

**Company Registration Number: 00405724**

**Anglo American Marketing Limited**

**Annual Report and Financial Statements**

**for the year ended 31 December 2017**



# **Anglo American Marketing Limited**

## **Annual Report and financial statements for the year ended 31 December 2017**

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# **Anglo American Marketing Limited**

## **Officers and professional advisers**

### **Directors**

A Schmitt  
H Truol  
D M Wilson  
R H Elliott  
P G Whitcutt  
P Ward

### **Company 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

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  
Statutory Auditor  
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 2017.

### Business review

#### *Copper*

Compared to 2016, the average LME copper price in 2017 increased 28% at \$5,700 per tonne. The increase in copper price in 2017 reflects improved demand and a slowdown in mine supply, which stimulated more favourable investor sentiment.

#### *Nickel*

The average LME nickel price in 2017 was 9% higher at \$9,480 per tonne, driven by the global stainless steel industry, which depends on nickel and drives demand for it.

#### *Iron Ore*

Iron ore prices in 2017 outperformed the prior year, mainly due to the higher iron content in the iron ores produced with reference to the generic benchmark IODEX 62% Fe CFR China spot price.

#### *Metallurgical coal*

Prices in 2017 were 65% higher as compared to the prior year, in line with the higher steel prices and global strong demand, and also as a result of supply constraints from wet weather during the second quarter of 2017 which impacted production in the mines in Queensland, Australia.

#### *Thermal Coal*

Following the prior year's market trend, the Chinese domestic coal supply rationalisation led to a continued uptrend in the domestic thermal coal price. This incentivised imports into China and also lifted seaborne pricing. Furthermore, a supply constraint in Indonesia due to mining issues associated with prolonged wet weather during the year encouraged the positive coal price effects.

### Results

The profit after tax for the year is \$92,618,000 (2016: \$111,520,000).

### Financial Position

The net assets as at 31 December 2017 were \$265,596,000 (2016: \$276,710,000).

### Key Performance Indicators

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

	2017	2016
Revenue (\$'000)	6,575,794	5,036,900
Volume of thermal coal shipped (million tonnes)	26.7	25.1
Volume of copper shipped (thousand tonnes)	464.1	394.8
Volume of nickel shipped (thousand tonnes)	34.8	33.2
Volume of niobium shipped (thousand tonnes)	-	4.6
Volume of iron ore shipped (million tonnes)	15.2	14.7
Operating margin of revenue (%)	1%	2%

The Company's operating profit has decreased by 15% (2016: increased by 205%) compared to the prior year.

# Anglo American Marketing Limited

## Strategic report (continued)

### Principal risks and uncertainties and financial risk management

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 stipulate the principles applicable to the use of financial derivatives to manage these risks. 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 and cash equivalent balances and 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 Capital plc, which is part of the Anglo American Group of companies and is managed by Anglo American Group Treasury. 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, derivatives using future and swap contracts and through constant monitoring of the markets in which it operates.

### Going concern and future development

The Company's ability to continue as a going concern is assessed in conjunction with the Anglo American 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 2019. 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.

### Contingent liabilities

In 2012, the Company entered into a long term agreement to supply Direct Reduction Pellet Feed produced by the Minas-Rio mine to a customer (the "Iron Ore Supply Agreement"). As of the date of this report, (a) the Iron Ore Supply Agreement continues to be in force and (b) arbitration proceedings have been commenced by the Company against the customer 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 the customer. The customer 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 \$35.8 million of the total value of the counterclaims are considered by management to be contingent liabilities.

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



Claire Murphy  
For and on behalf of Anglo American Corporate Secretary Limited  
Company Secretary  
26 June 2018

# 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 2017.

### Principal activities

The Company is a wholly-owned indirect subsidiary of Anglo American plc, a company incorporated in England and Wales.

The Company's principal activity during the year was the sale of thermal coal, nickel, copper and iron ore as principal to international customers as well as the provision of agency services for metallurgical coal and thermal coal, and the provision of agency freight services, marketing and other supporting services for certain Anglo American Group companies.

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.

Details regarding future events and financial risks of the Company are included in the strategic report.

### Dividends

An interim dividend of \$111,000,000 (2016: \$48,000,000) was declared and paid during the year.

