

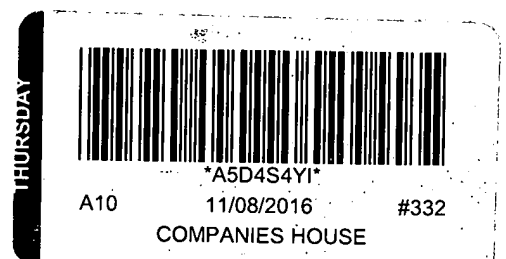
Company Registration Number: 405724

Anglo American Marketing Limited

Annual Report and Financial Statements

for the year ended 31 December 2015

Anglo American Marketing Limited
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Incorporated in England and Wales. Registration Number: 405724



Anglo American Marketing Limited

Annual Report and financial statements for the year ended 31 December 2015

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Anglo American Marketing Limited

Officers and professional advisers

Directors

A Schmitt
H Truol
J M Mills
D Wilson
P Demzik

Secretary

Anglo American Corporate Secretary Limited

Registered Office

20 Carlton House Terrace
London SW1Y 5AN
United Kingdom

Bankers

Barclays Bank plc
1 Churchill Place
Canary Wharf
London E14 5HB
United Kingdom

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay
#09-01 HSBC Building
Singapore 049320

Solicitors

Linklaters
One Silk Street
London EC2Y 8HQ
United Kingdom

Auditor

Deloitte LLP
Chartered Accountants
2 New Street Square
London EC4A 3BZ
United Kingdom

Anglo American Marketing Limited

Strategic report

The directors present their strategic report on Anglo American Marketing Limited (“the Company”) for the year ended 31 December 2015.

Business review

Thermal Coal

Thermal coal average realised prices declined by 24% as overall demand contracted. Chinese import demand in particular softened, while other growth markets, notably India, were not able to offset this decrease in demand. There was a significant increase in thermal coal trading activities (buying and selling physical materials, using associated financial trading tools to manage the price and delivery risks). The Company’s trading strategy is designed to take advantage of the maturity of the thermal coal market by benefiting from opportunities to improve profitability and increase returns, and to build capabilities which will allow us to create additional future value.

Iron Ore

Seaborne iron ore prices continued their downward trend in 2015, with the Platts IODEX 62% Fe CFR China spot price falling 42% to average \$56 per dry metric tonne. Overcapacity in the Chinese steel sector resulted in steel prices touching record lows. A shift in the focus of Chinese mills to cost rather than productivity led to reduced price differentials across iron ore grades. In addition, the seaborne iron market remained oversupplied throughout the year, further depressing the iron ore price, although there was a noticeable slowdown in supply growth as projects reached execution and high-cost marginal suppliers withdrew from the market

Metallurgical Coal

Metallurgical coal prices showed a steady decline across 2015, driven by lower imports into China and weaker producer currencies. Strong steel exports from China had a negative effect on global steel prices and margins, putting further pressure on raw material prices. Metallurgical coal spot prices averaged \$90/tonne based on TSI Premium HCC FOB Australia East Coast Port \$/tonne, down 19%.

Copper

The annual average LME copper cash settlement price decreased by 20% to \$4,980/tonne as growth in mine supply outweighed underlying demand growth in 2015, resulting in a market surplus for the metal. In particular, prices were adversely affected by weaker construction activity and manufacturing output in China, which accounts for almost half of global copper consumption.

Nickel

The annual average LME nickel cash settlement price decreased by 30% to \$10,720/tonne as the impact of slower Chinese economic growth continued to exert downward pressure on commodity prices. World stainless steel production (the end use for around 65% of all nickel) was flat year-on-year, matching 2014’s record output. Nickel pig iron production in China declined by approximately 18%, or 85,000 tonnes, owing to the ongoing Indonesian nickel ore export ban; this led to a near-doubling of Chinese ferronickel imports in 2015, which reached a record high of 137,000 tonnes (Ni contained). This, in turn, resulted in an improvement in ferronickel market fundamentals, and a decrease in ferronickel discounts, through the year.

Niobium

Despite a strong first six months, worldwide demand for ferroniobium has softened, while global production capacity has increased slightly. This decline in demand was driven by the challenging conditions in the Chinese steel industry and lower investments in oil and gas pipeline steel.

Anglo American Marketing Limited

Strategic report (continued)

Results

The profit after tax for the year is \$35,509,000 (2014: \$76,008,000).

Financial Position

The net assets as at 31 December 2015 were \$206,785,000 (2014: \$267,425,000).

