

Company Registration Number: 00405724

Anglo American Marketing Limited

Annual Report and Financial Statements

for the year ended 31 December 2018



Anglo American Marketing Limited

Annual Report and financial statements for the year ended 31 December 2018

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Anglo American Marketing Limited

Officers and professional advisers

Directors

R Price
D Drake
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
United Kingdom

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

Solicitors

Linklaters
One Silk Street
London EC2Y 8HQ
United Kingdom

Auditor

Deloitte LLP
Statutory Auditor
Hill House
1 Little New Street
London EC4A 3TR
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 2018.

Business review

Copper

Compared to 2017, the average LME copper price increased 6% in 2018. The increase in copper price in 2018 reflects China's efforts to rein in shadow financing resulted in tighter liquidity, slowing growth across key copper-consuming sectors.

Nickel

The average LME nickel price was 26% higher in 2018, driven by the global stainless steel industry, which depends on nickel and drives demand for it.

Iron Ore

Iron ore prices in 2018 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 2018 were higher as compared to the prior year, supported by strong steelmaking margins globally and a number of supply disruptions in Australia.

Thermal Coal

Thermal Coal prices were higher in 2018, due to solid demand from South Korea and Japan underpinned the prices for higher energy coals in the Pacific region. Various supply issues in Australia also affected the availability of these higher energy coals. Chinese import demand decreased in the second half of the year as domestic stocks were rebuilt and a rebound in supply from Indonesia and South Africa increased the discounts for lower energy material.

Results

The profit after tax for the year is \$121,931,000 (2017: \$92,618,000).

Financial Position

The net assets as at 31 December 2018 were \$303,654,000 (2017: \$265,596,000).

Key Performance Indicators

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

	2018	2017
Revenue (\$'000)	6,847,286	6,575,794
Volume of thermal coal shipped (million tonnes)	27.2	26.7
Volume of copper shipped (thousand tonnes)	570.0	464.1
Volume of nickel shipped (thousand tonnes)	33.5	34.8
Volume of iron ore shipped (million tonnes)	3.7	15.2
Operating profit margin (%)	2%	1%

The Company's operating profit has increased by 28% (2017: decreased by 15%) 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 two principal financial risks, namely 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 equivalents and trade and other receivables

The Company's credit risk is primarily attributable to its trade receivables. The assessment of impairment is made based on lifetime expected credit losses estimated using provision matrix by reference to past default experience and credit rating, adjusted as appropriate for current observable data. 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.

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 operation and provide supply for onward sale.

The directors have considered the Company's cash flow forecasts for the period to the end of July 2020. 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, the arbitration proceedings between the Company and the customer under the Iron Ore Supply Agreement (the "Arbitration Proceedings") have been stayed, and certain of the claims and counterclaims that previously formed part of the Arbitration Proceedings have been released and discontinued. Therefore, the Company no longer considers there to be any contingent liability associated with the Arbitration Proceedings or the Iron Ore Supply Agreement.

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



Ellie Klonarides
For and on behalf of Anglo American Corporate Secretary Limited
Company Secretary
18 June 2019

Anglo American Marketing Limited

Directors' report (continued)

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 2018.

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.

Financial risk management objectives and policies

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

Dividends

An interim dividend of \$92,000,000 (2017: \$111,000,000) was declared and paid during the year.

On 18 June 2019, an interim dividend of \$121,000,000 was approved by the Board of Directors of the Company.

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 throughout the year, and except as shown, to the present time:

R Price	(Appointed 27 June 2018)
D Drake	(Appointed 27 June 2018)
J M Mills	(Resigned on 5 April 2018)
P T Demzik	(Resigned on 31 March 2018)
A Schmitt	
H Truol	
D M Wilson	
R H Elliott	
P G Whitcutt	
P Ward	

Political and charitable donations

The Company made no political and charitable donations during the year (2017: \$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

Anglo American Marketing Limited

Directors' report (continued)

Statement as to disclosure of information to auditor (continued)

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:



Ellie Klonarides
For and on behalf of Anglo American Corporate Secretary Limited
Company Secretary
18 June 2019

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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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. This description forms part of our auditor's report.

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

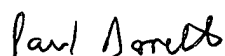
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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.