### Going concern

The directors' considerations in relation to going concern and future development are detailed on page 3 within the Strategic Report.

### Directors

The following served as directors at the date of this report are as follows:

A Schmitt	
H Truol	
J M Mills	[Resigned on 5 April 2018]
D M Wilson	
P T Demzik	[Resigned on 31 March 2018]
R H Elliott	[Appointed on 1 March 2017]
P G Whitcutt	[Appointed on 1 March 2017]
P Ward	[Appointed on 1 March 2017]

### Political and charitable donations

The Company made no political and charitable donations during the year (2016: \$nil).

### Directors' interests

The directors did not have any interests in the share capital of the Company or of the immediate parent company during the year. The directors did not have any material interests during the year in a contract which is significant in relation to the Company's business.

### 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.

# **Anglo American Marketing Limited**

## **Directors' report (continued)**

### **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:

A handwritten signature in black ink, appearing to be 'CM' or similar initials, written in a cursive style.

Claire Murphy  
For and on behalf of Anglo American Corporate Secretary Limited  
Company Secretary  
26 June 2018

# **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.

The Companies Act 2006 requires the directors to prepare financial statements for each financial year. Under that Act the directors have elected to prepare the financial statements in accordance with Financial Reporting Standards (FRS) 101 "Reduced Disclosure Framework". Under the Companies Act 2006, 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**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Anglo American Marketing Limited (the 'company') which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

We have nothing to report in respect of these matters.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

## **Other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Use of our report**

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

## **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

### **Report on other legal and regulatory requirements (continued)**

### **Opinions on other matters prescribed by the Companies Act 2006 (continued)**

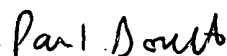
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Paul Barnett (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

26 June 2018

# Anglo American Marketing Limited

## Income statement

For the year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
Revenue	3	6,575,794	5,036,900
Cost of sales		(6,361,157)	(4,812,529)
<b>Gross profit</b>		<u>214,637</u>	<u>224,371</u>
Administrative expenses		(82,431)	(72,548)
Other operating expense	5	(34,357)	(36,178)
<b>Operating profit</b>	5	<u>97,849</u>	<u>115,645</u>
Finance income	6	5,799	4,066
<b>Profit before tax</b>		<u>103,648</u>	<u>119,711</u>
Income tax expense	7	(11,030)	(8,191)
<b>Profit for the year</b>		<u><u>92,618</u></u>	<u><u>111,520</u></u>

Revenue and operating profits are all derived from continuing operations in the UK and Singapore (except for niobium, see Note 5).

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

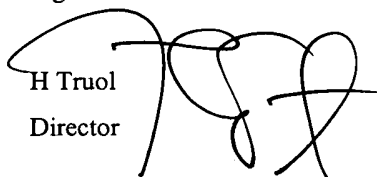
## Statement of financial position As at 31 December 2017

	Note	2017 \$'000	2016 \$'000
<b>Non-current assets</b>			
Plant and equipment	9	380	714
Intangible assets	10	9,256	11,525
Investment in subsidiary	11	1,252	1,267
Trade and other receivables	12	650	5,392
<b>Total non-current assets</b>		<b>11,538</b>	<b>18,898</b>
<b>Current assets</b>			
Inventories	13	46,075	22,311
Trade and other receivables	12	635,282	572,227
Cash and cash equivalents	14	586,568	523,064
Derivative financial assets	15	34,856	25,824
<b>Total current assets</b>		<b>1,302,781</b>	<b>1,143,426</b>
<b>Total assets</b>		<b>1,314,319</b>	<b>1,162,324</b>
<b>Current liabilities</b>			
Trade and other payables	16	(915,494)	(817,055)
Derivative financial liabilities	15	(120,488)	(53,669)
Provision for liabilities	17	(88)	(88)
Current tax liabilities		(11,629)	(14,227)
<b>Total current liabilities</b>		<b>(1,047,699)</b>	<b>(885,039)</b>
<b>Non-current liability</b>			
Deferred tax liability	18	(1,024)	(575)
<b>Total non-current liability</b>		<b>(1,024)</b>	<b>(575)</b>
<b>Total liabilities</b>		<b>(1,048,723)</b>	<b>(885,614)</b>
<b>Net assets</b>		<b>265,596</b>	<b>276,710</b>
<b>Equity</b>			
Called up share capital	19	30,121	30,121
Share premium account	19	119,999	119,999
Share-based payment reserve		21,975	14,707
Retained earnings		93,501	111,883
<b>Total equity</b>		<b>265,596</b>	<b>276,710</b>

These financial statements of Anglo American Marketing Limited, registered number 00405724, were approved by the board of directors and authorised for issue on 26 June 2018.

