

Company Registration Number: 405724

Annual Report and Financial Statements

Anglo American Marketing Limited

for the year ended 31 December 2013



Anglo American Marketing Limited

Annual Report and financial statements for the year ended 31 December 2013

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Anglo American Marketing Limited

Officers and professional advisers

Directors

Z Docrat
A Schmitt
K R Tucker
I R Wakely
A W Hodges
H Truol

Secretary

C L Mason

Registered Office

20 Carlton House Terrace
London SW1Y 5AN

Bankers

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London E14 5HB

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

Solicitors

Linklaters
One Silk Street
London EC2Y 8HQ

Auditor

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

Anglo American Marketing Limited

Strategic report (continued)

The directors present their strategic report on Anglo American Marketing Limited ("the Company") for the year ended 31 December 2013.

Business review

Thermal Coal

International seaborne demand continues to grow (7% to 961 Mt); however the supply response to date has kept pace with demand. In 2013, the international thermal coal seaborne market remained in oversupply, despite supply disruptions that included the effects of industrial action in Colombia. This has kept prices suppressed and discouraged investment.

Thermal coal prices generally continued their declining trend over the year, although with some volatility. Delivered prices into Europe (API2⁽¹⁾) fell below \$75/tonne in June, their lowest in three years, before regaining some lost ground with a fourth quarter average price of \$84/tonne. The average API2 price index was \$82/tonne for the year. The average API4⁽²⁾ (FOB, Richards Bay) index price also fell below \$75/tonne in June, while the average for the year fell by approximately 14% to \$80/tonne (2012: \$93/tonne) to close at \$85/tonne (2012: \$89/tonne).

Generally, the lower prices have forced producers to seek productivity gains and ramp up volumes in order to reduce unit costs. In conjunction with newly commissioned infrastructure projects, this has resulted in strong supply-side performance from various export countries. Depreciation of the Australian dollar and South African rand, which declined by 6% and 18% respectively against the US dollar, provided some relief for producers.

Asia accounted for 75% of South African thermal coal shipments, 3% lower than 2012. South African thermal coal shipments out of Richards Bay Coal Terminal reached a record high of 70.2 Mt, an increase of 3% over the prior year (2012: 68.3 Mt), bolstered by Transnet Freight Rail's ("TFR") improved performance. TFR also had a record calendar year with 70.5 Mt railed to RBCT, a 3% improvement over 2012 (68.5 Mt).

⁽¹⁾ Argus/McCloskey API2 Index.

⁽²⁾ Argus/McCloskey API4 Index.

Copper

The copper price rose at the start of 2013 to a high of 374 c/lb, buoyed by Chinese buying ahead of the Lunar New Year and a temporary resolution to the fiscal stalemate in the US. Underwhelming macro-economic data releases and a sharp rise in LME inventories followed, which resulted in prices retreating to 301 c/lb by the end of June. A hot summer in China, increasing financial demand and tightness in the scrap market then underpinned a modest recovery. However, strong mine supply and surging concentrate imports began to weigh on sentiment by November, with prices falling back to 314 c/lb, before ending the year at 335 c/lb. For the full year, the realised price averaged 326 c/lb, a decrease of 10% compared with 2012.

Nickel

After increasing moderately to 804 c/lb, LME nickel prices fell to a low of 622 c/lb in July as a result of economic concerns. These price declines led to a reduction in demand owing to the way in which stainless steel producers pass on raw material costs to their buyers with a one month lag. Further pressure came from the impact of increasing new nickel supply, most notably NPI in China.

The nickel market recorded a surplus of 102,000 tonnes for the year compared with a surplus of 48,000 tonnes in 2012. Nickel consumption increased by 9.1% to 1.9 million tonnes, but supply also rose following the ramping up of a number of new nickel plants. The growth in conventional supply was lower than expected as a result of problems at a number of new operations.

Metallurgical Coal

Quarterly benchmark prices for seaborne metallurgical coal dropped sharply in the latter half of the year, reaching a four-year low of \$145/tonne in the third quarter. The average 2013 HCC quarterly price fell by 24% to \$159/tonne from the 2012 average of \$210/tonne.

Results

The profit after tax for the year is \$59,946,000 (2012: \$40,401,000).

Anglo American Marketing Limited

Strategic report (continued)

Financial Position

The net assets as at 31 December 2013 were \$288,265,000 (2012: \$227,139,000).

