are redeemed through the sale of units in the funds rather than solely through the recovery of principal and interest. There is no impact on the carrying value of Investments as a result of this reclassification.

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

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

- Cash and cash equivalents including cash held in money market funds are valued using unadjusted quoted prices in active markets for identical financial instruments.
- The fair values of derivative instruments are valued using techniques based significantly on observable market data. Derivatives instruments are traded in an active market but the nature of the derivative contracts are unique and between two counterparties for which quoted prices are not continuously available.

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10. Financial risk management

Overview

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

A. Liquidity risk

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

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

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

US\$'000	Within 1 year or on demand	Between 1- 2 years	Between 2-5 years	After 5 years	Total
At 31 December 2017					
Bank loans and overdrafts	(10,001)	-	-	-	(10,001)
Bond issues	(1,264,281)	(1,202,200)	(4,607,098)	(4,254,711)	(11,328,290)
Preference shares	-	-	-	(79)	(79)
Borrowings from Group companies ⁽¹⁾	(16,046,378)	-	-	-	(16,046,378)
Derivatives hedging debt	(187,949)	8,572	(58,015)	(101,399)	(338,791)
Total	(17,508,609)	(1,193,628)	(4,665,113)	(4,356,189)	(27,723,539)

⁽¹⁾ Where there are non USD denominated borrowings from Group companies, foreign currency forwards are entered into to reduce the currency risk. The foreign currency forward derivative liability balance at 31 December 2018 is \$7 million (2017: \$17 million), all are due to mature within one year.

As at 31 December 2018 the company was under a \$4.5 billion (2017: \$5.4 billion) syndicated facility expiring March 2023. On 8 February 2019, the Group extended the maturity of \$4.3 billion of its revolving credit facility by one year from March 2023 to March 2024. There were no other changes to these facilities during 2018 and as at 31 December 2018 there were no outstanding amounts drawn under these committed facilities (2017: \$Nil).

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B. Credit risk

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

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

US\$'000	2018	2017
Cash and cash equivalents	2,419,472	4,408,736
Receivables	30,789,469	29,002,206
Derivative financial assets	224,128	335,120
Total	33,433,069	33,746,062

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

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

C. Foreign exchange and interest rate risk

Interest rate risk arises due to fluctuations in interest rates which impact on the value of short-term investments and financing activities. The Company's policy is to borrow funds at floating rates of interest given the link with economic output and therefore the correlation, over the longer term, with commodity prices. The Company uses interest rate swap contracts to manage its exposure to interest rate movements on its debt.

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

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

Floating rate financial assets

US\$'000	2018	2017
Cash and cash equivalents - US dollar	2,409,114	4,406,562
Cash and cash equivalents - Sterling	10,358	2,174
Total (excluding derivatives)	2,419,472	4,408,736
Derivatives	224,128	335,120
Total financial assets (excluding receivables)	2,643,600	4,743,856

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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 2018					
Total borrowings	(438,015)	(490,556)	(3,645,056)	(3,886,829)	(8,460,456)
Interest rate swaps	7,045	12,424	151,121	(68,038)	102,552
Currency derivatives	(32,853)	(56,291)	(402,700)	(36,882)	(528,726)
Total hedged borrowings	(463,823)	(534,423)	(3,896,635)	(3,991,749)	(8,886,630)

At 31 December 2017

Total borrowings	(1,274,282)	(1,202,200)	(4,607,098)	(4,254,790)	(11,338,370)
Interest rate swaps	21,131	33,810	161,027	32,645	248,613
Currency derivatives	(209,080)	(25,238)	(219,042)	(134,044)	(587,404)
Total hedged borrowings	(1,462,231)	(1,193,628)	(4,665,113)	(4,356,189)	(11,677,161)

The Company uses cross currency interest rate swaps to swap foreign currency debt issues to US dollar. The exposure of the Company to interest rate and currency risk with respect to financial liabilities is as follows:

US\$'000	Total	Floating rate borrowings	Fixed rate borrowings	Effective interest rate %	Weighted average for which rate is fixed in years
At 31 December 2018					
US dollar	(4,616,150)	(4,190)	(4,611,960)	4.27	6.31
Sterling	-	-	-	-	-
Euro	(3,844,306)	-	(3,844,306)	2.78	3.57
Other currencies	-	-	-	-	-
Gross borrowings (excluding hedges)	(8,460,456)	(4,190)	(8,456,266)	3.59	5.06
Impact of Interest Rate Swaps	-	(8,456,266)	8,456,266		
Gross borrowings (after hedges)	(8,460,456)	(8,460,456)	-		
Borrowings from Group companies & Other creditors	(18,173,023)				
Derivatives	(648,548)				
Total financial liabilities	(27,282,027)				

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

Based on the net foreign currency and interest rate risk exposures detailed above, and considering the effects of the hedging arrangements in place, management considers that earnings and equity are not materially sensitive to reasonable foreign exchange or interest rate movements in respect of the financial instruments held as at 31 December 2018 or 31 December 2017

11. Deferred tax

US\$'000	2018	2017
Opening Balance	(31,018)	-
Movement in Profit/ Loss in current year	(7,527)	(31,018)
Closing Balance	(38,545)	(31,018)

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

12. Preference shares

US\$'000	2018	2017
Authorised:		
50,000 3% cumulative preference shares of £1 each	79	79
Called up, allotted and fully paid:		
50,000 3% cumulative preference shares of £1 each	79	79

Anglo American Capital plc

Notes to the financial statements

Year ended 31 December 2018

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

13. Called-up share capital

US\$'000	2018	2017
Authorised:		
1,000,000,000 ordinary shares of US\$1 each	1,000,000	1,000,000
	1,000,000	1,000,000
Called up, allotted and fully paid:		
5,700 ordinary shares of US\$1 each	6	6
	6	6

14. Related party transactions

At 31 December 2018, as identified in note 15, Anglo American plc is the Company's ultimate parent company. The Company has taken advantage of the exemption granted by Financial Reporting Standard 101 not to disclose related party transactions with Anglo American Group companies. With the exception of an intercompany loan with LLX Minas-Rio Logística Comercial Exportadora S.A. which has a balance owing to Anglo American Capital plc of US\$195 million (2017: US\$230 million) and related interest income of US\$17 million (2017: US\$28 million), there were no other related party transactions.

15. Ultimate parent company

The immediate and ultimate parent company and controlling entity is Anglo American plc, a company incorporated in the United Kingdom and registered in England and Wales.

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

Copies of the Group financial statements of Anglo American plc, which include the results of the Company, are available from Anglo American plc at 20 Carlton House Terrace, London, SW1Y 5AN and on the Group website.

16. Events occurring after end of year

On 8 February 2019, the Group extended the maturity of \$4.3 billion of its revolving credit facility by one year from March 2023 to March 2024. There are no other subsequent events.