Signed on behalf of the Board of Directors by:

H Truol  
Director



# Anglo American Marketing Limited

## Statement of changes in equity For the year ended 31 December 2017

	Note	Called-up share capital \$'000	Share premium account \$'000	Share-based payment reserve \$'000	Retained earnings \$'000	Total \$'000
<b>At 1 January 2016</b>		30,121	119,999	8,302	48,363	206,785
Transaction with owners, recognised directly in equity						
Dividends	8	-	-	-	(48,000)	(48,000)
Equity settled share-based payments	5	-	-	6,405	-	6,405
		-	-	6,405	(48,000)	(41,595)
Profit for the year, representing total comprehensive income for the year		-	-	-	111,520	111,520
<b>At 31 December 2016</b>		30,121	119,999	14,707	111,883	276,710
Transaction with owners, recognised directly in equity						
Dividends	8	-	-	-	(111,000)	(111,000)
Equity settled share-based payments	5	-	-	7,268	-	7,268
		-	-	7,268	(111,000)	(103,732)
Profit for the year, representing total comprehensive income for the year		-	-	-	92,618	92,618
<b>At 31 December 2017</b>		30,121	119,999	21,975	93,501	265,596

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 1. General information

Anglo American Marketing Limited is a privately-owned company incorporated under the Companies Act 2006 and registered in England and Wales. 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 Directors' Report on page 4.

These financial statements are presented in United States Dollars 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 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 at the time of the transaction. The principal accounting policies adopted are set out below.

#### Adoption of new and revised Standards

In the current year, the Company has applied 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 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### Going concern

As set out in the strategic report on page 3, 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.

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 2. Accounting policies (continued)

#### Functional and presentation currency (continued)

prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### Revenue recognition

Revenue represents the net invoice value of goods and services provided in the normal course of business to third parties and related 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.

When the Company acts in the capacity of an agent, the revenue recognised is the net amount of commission earned. Therefore, the 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.

Service income is recognised when services are provided by reference to the stage of completion of the contract. The stage of completion is assessed by reference to work performed.

#### 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 IAS 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 awards issued with non-market vesting conditions has been calculated using the Black Scholes model. 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



# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 2. Accounting policies (continued)

#### Tax (continued)

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 (either in other comprehensive income or directly in equity).

#### Inventories

Inventories comprise finished products and bunker fuel and are measured at the lower of cost and net realisable value, except for inventory held by commodity broker-traders which is measured at fair value less costs to sell. 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 estimated 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 software in progress. Computer software is 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 are

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 2. Accounting policies (continued)

#### Financial instruments (continued)

##### *Effective interest method (continued)*

recognised on an effective interest basis for debt instruments other than those financial instruments “at fair value through profit and loss”.

##### *Financial assets*

###### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and cash on demand deposits with a Group company and cash balance in margin facility that are 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.

###### *Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### *Financial liabilities and equity instruments*

##### *Classification as debt or equity*

Financial liabilities and equity instruments are classified and accounted for as financial liabilities or equity instruments according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

###### *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 method.

##### *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 liabilities*

The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or expired.

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 2. Accounting policies (continued)

#### Financial instruments (continued)

##### *Derivative financial instruments*

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

Non "own-use" forward and derivative contracts are measured by reference to market prices at the year end. The resulting unrealised losses excluding contracts within any margining facilities are recorded as liabilities in payables and unrealised profits are recorded as assets in receivables. 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 income statement as revenue. 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 FRSs 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**

##### *Contingent liabilities*

On an ongoing basis the Company is a party to various legal disputes, the outcomes of which cannot be assessed with a high degree of certainty.

Management applies its judgement in determining whether or not to record a provision or contingent liability. A provision is recognised where, based on the Company's own legal assessment and, in some cases, independent advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. A contingent liability is a potential future outflow of cash, or other resources, where the likelihood of payment is less than probable but more than remote. Disclosure of contingent liabilities is made in Note 23, including quantification of the potential future outflow of resources, unless the amount cannot be reliably estimated.