Key Performance Indicators

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

	2013	2012
Turnover (\$'000)	2,859,125	2,003,236
Volume of thermal coal shipped (million tonnes)	17.8	17.3
Volume of copper shipped (thousand tonnes)	113.9	-
Volume of metallurgical coal shipped (million tonnes)	1.8	0.3
Volume of nickel shipped (thousand tonnes)	23.3	21.4
Operating margin (%)	2%	3%

The Company's operating profit has increased by 4% (2012: decreased by 56%) 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 debtors.

The Company's credit risk is primarily attributable to its trade debtors. 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, hedging using swap contracts and through constant monitoring of the markets in which it operates. The Company also manages price risk by managing inventory levels.

Long term contracts

The Company has entered into long term contracts of affreightment for shipping services with a duration of ten years, for transport of bulk commodities. The commitments under these contracts total \$2,277,371,000 as at 31 December 2013, to be paid over the next ten years with half of the commitment due in more than five years. These contracts secure long term supply of freight for the Group's iron ore. Approximately half of the total commitment will be passed onto another Group company. 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:

Director
16 June 2014

Anglo American Marketing Limited

Directors' report

The directors present their annual report on the affairs of Anglo American Marketing Limited ("the Company"), together with the financial statements and independent auditor's report, for the year ended 31 December 2013.

Principal activities

The Company is a wholly-owned indirect subsidiary of Anglo American plc, a company incorporated in Great Britain.

The Company's principal activity during the year was the sale of thermal coal, metallurgical coal, nickel and copper from South Africa and the Americas as principal to international customers as well as the provision of freight, marketing and other supporting services for certain Anglo American Group companies. The Company's Branch was registered in Singapore on 14 December 2011 to expand the Company's activities into the Asia Pacific region. In 2014, the Company has commenced trading in the area of Thermal Coal and commenced sale of additional commodities including niobium. Apart from these changes, the Directors are not aware of any other likely major changes in the Company's activities in the next year.

The financial statements of the Singapore branch for the year ended 31 December 2013 were authorised for issue by management on 16 June 2014.

Dividends

A dividend of nil (2012: \$100,000,000) was paid. No dividend is proposed in respect of 2013 (2012: nil).

Events since the end of the year

In 2014, the Company has commenced trading in the area of Thermal Coal and commenced sale of additional commodities, including niobium. There were no other significant events since the balance sheet date.

On the 16 June 2014 a dividend of \$100,000,000 was declared.

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 Group's directors have considered the Group's cash flow forecasts for the period to the end of June 2015. The directors of the Company are satisfied that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group 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:

F W H Chan	(resigned 20 December 2013)
Z Docrat	
C A Gil	(resigned 16 May 2014)
N Jordan	(resigned 16 May 2014)
E L Morales	(resigned 16 May 2014)
A Schmitt	
K R Tucker	
I R Wakely	
A W Hodges	(appointed 16 May 2014)
H Truol	(appointed 16 May 2014)

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:



Director
16 June 2014

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; 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 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 23. 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).

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 (APB'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 2013 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 the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Anglo American 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 Auditors
London, United Kingdom

16 June 2014

Anglo American Marketing Limited

Profit and loss account

For the year ended 31 December 2013

	Note	2013 \$'000	2012 \$'000
Turnover	2	2,859,125	2,003,236
Cost of sales		(2,744,115)	(1,913,847)
Gross profit		115,010	89,389
Administrative expenses	3	(54,308)	(31,323)
Other operating income		-	68
Operating profit	4	60,702	58,134
Interest payable	5	-	(1,122)
Interest receivable	6	399	413
Profit on ordinary activities before tax		61,101	57,425
Tax on profit on ordinary activities	7	(1,155)	(17,024)
Profit for the financial year		59,946	40,401

All activities derive from continuing operations in the UK and Singapore.

There were no recognised gains or losses in the current or preceding year other than as shown above. Accordingly, no statement of total recognised gains and losses has been presented.