Key Performance Indicators

The key performance indicators for the Company are revenue, volume of commodity shipped and the operating margin. These were as follows:

	2015	2014
Revenue (\$'000)	4,312,182	3,071,432
Volume of thermal coal shipped (million tonnes)	23.3	18.8
Volume of metallurgical coal shipped (thousand tonnes)	89	1,536
Volume of copper shipped (thousand tonnes)	427.7	136.3
Volume of nickel shipped (thousand tonnes)	21.5	24.8
Volume of niobium shipped (thousand tonnes)	5.1	4.3
Volume of iron ore shipped (million tonnes)	7.7	0.2
Operating margin (%)	1%	3%

The Company's operating profit has decreased by 54% (2014: increased by 40%) compared to the prior year.

Financial risk management objectives and policies

The Company's activities expose it to market as well as financial risks including price risk and credit risk. The use of financial derivatives is governed by the Anglo American Group policies, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes. Whilst the Company must operate within its available intercompany facility limits, its exposure to liquidity risk and cash flow risk is not currently deemed material for the assessment of assets, liabilities and the financial statements.

Credit risk

The Company's principal financial assets are cash balances, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because the counterparties are either banks, with high credit-ratings assigned by international credit-rating agencies, or Anglo American Group Treasury in London, which is part of the Anglo American Group of companies. The Company has no significant concentration of credit risk, with exposure spread over a number of customers.

Price risk

The Company is exposed to commodity price risk via its sale and purchase contracts, as well as its inventory holdings. The Company manages its exposure to commodity price risk by entering into floating price sale and purchase contracts, derivative using swap contracts and through constant monitoring of the markets in which it operates. The Company also manages price risk by managing inventory levels.

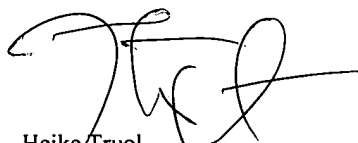
Anglo American Marketing Limited

Strategic report (continued)

Long-term contracts

The Company has entered into long-term contracts of affreightment for shipping services with duration of ten years, for transport of bulk commodities. The commitments under these contracts total \$1,072,490,000 (2014: \$2,128,444,000) as at 31 December 2015, to be paid over the next ten years with less than half of the commitment due in more than five years. These contracts secure long-term supply of freight for the Group's iron ore and copper. Excess freight under the remaining contracts, if any, would be managed in the paper and physical market.

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

A handwritten signature in black ink, appearing to be 'Heike Truol', written over a horizontal line.

Heike Truol
Director
7 July 2016

Anglo American Marketing Limited

Directors' report

The directors present their annual report on affairs of Anglo American Marketing Limited ("the Company") together with the financial statements and auditor's report, for the year ended 31 December 2015.

Principal activities

The Company is a wholly-owned indirect subsidiary of Anglo American plc, a company incorporated in the United Kingdom.

The Company's principal activity during the year was the sale of thermal coal, nickel, niobium, copper and iron ore from South Africa and the Americas as principal to international customers as well as the provision of agency services for metallurgical coal and thermal coal from Australia, and the provision of freight, marketing and other supporting services for certain Anglo American Group companies. The Directors are not aware of any other likely major changes in the Company's activities in the next year.

A branch of the Company was registered in Singapore on 14 December 2011 to expand the Company's activities into the Asia Pacific region (Singapore Branch). The Branch's financial results are included in these financial statements.

Dividends

A dividend of \$100,000,000 (2014: \$100,000,000) was declared and paid.

Events since the end of the year

On 16 February 2016, Anglo American plc announced that the Group is focused on core assets being DeBeers, Copper and Platinum Group. The evaluation and sales processes for a number of Anglo American's major non-core assets are progressing and organisation structure changes are being reviewed.

On 28 April 2016, Anglo American plc announced that it has reached agreement with China Molybdenum Co. Ltd to sell its Niobium and Phosphates businesses for a total cash consideration of \$1.5 billion. The total consideration will be payable to Anglo American at closing, subject to certain closing and post-closing adjustments.

Going concern and liquidity management

The Company's ability to continue as a going concern is assessed in conjunction with the Anglo American Group (Group), as its viability is dependent on the ability of other Group companies to continue operating.

The Directors have considered the Company's cash flow forecasts for the period to the end of July 2017. The Directors are satisfied that the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate as a going concern within the level of its current facilities for the foreseeable future. For this reason the Company continues to adopt the going concern basis in preparing its financial statements.