##### *Classification of commodity contracts*

The Company applies judgement in classifying its commodity contracts into either the trading or equity book. Classification in the trading book results in the contract being treated as a derivative and marked to market. Contracts classified into the equity book are entered into in accordance with the Company's expected sale or usage requirements and are consequently accounted for as executory contracts. The trading book contracts are distinguished from their equity book counterparts by the presence of net settlement clauses or the intention to enact effective net settlement. Equity source contracts used to settle contracts in trading book are accounted for as executory contracts. The contracts included in the equity book will remain economically unhedged, thus avoiding the risk of effective net settlement.

##### **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.

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 2. Accounting policies (continued)

#### *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.

#### *Fair value of financial instruments*

Certain of the Company's financial instruments, principally derivatives, are required to be measured on the balance sheet at fair value. Where a quoted market price for an identical instrument is not available, a valuation model is used to estimate the fair value based on the net present value of the expected cash flows under the contract. Valuation assumptions are usually based on observable market data (for example commodity price curves) where available.

### 3. Revenue

	2017 \$'000	2016 \$'000
<b>Analysis of the Company's revenue</b>		
Sale of commodities and trading revenue	6,506,170	4,985,675
Commission income, freight and other marketing services to Group companies	59,767	45,921
Other freight services	9,857	5,304
	<u>6,575,794</u>	<u>5,036,900</u>
 <b>Revenue by destination</b>		
Asia	5,522,320	3,916,293
Europe	377,663	390,900
Middle East	283,283	277,636
Africa	152,815	158,867
Americas	186,476	251,964
Australia	53,237	41,240
	<u>6,575,794</u>	<u>5,036,900</u>
 <b>Revenue by class</b>		
Copper	2,668,046	1,842,057
Thermal coal	2,044,757	1,570,271
Iron ore	1,303,879	1,009,759
Nickel	350,770	320,793
Niobium	-	149,098
Other commodities	138,718	93,697
Freight and other marketing services	69,624	51,225
	<u>6,575,794</u>	<u>5,036,900</u>

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 4. Staff costs

The average monthly number of staff (including directors) during the year was 174 (2016: 176).

	2017 \$'000	2016 \$'000
<b>Staff costs for the above persons were as follows:</b>		
Wages and salaries	34,796	36,768
Social security costs	1,864	1,662
Pension costs	2,926	2,350
Share-based payment costs	7,268	6,405
	<hr/>	<hr/>
Total payroll costs included in operating costs	46,854	47,185
	<hr/>	<hr/>

### Directors' emoluments were as follows:

Aggregate emoluments	5,795	2,867
Contributions to defined contribution pension scheme	578	171
	<hr/>	<hr/>

As at 31 December 2017 there were six (2016: three) 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 \$1,505,013 (2016: \$1,593,000) and contributions to a defined contribution pension scheme of \$278,834 (2016: \$57,000). During the year ended 31 December 2017 and 31 December 2016, no director exercised share options.

As at 31 December 2017, five (2016: three) directors were members of a defined contribution pension scheme to which the Company contributed.

### 5. Operating profit

Operating profit is after charging/(crediting):

	2017 \$'000	2016 \$'000
Equity settled share-based payments	7,268	6,405
Operating lease rentals	2,459	2,539
Depreciation and amortisation	4,172	4,430
Audit fees	181	168
Loss/(gain) on foreign currency retranslation	298	(44)
Loss on price adjustment	34,357	-
Loss on disposal of Niobium receivable and inventory	-	36,178
Net fair value change of derivative financial instruments	-	435
	<hr/>	<hr/>

During the year, there was a price adjustment agreed retrospectively with a related company, which resulted in a loss of \$34,357,000 recognised in other operating expense.

In 2016, Anglo American Group sold its niobium and phosphates business to China Molybdenum Co. Ltd. As part of the agreement, the Company recognised in other operating expenses, a loss of \$36,178,000 from the sale of the Company's niobium trade receivables and inventory balances.