Anglo American Marketing Limited



Balance sheet

As at 31 December 2013

	Note	2013 \$'000	2012 \$'000
Fixed assets			
Tangible assets	9	2,852	3,886
Intangible assets	10	1,773	358
Debtors	11	846	876
Total fixed assets		<u>5,471</u>	<u>5,120</u>
Current assets			
Stock	12	18,845	25,004
Debtors	11	600,545	380,168
Financial assets	13	1,921	671
Cash at bank and in hand		15,283	83,499
Total current assets		<u>636,594</u>	<u>489,342</u>
Creditors: amounts falling due within one year	14	(350,018)	(266,002)
Financial liabilities: amounts falling due within one year	15	(3,607)	(1,321)
Total current liabilities		<u>(353,625)</u>	<u>(267,323)</u>
Net current assets		<u>282,969</u>	<u>222,019</u>
Total assets less current liabilities		<u>288,440</u>	<u>227,139</u>
Creditors: amounts falling due after more than one year	16	(175)	-
Net assets		<u><u>288,265</u></u>	<u><u>227,139</u></u>
Capital and reserves			
Called-up share capital	17	30,121	30,121
Share premium account	17	119,999	119,999
Share-based payment reserve	18, 19	1,657	854
Profit and loss account	18	136,488	76,165
Shareholders' funds	18	<u><u>288,265</u></u>	<u><u>227,139</u></u>

These financial statements of Anglo American Marketing Limited, registered number 405724, were approved by the Board of Directors and authorised for issue on 16 June 2014.

Signed on behalf of the Board of Directors by:



 Director

Anglo American Marketing Limited

Notes to the accounts

For the year ended 31 December 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared according to the historical cost convention, apart from the revaluation of certain financial instruments and in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are consistent with those adopted in the prior year.

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.

Going concern

As set out in the directors' report on page 4, the directors consider the Company to be a going concern and have accordingly prepared the financial statements on that basis.

Cash flows

As the Company is an indirect wholly-owned subsidiary, the cash flows of the Company are included in the consolidated cash flow statement of its parent undertaking. Consequently the Company is exempt under the provisions of Financial Reporting Standard 1 (Revised) – "Cash flow statements", from publishing a separate cash flow statement.

Segmental reporting

As the Company is an indirect wholly-owned subsidiary of Anglo American plc which provides segment information in accordance with EU-adopted International Financial Reporting Standards, the Company has taken advantage of the exemption granted under paragraph 4 of Statement of Standard Accounting Practice 25 – "Segmental Reporting" not to provide full segmental disclosures. However, the segmental information for turnover as required by the Companies Act 2006 is disclosed in note 2.

Currencies

The US Dollar forms the main currency in which the Company's business is transacted, therefore the Company's functional and reporting currency is the US Dollar.

Foreign currency transactions are recorded at the exchange rates ruling on the dates of those transactions. Foreign currency monetary assets and liabilities have been translated at the year end rate. Any gains or losses are dealt with in the profit and loss account.

Turnover

Turnover 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. This is usually when title has passed to the customer and the goods have been delivered to a contractually agreed location. 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 90 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 profit and loss account.

Anglo American Marketing Limited

Notes to the accounts

For the year ended 31 December 2013

1. Accounting policies (continued)

Defined contribution pension schemes

Amounts paid in respect of defined contribution pension schemes are recognised in the profit and loss account in accordance with FRS 17 – “Retirement 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.

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 balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Tangible assets

Tangible assets 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 profit and loss account.

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. Estimated useful lives are usually between three and five years. Amortisation methods, residual values and estimated useful lives are reviewed at least annually.

Stock

Stock is valued at the lower of cost and net realisable value.

Anglo American Marketing Limited

Notes to the accounts For the year ended 31 December 2013

1. Accounting policies (continued)

Financial instruments

FRS 25 requires entities to provide a range of qualitative and quantitative disclosures about the financial instruments they hold or have issued. Under FRS 26, all derivatives and all financial assets and financial liabilities that are held for trading are to be recognised and measured at fair value.

The Company is a wholly-owned indirect subsidiary undertaking of Anglo American plc, which complies with IFRS 7 – “Financial Instruments: Disclosures”. Consequently the Company has taken advantage of the exemption given to subsidiaries in FRS 29 (2D) and has not applied FRS 29 – “Financial Instruments: Disclosures” during the year.

Forward commodity contracts and derivative financial instruments

The Company enters into forward commodity contracts and derivative instruments for trading and “own-use” purposes. Forward contracts are physically settled instruments for delivery in the future. 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 profit and loss account 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.

Hedge accounting

The Company may designate certain hedging instruments as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship the Company documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Notes 13 and 15 contain details of the fair values of the open derivative instruments used for hedging purposes.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is reflected in the profit or loss from that date.