Directors

The following served as directors throughout the year except as shown:

Z Docrat	(resigned 13 February 2015)
A W Hodges	(resigned 16 April 2015)
A Schmitt	
K R Tucker	(resigned 8 December 2015)
I R Wakely	(resigned 17 August 2015)
H Truol	
G I Griffiths	(appointed 13 February 2015, resigned 8 December 2015)
J M Mills	(appointed 13 February 2015)
D Wilson	(appointed 18 September 2015)
P Demzik	(appointed 8 December 2015)

Anglo American Marketing Limited

Directors' report (continued)

Statement as to disclosure of information to auditor

Each of the directors at the date of approval of this report confirms that:

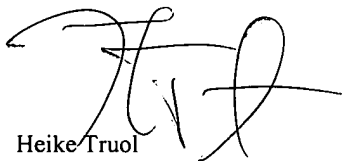
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that 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.

Auditor

The Company has elected to dispense with the obligation to appoint an auditor annually and, accordingly, Deloitte LLP will be the auditor of the Company for the forthcoming financial year under the provisions of the Companies Act 2006.

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



Heike Truol
Director
7 July 2016

Anglo American Marketing Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standards (FRS) 101 "Reduced Disclosure Framework". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the members of Anglo American Marketing Limited

We have audited the financial statements of Anglo American Marketing Limited for the year ended 31 December 2015 which comprise the Income statement, the Statement of financial position and the related notes 1 to 25. 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its 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 matter 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.

Independent auditor's report to the members of Anglo American Marketing Limited (continued)

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.



Christopher Thomas (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

7 July 2016

Anglo American Marketing Limited

Income Statement For the year ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Revenue	3	4,312,182	3,071,432
Cost of sales		(4,191,880)	(2,927,464)
Gross profit		<u>120,302</u>	<u>143,968</u>
Administrative expenses		(92,924)	(63,067)
Other operating income		10,559	2,000
Operating profit	5	<u>37,937</u>	<u>82,901</u>
Finance income	6	<u>6,995</u>	<u>2,579</u>
Profit on ordinary activities before tax		<u>44,932</u>	<u>85,480</u>
Income tax expense	7	(9,423)	(9,472)
Profit for the financial year		<u><u>35,509</u></u>	<u><u>76,008</u></u>

Revenue and operating profits are all derived from continuing operations in the UK and Singapore.

There are no recognised gains or losses in either year, other than the profit for the financial year and therefore no statement of other comprehensive income has been prepared.

Anglo American Marketing Limited

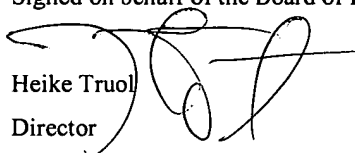
Statement of financial position As at 31 December 2015

	Note	2015 \$'000	2014 \$'000
Non-current assets			
Plant and equipment	9	1,564	2,107
Intangible assets	10	14,167	14,123
Investment in subsidiary	11	1,252	-
Trade and other receivables	12	870	1,039
Total non-current assets		<u>17,853</u>	<u>17,269</u>
Current assets			
Inventories	13	59,648	49,806
Trade and other receivables	12	425,441	305,748
Cash and cash equivalents	14	259,053	270,841
Derivative financial assets	15	18,394	6,673
Total current assets		<u>762,536</u>	<u>633,068</u>
Current liabilities			
Trade and other payables	16	(553,813)	(367,128)
Derivative financial liabilities	15	(4,827)	(3,311)
Provision for liabilities	17	(228)	(706)
Current tax liabilities		(14,339)	(11,578)
Total current liabilities		<u>(573,207)</u>	<u>(382,723)</u>
Net current assets		<u>189,329</u>	<u>250,345</u>
Total assets less current liabilities		<u>207,182</u>	<u>267,614</u>
Non-current liabilities			
Deferred tax liability	18	(397)	(189)
Net assets		<u>206,785</u>	<u>267,425</u>
Equity			
Called up share capital	19	30,121	30,121
Share premium account	19	119,999	119,999
Share-based payment reserve		8,302	4,050
Hedging reserve		-	401
Retained earnings		48,363	112,854
Total Equity		<u>206,785</u>	<u>267,425</u>

These financial statements of Anglo American Marketing Limited, registered number 405724, were approved by the Board of Directors and authorised for issue on 7 July 2016.

Signed on behalf of the Board of Directors by:

Heike Truol
Director



Anglo American Marketing Limited

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

	Note	Called-up share capital US\$'000	Share premium account US\$'000	Share- based payment reserve US\$'000	Hedging reserve US\$'000	Retained earnings US\$'000	Total US\$'000
At 1 January 2014		30,121	119,999	1,657	-	136,488	288,265
Transaction with owners, recognised directly in equity							
Dividends declared	8	-	-	-	-	(100,000)	(100,000)
Equity settled share- based payments	5	-	-	2,751	-	-	2,751
Equity settled share-based payments transferred to income statement		-	-	(358)	-	358	-
		-	-	2,393	-	(99,642)	(97,249)
Profit for the year, representing total comprehensive profit for the year		-	-	-	-	76,008	76,008
Net change in fair value of hedges, reclassified to income statement		-	-	-	401	-	401
At 31 December 2014		30,121	119,999	4,050	401	112,854	267,425
Transaction with owners, recognised directly in equity							
Dividends declared	8	-	-	-	-	(100,000)	(100,000)
Equity settled share- based payments	5	-	-	4,252	-	-	4,252
		-	-	4,252	-	(100,000)	(95,748)
Profit for the year, representing total comprehensive profit for the year		-	-	-	-	35,509	35,509
Net change in fair value of hedges, reclassified to income statement		-	-	-	(401)	-	(401)
At 31 December 2015		30,121	119,999	8,302	-	48,363	206,785