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 6. Finance income

	2017 \$'000	2016 \$'000
Interest income from Group company	2,530	786
Other interest received	321	106
Dividend income from subsidiary	2,948	3,174
	<u>5,799</u>	<u>4,066</u>

### 7. Income tax expense

	2017 \$'000	2016 \$'000
<b>(a) Analysis of charge in the year</b>		
UK group relief	8,202	1,252
UK adjustments in respect of prior period	(547)	(713)
Overseas tax adjustments in respect of prior period	(2,022)	605
Overseas tax	4,948	6,869
	<u>10,581</u>	<u>8,013</u>
Total current tax	449	178
Overseas deferred tax		
	<u>11,030</u>	<u>8,191</u>

#### (b) Factors affecting tax charge for the year

The current tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

Profit before tax	103,648	119,711
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	19,952	23,942
Effects of:		
Expenses not deductible for tax purposes	660	670
Income not taxable	(567)	(635)
Adjustments in respect of prior period	(2,569)	(108)
Overseas tax	4,948	7,048
Overseas amounts exempt from UK tax	(11,841)	(22,832)
Other	447	106
	<u>11,030</u>	<u>8,191</u>

On 26 October 2015, the Finance Act was substantively enacted and provided for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017. On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for a reduction in the main rate of UK corporation tax to 17% from 1 April 2020.

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 8. Dividends

	2017 \$'000	2016 \$'000
Interim dividends declared and paid of \$5.83 cents per share (2016: \$2.52 cents per share)	111,000	48,000

### 9. Plant and equipment

	Furniture, fittings and computer equipment \$'000
<b>Cost</b>	
At 1 January 2017	6,004
Additions	244
At 31 December 2017	6,248
<b>Accumulated Depreciation</b>	
At 1 January 2017	(5,290)
Charge for the year	(578)
At 31 December 2017	(5,868)
<b>Net book value</b>	
At 31 December 2016	714
At 31 December 2017	380

### 10. Intangible assets

	Software \$'000	Software work in progress \$'000	Total intangible assets \$'000
<b>Cost</b>			
At 1 January 2017	17,345	938	18,283
Additions	-	1,325	1,325
At 31 December 2017	17,345	2,263	19,608
<b>Accumulated Amortisation</b>			
At 1 January 2017	(6,758)	-	(6,758)
Amortisation for the year	(3,594)	-	(3,594)
At 31 December 2017	(10,352)	-	(10,352)

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 10. Intangible assets (continued)

<b>Net book value</b>			
At 31 December 2016	10,587	938	11,525
At 31 December 2017	6,993	2,263	9,256

### 11. Investment in subsidiary

	<b>\$'000</b>
<b>Cost</b>	
At 1 January 2017	1,267
Write off	(15)
At 31 December 2017	1,252

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

In 2016, the Company paid up equivalent of INR990,000 (\$15,000) for the shares subscribed in Anglo American (India) Private Limited. In January 2017, this subsidiary was struck off and the Company's investment of \$15,000 has been written off.

In November 2017, the Company established a wholly-owned subsidiary, Anglo American Resources Trading (China) Co., Ltd, in Shanghai, China. The first capital injection of \$1,500,000 was recognised in March 2018.

Details of the Company's subsidiaries at 31 December 2017 are as follows:

<b>Name</b>	<b>Place of incorporation (or registration) and operation</b>	<b>Proportion of ownership interest and voting power held %</b>	<b>Types of shares</b>	<b>Principle activities</b>
MR Iron Ore Marketing Services Singapore Pte. Ltd.	10 Collyer Quay, Level 38 Ocean Financial Centre, Singapore 049315 Unit 01, 32/F, Century Link Tower 1	50.1%	Ordinary	Consultancy and marketing support services
Anglo American Resources Trading (China) Co., Ltd.	No. 1198 Century Avenue, Pudong New District, Shanghai, 200122 China	100%	Ordinary	Trading and marketing support services



# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 12. Trade and other receivables

	2017 \$'000 Expected within one year	2017 \$'000 Expected after one year	2017 \$'000 Total
Trade receivables	516,599	-	516,599
Trading amounts owed by Group Companies	67,697	-	67,697
Other receivables	2,234	579	2,813
Prepayments and accrued income	48,752	71	48,823
	<u>635,282</u>	<u>650</u>	<u>635,932</u>