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

18 June 2019

Anglo American Marketing Limited

Income statement

For the year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
Revenue	3	6,847,286	6,575,794
Cost of sales		(6,605,121)	(6,361,157)
Gross profit		242,165	214,637
Administrative expenses		(117,205)	(82,431)
Other operating expense	5	-	(34,357)
Operating profit	5	124,960	97,849
Finance income	6	10,443	5,799
Profit before tax		135,403	103,648
Income tax expense	7	(13,472)	(11,030)
Profit for the year		121,931	92,618

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

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


Anglo American Marketing Limited

Statement of financial position As at 31 December 2018

	Note	2018 \$'000	2017 \$'000
Non-current assets			
Plant and equipment	9	507	380
Intangible assets	10	9,838	9,256
Investment in subsidiary	11	5,754	1,252
Trade and other receivable	12	887	650
Total non-current assets		<u>16,986</u>	<u>11,538</u>
Current assets			
Inventories	13	43,514	46,075
Trade and other receivables	12	489,796	635,282
Cash and cash equivalents	14	519,888	586,568
Derivative financial assets	15	119,227	34,856
Total current assets		<u>1,172,425</u>	<u>1,302,781</u>
Total assets		<u>1,189,411</u>	<u>1,314,319</u>
Current liabilities			
Trade and other payables	16	(815,165)	(915,494)
Derivative financial instruments	15	(48,646)	(120,488)
Provision for liabilities	17	(955)	(88)
Current tax liabilities		(19,883)	(11,629)
Total current liabilities		<u>(884,649)</u>	<u>(1,047,699)</u>
Net current assets		<u>287,776</u>	<u>255,082</u>
Total assets less current liabilities		<u>304,762</u>	<u>266,620</u>
Non-current liability			
Deferred tax liability	18	(1,108)	(1,024)
Total non-current liability		<u>(1,108)</u>	<u>(1,024)</u>
Total liabilities		<u>(885,757)</u>	<u>(1,048,723)</u>
Net assets		<u>303,654</u>	<u>265,596</u>
Equity			
Called up share capital	19	30,121	30,121
Share premium account	19	119,999	119,999
Shared-based payment reserve		30,102	21,975
Retained earnings		123,432	93,501
Total Equity		<u>303,654</u>	<u>265,596</u>

These financial statements of Anglo American Marketing Limited, registered number 00405724, were approved by the board of directors and authorised for issue on 18 June 2019.

Signed on behalf of the Board of Directors by:



D M Wilson

Director

Anglo American Marketing Limited

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

	Note	Called-up share capital \$'000	Share premium account \$'000	Share-based payment reserve \$'000	Retained earnings \$'000	Total \$'000
At 1 January 2017		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
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		-	-	7,268	(111,000)	(103,732)
Profit for the year, representing total comprehensive income for the year		-	-	-	92,618	92,618
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017		30,121	119,999	21,975	93,501	265,596
Transaction with owners, recognised directly in equity						
Dividends	8	-	-	-	(92,000)	(92,000)
Equity settled share-based payments	5	-	-	8,127	-	8,127
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		-	-	8,127	(92,000)	(83,873)
Profit for the year, representing total comprehensive income for the year		-	-	-	121,931	121,931
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018		30,121	119,999	30,102	123,432	303,654

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

1. General information

Anglo American Marketing Limited, incorporated under the Companies Act 2006 and registered in England and Wales, is a private company limited by shares. 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

New IFRS accounting standards, amendments and interpretations not yet adopted

On 1 January 2018, the Company has adopted all the new and revised IFRS and new Interpretations issued by the International Accounting Standards Board (IASB) that are effective from that date and are relevant to its operations. The adoption of these new/revised IFRS and new Interpretations does not result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as follows:

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

Adoption of new and revised standards (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 became effective for the Company from 1 January 2018. The core principle of IFRS 15 is that revenue should be recognised in a manner that depicts the pattern of the transfer of goods and services to customers. The amount recognised should reflect the amount to which the entity expects to be entitled in exchange for those goods and services. The standard requires entities to apportion revenue earned from contracts to individual performance obligations, on a relative standalone selling price basis, based on a five-step model.

The Company's revenue is primarily derived from commodity sales, for which the point of recognition is dependent on the contract sales terms, known as the International Commercial terms (Incoterms). As the transfer of risks and rewards generally coincides with the transfer of control at a point in time under the Incoterms, the timing and amount of revenue recognised by the Company for the sale of commodities is not materially affected.