Anglo American Marketing Limited

Notes to the accounts

For the year ended 31 December 2013

1. Accounting policies (continued)

Financial instruments (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised through the statement of total recognised gains and losses. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts that have been recognised directly in reserves are recognised in profit or loss in the same period in which the hedged forecast transaction affects profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument that remains recognised directly in reserves from the period when the hedge was effective, remains separately recognised in reserves until the forecast transaction occurs.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value (with the exception of receivables relating to provisionally priced sales – as set out in the revenue recognition accounting policy), which equates to their fair value net of an appropriate allowance for estimated irrecoverable amounts. Such allowances are raised based on an assessment of debtor ageing, past experience or known customer circumstances.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value with the exception of payables relating to provisionally priced purchases which are marked to market (using the appropriate forward price) until settled.

Anglo American Marketing Limited

Notes to the accounts For the year ended 31 December 2013

2. Turnover

	2013 \$'000	2012 \$'000
Turnover by destination		
Africa	83,710	75,136
Americas	65,057	34,628
Asia	1,784,596	1,220,946
Australia	40,739	-
Europe	750,175	546,611
Middle east	134,848	125,915
	<u>2,859,125</u>	<u>2,003,236</u>
Turnover by class		
Thermal coal	1,394,576	1,591,530
Copper	826,197	-
Nickel	332,288	365,960
Metallurgical coal	257,601	45,681
Freight and other marketing services	48,463	65
	<u>2,859,125</u>	<u>2,003,236</u>

3. Information regarding directors and employees

The average number of staff (including directors) during the year was 100 (2012: 40).

	2013 \$'000	2012 \$'000
Staff costs for the above persons were as follows:		
Wages and salaries	24,484	10,517
Social security costs	1,258	432
Pension costs	1,693	646
Share-based payment costs	1,180	528
Total payroll costs	<u>28,615</u>	<u>12,123</u>
Less: Staff costs capitalised	-	(42)
Staff costs included in operating costs	<u>28,615</u>	<u>12,081</u>
Directors' emoluments were as follows:		
Aggregate emoluments	1,983	1,604
Contributions to defined contribution pension scheme	136	120

During the year there were three (2012: six) directors paid in respect of their services to the Company. The other directors are remunerated by their respective employing company within the Anglo American group of companies and disclosed in that company's accounts.

The highest paid director of the Company received emoluments of \$678,000 (2012: \$562,000) and contributions to a defined contribution pension scheme of \$32,000 (2012: \$34,000).

Anglo American Marketing Limited

Notes to the accounts

For the year ended 31 December 2013

3. Information regarding directors and employees (continued)

During the year ended 31 December 2013 no director paid in respect of their services to the Company exercised share options (2012: none). As at 31 December 2013 two directors were members of a defined contribution pension scheme (2012: three).

4. Operating profit

Operating profit is after charging/(crediting):

	2013 \$'000	2012 \$'000
Operating lease rentals	3,443	2,280
Financial remeasurements: Movement in fair value of contracts	2,188	(858)
Depreciation	1,130	450
Fees payable to the Company's auditor for:		
Audit of the annual accounts	182	118
Interim review	4	-
Loss/(gain) on foreign currency retranslation	442	(45)
Share-based payments	1,180	528
	<u>1,180</u>	<u>528</u>

5. Interest payable

	2013 \$'000	2012 \$'000
Interest paid to Group company	-	1,122
	<u>-</u>	<u>1,122</u>

6. Interest receivable

	2013 \$'000	2012 \$'000
Interest received from Group company	293	304
Other interest received	106	109
	<u>399</u>	<u>413</u>

7. Tax on profit on ordinary activities

	2013 \$'000	2012 \$'000
(a) Analysis of charge in the year		
UK group relief	2,272	17,024
UK adjustments in respect of prior period	(1,445)	-
Overseas tax	153	-
Total current tax	<u>980</u>	<u>17,024</u>
Overseas deferred tax	<u>175</u>	<u>-</u>
Tax on profit on ordinary activities	<u>1,155</u>	<u>17,024</u>

Anglo American Marketing Limited

Notes to the accounts

For the year ended 31 December 2013

7. Tax on profit on ordinary activities (continued)

	2013 \$'000	2012 \$'000
(b) Factors affecting tax charge for the year		
The current tax assessed for the year is lower (2012: higher) than the standard rate of corporation tax in the UK. The differences are explained below:		
Profit on ordinary activities before tax	61,101	57,425
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	14,206	14,069
Effects of:		
Expenses not deductible for tax purposes	194	129
Capital allowances for the period in excess of depreciation	(5)	(6)
Adjustment in respect of prior period	(1,445)	-
Overseas tax	153	-
Overseas amounts exempt from UK tax	(12,123)	2,832
Current tax charge for the year	<u>980</u>	<u>17,024</u>

The Finance Act 2012, which was substantively enacted on 3 July 2012, provided for a reduction in the main rate of UK corporation tax from 26% to 24% effective from 1 April 2012, and a further 1% reduction to 23% from 1 April 2013.