	2016 \$'000 Expected within one year	2016 \$'000 Expected after one year	2016 \$'000 Total
Trade receivables	480,367	-	480,367
Trading amounts owed by Group companies	38,198	-	38,198
Receivable from subsidiary	2,232	-	2,232
Other receivables	1,588	5,257	6,845
Prepayments and accrued income	49,842	135	49,977
	<u>572,227</u>	<u>5,392</u>	<u>577,619</u>

Trade receivables do not incur interest and are measured at nominal value (with the exception of receivables related to provisionally priced sales as set out in the revenue recognition accounting policy, see Note 2). Trading amounts owed by Group companies are unsecured and payable within 30 days (2016: 30 days) and are not interest-bearing.

### 13. Inventories

	2017 \$'000	2016 \$'000
Finished products	39,756	17,629
Bunker	6,319	4,682
	<u>46,075</u>	<u>22,311</u>

The cost of inventories recognized as an expense and included in cost of sales amounted to \$6,337,918,000 (2016: \$4,798,365,000).

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 14. Cash and cash equivalents

	2017 \$'000	2016 \$'000
Deposit with a Group company	508,128	430,488
Cash at bank	55,015	56,518
Deposit with bank	23,425	36,058
	<u>586,568</u>	<u>523,064</u>

The deposit with a Group company is unsecured, repayable on demand and carries an interest rate of 0.98% (2016: 0.535%).

There was no restricted cash as at 31 December 2017. In the prior year, \$13,450,000 of cash at bank in relation to the sale of receivables during the reporting period was classified as restricted cash.

### 15. Derivative financial assets and liabilities

	2017 \$'000	2016 \$'000
Financial assets arising from the fair value of marked to market sales and purchase contracts and other financial instruments	34,856	25,824
Financial liabilities arising from fair value of marked to market sales and purchase contracts and other financial instruments	<u>(120,488)</u>	<u>(53,669)</u>

The Company utilises commodity swaps and futures to hedge significant future transactions and to manage its exposure on sale and purchase contracts for coal, copper and iron ore.

### 16. Trade and other payables

	2017 \$'000	2016 \$'000
Trade payables	64,547	48,267
Trading amounts owed to Group Companies	728,115	679,652
Deferred income	-	44
Accruals	121,718	75,285
Tax and social security	674	106
Other payables	440	13,701
	<u>915,494</u>	<u>817,055</u>

Trade payables are not interest-bearing and are measured at their nominal value (with the exception of payables relating to provisionally priced commodity purchases which are marked to market using the appropriate forward price until settled). Amounts owed to Group Companies are unsecured and payable within 30 days (2016: 30 days) and are not interest-bearing.

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 17. Provision for liabilities

	Termination cost Provision	
	2017 \$'000	2016 \$'000
At 1 January	88	228
Utilisation during the year	-	(140)
At 31 December	<u>88</u>	<u>88</u>

### 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
At 1 January 2016	397
Movement during the year	<u>178</u>
At 1 January 2017	575
Movement during the year	<u>449</u>
At 31 December 2017	<u>1,024</u>

### 19. Equity

	2017 \$'000	2016 \$'000
<b>Share capital Called up, allotted and fully paid:</b>		
19,056,917 (2016: 19,056,917) ordinary shares of £1 each	30,120	30,120
1,000 (2016: 1,000) ordinary shares of \$1 each	<u>1</u>	<u>1</u>
	<u>30,121</u>	<u>30,121</u>
<b>Share Premium Account</b>	<u>119,999</u>	<u>119,999</u>

#### Reserves

#### *Share-based payment reserve*

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

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 20. Share-based payments reserve

During the year ended 31 December 2017, the Company had the following share-based payment arrangements with employees:

#### Bonus Share Plan (BSP)

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

There are two elements to the BSP as it applies to employees below executive director level:

- A performance-related cash element, payable after the end of the relevant financial year; and
- 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 normally subject to a further three-years holding period.

The remuneration committee of Anglo American plc reviews the BSP annually to ensure it remains appropriate.

#### Long Term Incentive Plan (LTIP)

The remuneration committee of Anglo American plc makes an annual conditional award of shares in Anglo American plc to executive directors and senior management of the Anglo American Group to encourage and reward the delivery of superior shareholder returns and business objectives. The conditional award will generally vest after a period of three years, subject to the achievement of specific performance targets in the case of executive directors. For employees below these levels, vesting is subject to continued employment.