For the Incoterms Cost, Insurance and Freight (CIF) and Cost and Freight (CFR), the seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. Consequently, the freight service on export commodity contracts with CIF/CFR Incoterms represents a separate performance obligation as defined under the new standard, and a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised over time as this obligation is fulfilled, along with the associated costs.

The Company has applied IFRS 15 using the modified retrospective method with the cumulative effect of initially applying this Standard recognised at the date of initial application on 1 January 2018 as an adjustment to the opening balance of retained earnings. The impact of this transition difference is not considered material to the Company and hence comparative values have not been restated. There was no impact on opening retained earnings as at 1 January 2018 as a result of this transition difference.

IFRS 9 Financial Instruments

IFRS 9 became effective for the Company from 1 January 2018. The new standard is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and derecognition of financial assets and financial liabilities together with a new hedge accounting model.

The impact of the introduction of an 'expected credit loss' model for the assessment of impairment of financial assets held at amortised cost would have no material impact to the net assets of the Company at 1 January 2017 or 31 December 2017 or to the Company's results for the year from this change and hence comparative values and opening retained earnings at 1 January 2018 have not been restated.

The measurement and accounting treatment of the Company's financial assets is materially unchanged on application of the new standard. There would have been no material impact to the net assets of the Company at 1 January 2017 or 31 December 2017 or to the Company's results for the year from this change.

At the date of authorisation of these financial statements, the following new/revised IFRSs and new Interpretations that are relevant to the Company were issued but not effective:

IFRS 16 Leases

IFRS 16 becomes effective for the Company from 1 January 2019, replacing IAS 17 Leases. The Company has completed the necessary changes to internal systems and processes to embed the new accounting requirements.

The principal impact of IFRS 16 will be to change the accounting treatment by lessees of leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessee of a property, plant and equipment right-of-use asset and a related liability for future lease payments.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

Adoption of new and revised standards (continued)

IFRS 16 Leases (continued)

The impact on the Company of applying IFRS 16, based on contractual arrangements in place at 31 December 2018, will be the recognition of lease liabilities of \$49 million, along with property, plant and equipment right-of-use assets with a similar aggregate value. This liability corresponds to the minimum lease payments under operating leases disclosed in Note 21, adjusted for the effect of discounting.

Lease liabilities principally relate to corporate offices and shipping vessels. The impact of the standard on the Company's results for the year following adoption is not expected to be significant although the income statement presentation of the cost of leases is changed. Instead of a rental charge recognised within operating costs, the cost of leases will be allocated between the depreciation of right-of-use assets, and a finance charge representing the unwind of the discount on lease liabilities.

The Company has elected to apply the modified retrospective approach on transition. The cumulative effect of transition to IFRS 16 will be recognised in retained earnings at 1 January 2019 and the comparative period will not be restated.

Other issued standards and amendments that are not yet effective are not expected to have a significant impact on the 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.

Foreign currency transactions

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 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 is recognised in a manner that depicts the pattern of the transfer of goods and services to customers. The amount recognised reflects the amount to which the Company expects to be entitled in exchange for those goods and services. Sales contracts are evaluated to determine the performance obligations, the transaction price and the point at which there is transfer of control. The transactional price is the amount of consideration due in exchange for transferring the promised goods or services to the customer, and is allocated against the performance obligations and recognised in accordance with whether control is recognised over a defined period or at a specific point in time.

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 goods and services taxes. Principal sales are recognised when control has been transferred to the customer.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

Revenue recognition (continued)

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. These sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. Revenue on provisionally priced sales is recognised at the forward market price when control passes to the customer and is classified as revenue from contracts with customers. Subsequent mark-to-market adjustments are recognised in revenue from other sources in the statement of profit or loss and other comprehensive income.

Revenue from services is recognised over time in line with the policy above. For contracts which contain separate performance obligations for the sale of commodities and the provision of freight services, the portion of the revenue representing the obligation to perform the freight service is deferred and recognised over time as the obligation is fulfilled, along with the associated costs.

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.

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 statement of profit or loss and other comprehensive income 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

In addition to lease contracts, other significant contracts are assessed to determine whether in substance they are, or contain, a lease. This includes assessment of whether the arrangement is dependent on use of a specific asset and the right to use that asset is conveyed through the contract. Rental costs under operating leases are recognised on a straight line basis over the term of the relevant lease.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

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 end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to other comprehensive income or 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 the 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 accumulated impairment losses.