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.

8. Dividends

	2013 \$'000	2012 \$'000
Dividends paid of nil cent per share (2012: 524.744 cent per share)	<u>-</u>	<u>100,000</u>

No dividend is proposed in respect of 2013.

9. Tangible assets

	Furniture, fittings and computer equipment \$'000
Cost	
At 1 January 2013	5,096
Additions	<u>96</u>
At 31 December 2013	<u>5,192</u>

Anglo American Marketing Limited

Notes to the accounts For the year ended 31 December 2013

9. Tangible assets (continued)

	Furniture, fittings and computer equipment \$'000
Depreciation	
At 1 January 2013	(1,210)
Charge for the year	(1,130)
	<u>(2,340)</u>
At 31 December 2013	<u>(2,340)</u>
Net book value	
At 31 December 2012	3,886
At 31 December 2013	<u>2,852</u>

10. Intangible assets

	Software costs \$'000
Cost	
At 1 January 2013	358
Additions	1,415
	<u>1,773</u>
At 31 December 2013	<u>1,773</u>
Amortisation	
At 1 January 2013	-
Amortisation for the year	-
	<u>-</u>
At 31 December 2013	<u>-</u>
Net book value	
At 31 December 2012	358
At 31 December 2013	<u>1,773</u>

11. Debtors

	2013 \$'000	2013 \$'000	2013 \$'000
	Due within one year	Due after one year	Total
Trade debtors	202,715	-	202,715
Trading amounts owed by group undertakings	47,503	-	47,503
Deposit with group undertakings	340,174	-	340,174
Other receivables	318	846	1,164
Prepayments and accrued income	9,835	-	9,835
	<u>600,545</u>	<u>846</u>	<u>601,391</u>

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Notes to the accounts For the year ended 31 December 2013

11. Debtors (continued)

	2012 \$'000	2012 \$'000	2012 \$'000
	Due within one year	Due after one year	Total
Trade debtors	185,849	-	185,849
Trading amounts owed by group undertakings	19,011	-	19,011
Deposit with group undertakings	174,686	-	174,686
Other receivables	284	876	1,160
Prepayments and accrued income	338	-	338
	<u>380,168</u>	<u>876</u>	<u>381,044</u>

Trading amounts owed by group undertakings are unsecured, non interest bearing and payable within 30 days.
Deposit with group undertakings relates to cash held on deposit.

12. Stock

	2013 \$'000	2012 \$'000
Finished Products in Transit	<u>18,845</u>	<u>25,004</u>

13. Financial assets

	2013 \$'000	2012 \$'000
Financial assets arising from the fair value of marked to market sales and purchase contracts	<u>1,921</u>	<u>671</u>

14. Creditors: amounts falling due within one year

	2013 \$'000	2012 \$'000
Trade creditors	14,024	20,502
Trading amounts owed to group undertakings	277,568	189,779
Deferred Income	3,613	326
Accruals	36,253	3,425
Amounts payable to Anglo American plc in respect of group tax relief	17,903	51,970
Current tax liabilities	153	-
Other payables	504	-
	<u>350,018</u>	<u>266,002</u>

Trading amounts owed to group undertakings are unsecured, non interest bearing and payable within 30 days.

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For the year ended 31 December 2013

15. Financial liabilities: amounts falling due within one year

	2013 \$'000	2012 \$'000
Financial liabilities arising from fair value of marked to market sales and purchase contracts	3,607	1,321

16. Creditors: amounts falling due after more than one year

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

	Accelerated tax depreciation \$'000	Other short term timing differences \$'000	Total \$'000
At 1 January 2012	-	-	-
Movement during the year	-	-	-
At 1 January 2013	-	-	-
Movement during the year	150	25	175
At 31 December 2013	150	25	175

The Company, which has recognised a profit in the current period, recognised a deferred tax liability of \$175,000 at 31 December 2013.