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

The provision of shares under certain of the Anglo American plc 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 Anglo American Group 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:

	<b>BSP 2017</b>	<b>LTIP 2017</b>	<b>BSP 2016</b>	<b>LTIP 2016</b>
Date of grant	07/03/17	12/05/17	04/03/16	04/03/16
Number of instruments	323,558	171,100	716,840	727,570
Share price at date of grant (£)	11.18	11.18	5.92	5.92
Contractual life (years)	3	3	3	3
Vesting Conditions	(1)	(1)	(1)	(1)
Expected volatility <sup>(2)</sup>	50%	50%	50%	50%
Risk free interest rate <sup>(3)</sup>	0.6%	0.6%	0.5%	0.5%
Expected departures	5% pa	5% pa	5% pa	5% pa
Dividend yield	3%	3%	nil	nil
Fair value at date of grant (weighted average) (£)	11.18	11.18	5.92	5.92

(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 2017

### 20. Share-based payments reserve (continued)

#### Bonus Share Plan (BSP)

Ordinary shares of 54<sup>86</sup>/<sub>91</sub> US cents may be awarded under the terms of this scheme for no consideration. The number of shares outstanding is shown below:

	2017 Numbers of shares	2016 Numbers of shares
Outstanding at 1 January	792,464	355,477
Conditionally awarded in year	323,558	716,840
Vested in year	(186,532)	(175,384)
Forfeited in year	(30,047)	(104,469)
<b>Outstanding at 31 December</b>	<b>899,443</b>	<b>792,464</b>

#### Long Term Incentive Plan (LTIP)

Ordinary shares of 54<sup>86</sup>/<sub>91</sub> US cents may be awarded under the terms of this scheme for no consideration. The number of shares outstanding is shown below:

	2017 Numbers of shares	2016 Numbers of shares
Outstanding at 1 January	768,256	238,575
Conditionally awarded in year	171,100	727,570
Vested in year	(71,067)	(115,594)
Forfeited in year	(7,948)	(82,295)
<b>Outstanding at 31 December</b>	<b>860,341</b>	<b>768,256</b>

### 21. Commitments

#### Operating leases

	2017 \$'000	2016 \$'000
The future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	54,869	32,126
Greater than one year, less than two years	17,047	14,244
	<b>71,916</b>	<b>46,370</b>

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 for transport of bulk commodities and other related services. The commitments under these contracts total \$1,175,833,000 as at 31 December 2017 (2016: \$1,078,158,000) to be paid over the next six years with half of the commitment due in more than two years. These contracts secure long term supply of freight for the Company.

# Anglo American Marketing Limited

## Notes to the financial statements For the year ended 31 December 2017

### 22. Related party transactions

At 31 December 2017, as identified in Note 24, Anglo American plc, a company incorporated in England and Wales, 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 wholly owned Anglo American group companies.

The Company, in the ordinary course of business, enters into other transactions with other related parties with non-wholly owned Anglo American group companies (other related party transactions). These transactions are under terms that are no less favourable than those arranged with third parties.

In addition to related party information disclosed elsewhere in the financial statements, the Company had the following other related party transactions:

	2017 \$'000	2016 \$'000 Restated
Purchase of commodity from other related parties	2,105,778	1,757,197
Recharges income from other related parties	(17,722)	(14,643)
Recharges expenses from other related parties	11,028	10,521

Purchases of commodity from other related parties for the year end 31 December 2016 has been restated to include \$94 million of purchases.

### 23. Contingent liabilities

In 2012, the Company entered into a long term agreement to supply Direct Reduction Pellet Feed produced by the Minas-Rio mine to a customer (the "Iron Ore Supply Agreement"). As of the date of this report, (a) the Iron Ore Supply Agreement continues to be in force and (b) arbitration proceedings have been commenced by the Company against the customer 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 the customer. The customer 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 \$35.8 million of the total value of the counterclaims are considered by management to be contingent liabilities.

### 24. Ultimate parent company

Anglo American plc is the 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 the registered office of 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 England and Wales.

### 25. Events since the end of the year

On 26 June 2018, an interim dividend of \$92 million was approved by the Board of Directors of the Company.