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

1. General information

Anglo American Marketing Limited 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 Director's report on page 5.

These financial statements are presented in USD because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Anglo American plc. The group accounts of Anglo American plc are available to the public and can be obtained as set out in note 24.

2. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding year unless due to a change in accounting policies.

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has undergone transition from reporting under UK GAAP to FRS 101 as issued by the FRC. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition does not have an impact to the profit for the year and equity in current and prior year.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, 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 relevant, equivalent disclosures have been given in the group accounts of Anglo American plc. The group accounts of Anglo American plc are available to the public and can be obtained as set out in note 24.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Adoption of new and revised Standards

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

2. Accounting Policies (continued)

Basis of preparation (continued)

Adoption of new and revised Standards (continued)

IFRIC 21 <i>Levies</i>	The Company has adopted IFRIC 21 <i>Levies</i> for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.
Annual Improvements to IFRSs: 2011-2013	The Company has adopted the various amendments to a number of standards. IFRS 3 <i>Business Combinations</i> , IFRS 13 <i>Fair Value Measurement</i> and IAS 40 <i>Investment Property</i> . The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements.

Going concern

As set out in directors' report on page 5, the directors consider the Company to be a going concern and have accordingly prepared the financial statements on that basis.

Functional and presentation currency

The financial statements of the Company are measured and presented in the currency of the primary economic environment in which the Company operates (its functional currency). The financial statements of the Company are presented in United States dollars, which is the functional currency of the Company. All financial information presented in United States dollars have been rounded to the nearest thousand, unless stated otherwise.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items.

Revenue recognition

Revenue consisting of both principal and agency relationships represents the net invoice value of goods and services provided in the normal course of business to third parties, subsidiary and associate companies after deducting any sales and value added taxes. Principal sales are recognised when the significant risks and rewards of ownership have passed to the customer. If the Company is acting as an agent, amounts billed to customers are on the basis of mutually agreed sales contracts and are offset against the relevant costs.

Sales of certain commodities are 'provisionally priced' such that the price is not settled until a predetermined future date, normally ranging from 30 to 120 days, based on movements in quoted markets or contractual prices up to the date of final pricing. Revenue on these sales is initially recognised (when the above criteria are met) at the current market price. As is customary in the industry, 'provisionally priced' sales are based on estimates of the consideration receivable at each reporting date using the forward price for the period equivalent to that outlined in the contract. This adjustment is recorded in the income statement.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

2. Accounting policies (continued)

Finance income

Finance income comprises interest income on deposits with a Group company. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Defined contribution pension schemes

Amounts paid in respect of defined contribution pension schemes are recognised in the income statement in accordance with International Accounting Standard 19– “*Employee benefits*”. There are no defined benefit schemes.

Share-based payments

The Company makes equity settled share-based payments to certain employees, which are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest. For those share schemes with market related vesting conditions, the fair value is determined using the Monte Carlo method at the grant date. The fair value of share options issued with non-market vesting conditions has been calculated using the Black Scholes model. For all other share awards, the fair value is determined by reference to the market value of the share at the date of grant. For all share schemes with non-market related vesting conditions, the likelihood of vesting has been taken into account when determining the relevant charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

Leases

Rental costs under operating leases are recognised on a straight line basis over the term of the relevant lease.

Tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised 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. 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 the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly in equity, in which case the tax is also recognised outside profit or loss (directly in equity).

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

2. Accounting policies (continued)

Inventories

Inventories comprise finished products and bunker fuel and are measured at the lower of cost and net realisable value. The cost of inventories is based on actual cost, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimate selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. A review for the potential impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Such impairment reviews are performed in accordance with FRS 11 – “Impairments of fixed assets and goodwill”. Impairments thus arising are reported in the income statement.

Depreciation is calculated on a straight-line basis over three years for computer and office equipment and over five years for furniture and fittings.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets relate to computer software and are amortised on a straight-line basis over its estimated useful life of three to five years from the date that it is available for use. Amortisation methods, residual values and estimated useful lives are reviewed at least annually.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments “at fair value through profit or loss”.