Depreciation is calculated on a straight-line basis over three years for computer and office equipment and five years for furniture and fittings. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets relate to computer software, 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.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

Impairment of assets

At each reporting date, a review for the potential impairment of an asset is carried out to determine if circumstances indicate that the carrying amount of the asset may not be recoverable. Such impairment reviews are performed in accordance with IAS 36; "*Impairments of assets*". Impairments thus arising are reported in the statement of profit or loss and other comprehensive income.

Financial instruments

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

Financial assets

Effective interest method

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

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets at amortised cost and effective interest method

Under IAS 39, trade and other receivables and cash and cash equivalents were classified as loans and receivables, which under IFRS 9 are classified as financial assets at amortised cost. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, the financial assets (including trade and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest rate method, less any identified impairment losses.

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) excluding expected credit losses, through the expected life of the financial instrument, or where appropriate, a shorter period.

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.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL. Specifically, debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in profit or loss.

Under IAS 39, trade receivables from provisionally priced sales are reclassified from fair value through profit or loss to amortised cost upon finalisation of price, which under IFRS 9 continue to be classified as financial assets at fair value through profit or loss.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets not measured at fair value through profit or loss are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. The Company assesses on a forward looking basis the expected credit losses, defined as the difference between the contractual cash flows and the cash flows that are expected to be received, associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Losses are recognised in the statement of profit or loss and other comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss and other comprehensive income.

Under IAS 39, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount is reduced through an allowance account. When the receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss and other comprehensive income.

Derecognition of financial assets

The Company derecognises a financial asset only when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of profit or loss and other comprehensive income. No change in derecognition criteria from IAS 39.

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.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

Financial instruments (continued)

Derecognition of financial liabilities

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

Derivative financial instruments

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

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 'Derivative financial liabilities' in payables and unrealised profits are recorded as 'Derivative financial 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 statement of profit or loss and other comprehensive income as revenue. The market prices used to value these transactions take into account various factors including published forward prices.

Commodity-based (own-use) contracts that meet the scope exemption in IFRS 9 are recognised in the statement of profit or loss and other comprehensive income when they are settled by physical delivery.

Derivatives are classified as current or non-current depending on the contractual maturity of the derivative. Changes in the fair value of any derivative instruments that are not designated in a hedge relationship are recognised immediately in the statement of profit or loss and other comprehensive income.

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.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

Critical judgements in applying the Company's accounting policies (continued)

Classification of commodity contract

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 ineffective 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.

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 statement of profit or loss and other comprehensive income.

Fair value of financial instruments

Certain of the Company's financial instruments, principally derivatives, are required to be measured on the statement of financial position 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.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

3. Revenue

	2018 \$'000	2017 \$'000
Analysis of the Company's revenue		
Sale of commodities and trading revenue	6,754,522	6,506,170
Commission income, freight and other marketing services to Group companies	65,192	59,767
Other freight services	27,572	9,857
	<u>6,847,286</u>	<u>6,575,794</u>

Revenue of \$6,847,286,000 for the year includes revenue with customers of \$6,926,112,000 and net losses from other sources of \$78,826,000.

Revenue by destination

Asia	5,675,728	5,522,320
Europe	535,419	377,663
Middle East	166,797	283,283
Africa	217,520	152,815
Americas	193,688	186,476
Australia	58,134	53,237
	<u>6,847,286</u>	<u>6,575,794</u>

Revenue by class

Copper	3,391,689	2,668,046
Thermal coal	2,394,407	2,044,757
Iron ore	261,016	1,303,879
Nickel	437,757	350,770
Other commodities	269,653	138,718
Freight and other marketing services	92,764	69,624
	<u>6,847,286</u>	<u>6,575,794</u>

4. Staff costs

The average monthly number of staff (including directors) during the year was 174 (2017: 174).

	2018 \$'000	2017 \$'000
Staff costs for the above persons were as follows:		
Wages and salaries	48,425	34,796
Social security costs	2,143	1,864
Pension costs	2,557	2,926
Share-based payment costs	8,127	7,268
	<u>61,252</u>	<u>46,854</u>
Total payroll costs included in operating costs		

Directors' emoluments were as follows:

Aggregate emoluments	5,526	5,795
Contributions to defined contribution pension scheme	591	578

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

4. Staff costs (continued)

As at 31 December 2018 there were six (2017: six) 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 \$1,528,012 (2017: \$1,505,013) and contributions to a defined contribution pension scheme of \$297,599 (2017: \$278,834). During the year ended 31 December 2018 and 31 December 2017, no director exercised share options.