17. Share capital

	2013 \$'000	2012 \$'000
Called up, allotted and fully paid:		
19,056,917 (2012: 19,056,917) ordinary shares of £1 each	30,120	30,120
1,000 (2012: 1,000) ordinary shares of US\$1 each	1	1
	30,121	30,121
Share Premium Account	119,999	119,999

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For the year ended 31 December 2013

18. Reserves and reconciliation of movements in equity shareholders' funds

	Called up share capital \$'000	Share premium account \$'000	Share - based payment reserve \$'000	Profit and loss account \$'000	Total \$'000
At 1 January 2013	30,121	119,999	854	76,165	227,139
Share-based payment charge	-	-	1,180	-	1,180
Share-based payment transferred to profit and loss reserves	-	-	(377)	377	-
Profit for the year	-	-	-	59,946	59,946
At 31 December 2013	30,121	119,999	1,657	136,488	288,265

19. Share-based payments

During the year ended 31 December 2013, the Company had share-based payment arrangements with employees. All of these Company schemes are equity settled, either by award of ordinary shares (BSP, LTIP and SIP) or award of options to acquire ordinary shares (ESOS). The ESOS is now closed to new participants, having been replaced with the BSP.

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 administered by the remuneration committee of Anglo American.

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 the cash element and vesting subject to a further three-year holding period; and
- 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 Bonus Shares.

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.

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Notes to the accounts

For the year ended 31 December 2013

19. Share-based payment (continued)

The total share-based payment expense for the year was made up as follows:

	2013 \$'000	2012 \$'000
BSP	833	454
LTIP	344	57
Other schemes	3	17
Total share-based payment expense	1,180	528

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 2013	LTIP 2013	BSP 2012	LTIP 2012
Date of grant	01/03/13	01/03/13	02/03/12	02/03/12
Number of instruments	92,891	42,725	23,710	2,800
Exercise Price (£)	-	-	-	-
Share price at date of grant (£)	19.00	19.00	26.41	26.41
Contractual life (years)	3	3	3	3
Vesting Conditions	(1)	(2)	(1)	(2)
Expected volatility	35%	35%	40%	40%
Risk free interest rate	0.3%	0.3%	0.5%	0.5%
Expected departures	5% pa	5% pa	5% pa	5% pa
Expected outcome of meeting performance criteria (at date of grant)	100%	100%	100%	100%
Fair value per option granted (weighted average) (£)	18.55	19.00	25.78	26.41

(1) Three years of continuous employment with enhancement shares having variable vesting based on non-market based performance conditions.

(2) Three years of continuous employment.

The expected volatility is based on historic volatility over the last five years. The risk free interest rate is the yield on zero-coupon UK government bonds with a term similar to the expected life of the award.

The charges arising in respect of the other employee share schemes that the Company operated during the year are not considered material.

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:

	2013	2012
Outstanding at 1 January	55,130	63,845
Conditionally awarded in year	92,891	23,710
Vested in year	(10,364)	(29,250)
Forfeited in year	(1,963)	(3,175)
Outstanding at 31 December	135,694	55,130

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For the year ended 31 December 2013

19. Share-based payment (continued)

Executive Share Option Scheme (ESOS)

Options to acquire ordinary shares of 54⁸⁶/₉₁ US cents were outstanding under the terms of the scheme as follows:

	2013	2012
Outstanding at 1 January	18,943	25,754
Exercised in year	(18,943)	(6,811)
Outstanding at 31 December	-	18,943

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:

	2013	2012
Outstanding at 1 January	7,300	4,500
Conditionally awarded in year	42,725	2,800
Exercised in year	(2,000)	-
Outstanding at 31 December	48,025	7,300

Other Share Schemes (SIP)

During the year the Company operated a number of other share schemes under which ordinary shares of 54⁸⁶/₉₁ US cents may be awarded for no consideration.

	Awards outstanding 31 December 2013	Awards outstanding 31 December 2012	Latest release date
Share incentive plan	13,805	9,053	7 December 2016

20. Commitments

	2013 \$'000	2012 \$'000
The future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	3,987	4,044
Greater than one year, less than two years	3,112	3,273
Greater than two years, less than five years	4,584	7,489
	11,683	14,806

Operating leases relate principally to office rental.

21. Related party transactions

Anglo American Marketing Limited

Notes to the accounts

For the year ended 31 December 2013

At 31 December 2013, as identified in note 23, Anglo American plc, a company incorporated in Great Britain, was the Company's ultimate parent company. The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 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.

22. Events occurring after end of year

In 2014, the Company has commenced trading in the area of Thermal Coal and commenced sale of additional commodities including niobium. There were no other significant events since the balance sheet date.

On the 16 June 2014 a dividend of \$100,000,000 was declared.

23. 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 Great Britain and registered in England and Wales.