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and on demand deposits with a Group company, that readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

2. Accounting policies (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified and accounted for as financial liabilities or equity according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade and other payables

Trade and other payables are initially measured at their fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the asset have expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

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

Derivative financial instruments

The Company enters into derivative instruments for price risk management and trading purposes. Derivative contracts are financial instruments, such as, swaps.

Non "own-use" forward and derivative contracts are measured by reference to market prices at the year end. The resulting unrealised losses are recorded as liabilities in trade creditors and unrealised profits are recorded as assets in debtors. Changes in the assets and liabilities from these activities arising in the current period (resulting primarily from newly originated transactions and the impact of price movements on existing transactions) are recognised in the statement of profit or loss as finance cost/income unless the derivative is designated and effective as a hedging instrument. If this is the case, the timing of the recognition in profit or loss is in the same period in which the hedged transaction affects profit or loss. The market prices used to value these transactions take into account various factors including published forward prices.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Critical judgements in applying the Company's accounting policies

The directors are of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

2. Accounting policies (continued)

Key sources of estimation uncertainty

Allowance for inventories

In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by management based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations of price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the financial year to the extent that such events confirm conditions existing at the year end. The carrying amount of inventories as at the year-end is disclosed in Note 13 to the financial statements.

Revenue Recognition

Sales of certain commodities are 'provisionally priced' such that the price is not settled until a predetermined future date, normally ranging from 30 to 120 days, based on movements in quoted markets or contractual prices up to the date of final pricing. As is customary in the industry, 'provisionally priced' sales are based on estimates of the consideration receivable at each reporting date using the forward price for the period equivalent to that outlined in the contract. This is based on the market forward price which may vary depending on the volatility in the market. This adjustment is recorded in the income statement.

3. Revenue

	2015 \$'000	2014 \$'000
Analysis of the Company's revenue		
Sale of goods	4,268,811	3,019,845
Commission income, freight and other marketing services	43,371	51,587
	<u>4,312,182</u>	<u>3,071,432</u>
Revenue by destination		
Asia	3,141,034	1,789,744
Europe	631,048	886,973
Middle East	310,533	128,962
Africa	137,461	97,736
Americas	51,448	120,057
Australia	40,658	47,960
	<u>4,312,182</u>	<u>3,071,432</u>
Revenue by class		
Copper	2,054,309	927,387
Thermal coal	1,260,517	1,329,542
Iron ore	442,849	17,855
Nickel	236,805	404,269
Niobium	193,056	168,636
Others	72,468	4,754
Freight and other marketing services	43,371	51,587
Metallurgical coal	8,807	167,402
	<u>4,312,182</u>	<u>3,071,432</u>

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

4. Information regarding directors and employees

The average number of staff (including directors) during the year was 166 (2014: 133).

	2015 \$'000	2014 \$'000
Staff costs for the above persons were as follows:		
Wages and salaries	31,565	29,604
Social security costs	2,302	1,765
Pension costs	2,371	2,206
Share-based payment costs	4,252	2,751
Total payroll costs included in operating costs	40,490	36,326
Directors' emoluments were as follows:		
Aggregate emoluments	2,015	543
Contributions to defined contribution pension scheme	172	28

As at 31 December 2015, there were only five (2014: one) directors paid in respect of their services to the Company. The other directors were remunerated by their respective employing Company within the Anglo American Group of companies.

The highest paid director of the Company received emoluments of \$625,000 (2014: \$543,000) and contributions to a defined contribution pension scheme of \$64,000 (2014: \$28,000). During the year ended 31 December 2015 and 31 December 2014, no director exercised share options.

As at 31 December 2015 five (2014: one) directors were members of a defined contribution pension scheme to which the Company contributed.

5. Operating profit

Operating profit is after charging/(crediting):

	2015 \$'000	2014 \$'000
Equity settled share-based payments	4,252	2,751
Operating lease rentals	3,626	4,139
Depreciation and amortisation	3,789	1,489
Audit fees	322	220
Loss on foreign currency retranslation	396	28
Pricing adjustment gain	(10,559)	-

During the year, there was a price adjustment approved retrospectively with a supplier, Anglo American Norte, as part of the disposal of this entity from the Anglo American plc Group which resulted in a gain of \$10,559,000 (2014: \$nil) recognised in other operating income.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

6. Finance income

	2015 \$'000	2014 \$'000
Net fair value change of derivatives financial instruments	6,523	2,185
Interest income from Group company	409	293
Other interest received	63	101
	<u>6,995</u>	<u>2,579</u>

7. Income tax expense

	2015 \$'000	2014 \$'000
(a) Analysis of charge in the year		
UK group relief	5,905	5,053
UK adjustments in respect of prior period	1,575	386
Overseas tax	1,735	4,019
	<u>9,215</u>	<u>9,458</u>
Total current tax	9,215	9,458
Deferred tax credit	141	(141)
Overseas deferred tax	67	155
	<u>9,423</u>	<u>9,472</u>
Total tax charge for the year	9,423	9,472

(b) Factors affecting tax charge for the year

The current tax assessed for the year is higher (2014: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

Profit on ordinary activities before tax	44,932	85,480
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	9,099	18,378
Effects of:		
Expenses not deductible for tax purposes	455	373
Adjustment in respect of prior period	1,716	386
Overseas tax	1,802	4,174
Overseas amounts exempt from UK tax	(3,649)	(13,839)
	<u>9,423</u>	<u>9,472</u>
Current tax charge for the year	9,423	9,472

In the 2013 Budget (delivered on 20 March 2013), it was announced that the main rate of corporation tax for UK companies would reduce to 21% from 1 April 2014, and then reduce further to 20% from 1 April 2015. These future reductions in the main rate of corporation tax to 21% and then to 20% were substantively enacted for financial reporting purposes on 2 July 2013.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

7. Income tax expense (continued)

The 2015 Summer Budget (delivered on 8 July 2015) announced further reductions to the main rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. These rates were not substantively enacted at the reporting date and have therefore not been reflected in these financial statements.

The 2016 Budget (delivered on 16 March 2016) announced a further reduction to the main rate of UK corporation tax to 17% from 1 April 2020. This has not been substantively enacted at the reporting date and has therefore not been reflected in these financial statements.

8. Dividends

	2015 \$'000	2014 \$'000
Dividends declared and paid of US\$5.25 cents per share (2014: US\$5.25 cents per share)	100,000	100,000

9. Plant and equipment

	Furniture, fittings and computer equipment \$'000
Cost	
At 1 January 2015	5,497
Additions	507
At 31 December 2015	6,004
Accumulated Depreciation	
At 1 January 2015	(3,390)
Charge for the year	(1,050)
At 31 December 2015	(4,440)
Net book value	
At 31 December 2014	2,107
At 31 December 2015	1,564

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

10. Intangible assets

	Software costs \$'000
Cost	
At 1 January 2015	14,562
Additions	2,783
	<hr/>
At 31 December 2015	17,345
	<hr/>
Accumulated Amortisation	
At 1 January 2015	(439)
Amortisation for the year	(2,739)
	<hr/>
At 31 December 2015	(3,178)
	<hr/>
Net book value	
At 31 December 2014	14,123
	<hr/>
At 31 December 2015	14,167
	<hr/>

11. Investment in subsidiary

	US\$'000
Cost	
At 1 January 2015	-
Additions	1,252
	<hr/>
At 31 December 2015	1,252
	<hr/>

The investment in subsidiary are all stated at cost less provision for impairment.

On 30 June 2015, the Company and Sojitz Corporation established a joint venture, MR Iron Ore Marketing Services Singapore Pte. Ltd., to provide certain iron ore marketing services to the Company, with the Company and Sojitz Corporation owning 50.1% and 49.9% respectively. As part of this agreement, the Company paid up \$1,252,000 and received 1,252,500 allotted ordinary shares in MR Iron Ore Marketing Services Singapore Pte. Ltd.

On 7 September 2015, the Company and Anglo American Investments (UK) Limited entered into an undertaking to subscribe to 99,000 and 1,000 equity shares in Anglo American (India) Private Limited, respectively. Anglo American (India) Private Limited was incorporated in 4 December 2015. On 15 March 2016, the Company paid up equivalent of INR990,000 (\$15,000) for the shares that was subscribed.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

11. Investment in subsidiary (continued)

Details of the Company's subsidiaries at 31 December 2015 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
MR Iron Ore Marketing Services Singapore Pte. Ltd.	Singapore	50.1%	50.1%
Anglo American (India) Private Limited	India	99%	99%

12. Trade and other receivables

	2015 \$'000	2015 \$'000	2015 \$'000
	Due within one year	Due after one year	Total
Trade receivables	358,173	-	358,173
Trading amounts owed by group undertakings	59,711	-	59,711
Other receivables	626	671	1,297
Prepayments and accrued income	6,931	199	7,130
	<u>425,441</u>	<u>870</u>	<u>426,311</u>
	2014 \$'000	2014 \$'000	2014 \$'000
	Due within one year	Due after one year	Total
Trade receivables	259,921	-	259,921
Trading amounts owed by group undertakings	39,902	-	39,902
Other receivables	285	819	1,104
Prepayments and accrued income	5,640	220	5,860
	<u>305,748</u>	<u>1,039</u>	<u>306,787</u>

13. Inventories

	2015 \$'000	2014 \$'000
Finished products	55,696	47,228
Bunker	3,952	2,578
	<u>59,648</u>	<u>49,806</u>

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

14. Cash and cash equivalents

	2015 \$'000	2014 \$'000
Deposit with a Group company	208,708	208,395
Cash at bank	48,352	61,824
Deposit at bank	1,993	622
	<u>259,053</u>	<u>270,841</u>

Deposit with group undertakings relates to cash held on deposit.

15. Derivative financial assets and liabilities

	2015 \$'000	2014 \$'000
Financial assets arising from the fair value of marked to market sales and purchase contracts	18,394	6,673
Financial liabilities arising from fair value of marked to market sales and purchase contracts and other financial instruments	<u>(4,827)</u>	<u>(3,311)</u>

16. Trade and other payables

	2015 \$'000	2014 \$'000
Bank loans	-	193
Trade payables	53,912	14,158
Trading amounts owed to group undertakings	440,147	298,885
Deferred income	114	683
Accruals	59,231	52,691
Other payables	409	518
	<u>553,813</u>	<u>367,128</u>

Trading amounts owed to group undertakings are unsecured and payable within 30 days (2014: 30 days).

17. Provision for liabilities

	Termination cost provision \$'000
At 1 January 2015	706
Utilisation during the year	<u>(478)</u>
At 31 December 2015	<u>228</u>

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

18. Deferred tax liabilities

The following is the deferred tax liability recognised by the Company, and the movements during the current and prior year:

	Accelerated tax depreciation \$'000	Other short term timing differences \$'000	Termination cost provision \$'000	Total \$'000
At 1 January 2014	150	25	-	175
Movement during the year	155	-	(141)	14
At 1 January 2015	305	25	(141)	189
Movement during the year	92	(25)	141	208
At 31 December 2015	397	-	-	397

19. Equity

	2015 \$'000	2014 \$'000
Share capital Called up, allotted and fully paid:		
19,056,917 (2014: 19,056,917) ordinary shares of £1 each	30,120	30,120
1,000 (2014: 1,000) ordinary shares of US\$1 each	1	1
	30,121	30,121
Share Premium Account	119,999	119,999

Reserves

Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Share-based payment reserve

The share-based payment reserve comprises the cumulative value of employee services received for the issue of share options.

20. Share-based payments reserve

During the year ended 31 December 2015, the Company had share-based payment arrangements with employees:

Bonus Share Plan (BSP)

The BSP is offered to executive directors and senior employees of Anglo American to encourage and reward delivery of the Anglo American strategic priorities. The scheme is governed by the remuneration committee of Anglo American and is settled in the shares of Anglo American plc.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

20. Share-based payments reserve (continued)

Bonus Share Plan (BSP) (continued)

There are three elements to the BSP:

- A performance-related cash element, payable after the end of the relevant financial year;
- A performance-related share element, in the form of a conditional award of Bonus Shares made after the end of the relevant financial year with a value equal to 140% of the cash element and vesting subject to a further three-year holding period; and
- Up until the awards made in March 2014, there was an additional performance-related element, in the form of Enhancement Shares granted after the end of the financial year to a face value of 75% of the cash element.

The remuneration committee of Anglo American reviews the BSP measures annually to ensure they remain appropriate. BSP targets are reviewed at the same time to ensure they are demanding yet realistic, given latest Anglo American strategy, prior performance and external expectations.

Long Term Incentive Plan (LTIP)

The remuneration committee of Anglo American makes an annual conditional award of shares to executive directors and senior management to encourage and reward significant and sustained operating efficiencies and the delivery of superior shareholder returns, in line with shareholder interests. The conditional award will vest after the performance period of three years, and to the extent that specific performance measures are met.

Prior to grant the committee reviews the performance targets for each measure to ensure they remain sufficiently stretching. Dividend equivalents are paid on any shares that vest.

The provision of shares to certain of the Company's share option and share incentive schemes is facilitated by an employee benefit trust. The employee benefit trust has waived the right to receive dividends on these shares.

The costs of operating the trust are borne by the Company but are not material.

The total share-based payment expense for the year is disclosed in Note 5.

The fair value of ordinary shares awarded under the BSP and LTIP, being the more material share schemes, was calculated using a Black-Scholes model. The assumptions used in the calculation are set out below:

	BSP 2015	LTIP 2015	BSP 2014	LTIP 2014
Date of grant	03/03/15	03/03/15	07/03/14	07/03/14
Number of instruments	172,278	132,350	150,713	77,900
Share price at date of grant (£)	12.05	12.05	14.63	14.63
Contractual life (years)	3	3	3	3
Vesting Conditions	(1)	(1)	(1)	(1)
Expected volatility ⁽²⁾	35%	35%	35%	35%
Risk free interest rate ⁽³⁾	0.9%	0.9%	1.1%	1.1%
Expected departures	5% pa	5% pa	5% pa	5% pa
Dividend yield	2.1%	2.1%	2.1%	2.1%
Fair value at date of grant (weighted average) (£)	12.05	12.05	14.63	14.63

⁽¹⁾Three years of continuous employment.

⁽²⁾Based on historic volatility over the last five years.

⁽³⁾The yield on zero-coupon UK government bonds with a term similar to the expected life of the award.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

20. Share-based payments reserve(continued)

Bonus Share Plan (BSP)

Ordinary shares of 54⁸⁶/₉₁ US cents may be awarded under the terms of this scheme for no consideration. The number of shares outstanding is shown below:

	2015 Numbers of shares	2014 Numbers of shares
Outstanding at 1 January	259,751	135,694
Conditionally awarded in year	172,278	150,713
Vested in year	(38,772)	(7,130)
Forfeited in year	(37,780)	(19,526)
Outstanding at 31 December	355,477	259,751

Long Term Incentive Plan (LTIP)

Ordinary shares of 54⁸⁶/₉₁ US cents may be awarded under the terms of this scheme for no consideration. The number of shares outstanding is shown below:

	2015 Numbers of shares	2014 Numbers of shares
Outstanding at 1 January	120,425	48,025
Conditionally awarded in year	132,350	77,900
Forfeited in year	(14,200)	(5,500)
Outstanding at 31 December	238,575	120,425

21. Commitments

Commitments - operating leases

	2015 \$'000	2014 \$'000
The future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	16,634	3,539
Greater than one year, less than two years	5,791	2,931
Greater than two years, less than five years	-	1,695
	22,425	8,165

Operating leases relate principally to office rental and time charter arrangements.

Long-term contracts

The Company has entered into long-term contracts of affreightment for shipping services with duration of ten years, for transport of bulk commodities. The commitments under these contracts total \$1,072,490,000 (2014: \$2,128,444,000) as at 31 December 2015, to be paid over the next ten years with less than half of the commitment due in more than five years. These contracts secure long-term supply of freight for the Group's iron ore and copper. Excess freight under the remaining contracts, if any, would be managed in the paper and physical market.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2015

22. Related party transactions

At 31 December 2015, as identified in note 24, Anglo American plc, a company incorporated in the United Kingdom, was the Company's ultimate parent company. The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 101 not to disclose related party transactions with Anglo American group companies.

The Company, in the ordinary course of business, enters into other transactions with other related parties. These transactions are under terms that are no less favourable than those arranged with third parties.

23. Contingent liabilities

The Company entered into long term supply agreement to supply Direct Reduction Pellet Feed from the Minas-Rio mine to Bahrain Steel BSCC E.C (formerly Gulf Industrial Investment Co. (E.C.)) ("Bahrain Steel"), dated 10 May 2012 (the "Iron Ore Supply Agreement"). As of the date of this report, (a) the agreement continues to be in force and (b) arbitration proceedings have been commenced by the Company against Bahrain Steel under the Iron Ore Supply Agreement (the "Arbitration Proceedings") after the invocation of a price adjustment mechanism under the Iron Ore Supply Agreement was rejected by Bahrain Steel. Bahrain Steel has lodged counterclaims against the Company during the course of the Arbitration Proceedings relating to certain operational matters arising under the Iron Ore Supply Agreement of which an estimated \$6,362,000 of the total value of the counterclaims are considered by management to be contingent liabilities.

24. Ultimate parent company

The directors consider Anglo American plc to be the current ultimate parent company and controlling party. Copies of the group accounts of Anglo American plc, which is the parent company of the largest and smallest groups of which the Company is a member and for which group accounts are prepared, are available from Anglo American plc at 20 Carlton House Terrace, London SW1Y 5AN.

The Company's immediate parent company is Anglo American Investments (UK) Limited, a company incorporated in the United Kingdom and registered in England and Wales.

25. Events since the end of the year

On 16 February 2016, Anglo American plc announced that the Group would focus on a core portfolio of world class assets in diamonds, copper and platinum group metals. The evaluation and sales processes for a number of Anglo American's major non-core assets are progressing and organisation structure changes are being reviewed.

On 28 April 2016, Anglo American plc announced that it had reached agreement with China Molybdenum Co. Ltd to sell its Niobium and Phosphates businesses including the niobium sales function within the Company for a total cash consideration of \$1,500,000,000. The total consideration will be payable to Anglo American at closing, subject to certain closing and post-closing adjustments.