As at 31 December 2018, six (2017: five) directors were members of a defined contribution pension scheme to which the Company contributed.

5. Operating profit

Operating profit is after charging/(crediting):

	2018 \$'000	2017 \$'000
Equity settled share-based payments	8,127	7,268
Operating lease rentals	2,190	2,459
Depreciation and amortisation	3,615	4,172
Audit fees	119	181
(Gain)/loss on foreign currency retranslation	(240)	298
Loss on price adjustment	-	34,357

In 2017, 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.

6. Finance income

	2018 \$'000	2017 \$'000
Interest income from Group company	5,178	2,530
Other interest received	1,201	321
Dividend income from subsidiary	4,064	2,948
	<u>10,443</u>	<u>5,799</u>

7. Income tax expense

	2018 \$'000	2017 \$'000
(a) Analysis of charge in the year		
UK group relief	6,714	8,202
UK adjustments in respect of prior period	669	(547)
Overseas tax adjustments in respect of prior period	1,356	(2,022)
Overseas tax	<u>4,649</u>	<u>4,948</u>
Total current tax	13,388	10,581
Overseas deferred tax	<u>84</u>	<u>449</u>
Total tax charge for the year	<u>13,472</u>	<u>11,030</u>

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

7. Income tax expense (continued)

(b) Factors affecting tax charge for the year

The total tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

Profit before tax	135,403	103,648
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	25,727	19,952
Effects of:		
Expenses not deductible for tax purposes	690	660
Income not taxable	(772)	(567)
Adjustments in respect of prior period	2,025	(2,569)
Overseas tax	4,649	4,948
Overseas amounts exempt from UK tax	(19,291)	(11,841)
Other	444	447
Total tax charge for the year	<u>13,472</u>	<u>11,030</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.

8. Dividends

	2018 \$'000	2017 \$'000
Interim dividends declared and paid of \$4.83 cents per share (2017 \$5.83 cents per share)	<u>92,000</u>	<u>111,000</u>

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

9. Plant and equipment

	Furniture, fittings and computer equipment \$'000
Cost	
At 1 January 2018	6,248
Additions	367
	<u>6,615</u>
At 31 December 2018	<u>6,615</u>
Accumulated Depreciation	
At 1 January 2018	(5,868)
Charge for the year	(240)
	<u>(6,108)</u>
At 31 December 2018	<u>(6,108)</u>
Net book value	
At 31 December 2017	380
At 31 December 2018	<u>507</u>

10. Intangible assets

	Software \$'000	Software work in progress \$'000	Total intangible assets \$'000
Cost			
At 1 January 2018	17,345	2,263	19,608
Additions	-	3,957	3,957
	<u>17,345</u>	<u>6,220</u>	<u>23,565</u>
At 31 December 2018	<u>17,345</u>	<u>6,220</u>	<u>23,565</u>
Accumulated Amortisation			
At 1 January 2018	(10,352)	-	(10,352)
Amortisation for the year	(3,375)	-	(3,375)
	<u>(13,727)</u>	<u>-</u>	<u>(13,727)</u>
At 31 December 2018	<u>(13,727)</u>	<u>-</u>	<u>(13,727)</u>
Net book value			
At 31 December 2017	6,993	2,263	9,256
At 31 December 2018	<u>3,618</u>	<u>6,220</u>	<u>9,838</u>

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

11. Investment in subsidiary

	\$'000
Cost	
At 1 January 2018	1,252
Additions	4,502
	<hr/>
At 31 December 2018	<u>5,754</u>

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

In November 2017, the Company established a wholly-owned subsidiary, Anglo American Resources Trading (China) Co., Ltd, in Shanghai, China. During 2018, a total of capital injection of \$4,502,000 was recognised.

In August 2018, the Company established a wholly-owned subsidiary , Anglo American Marketing Chile SpA, in Santiago, Chile.

In December 2018, the Company acquired shared in Cobre del Norte S.A from related company Anglo American Michiquillay Peru Limited for nominal consideration.

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.

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest and voting power held %	Types of shares	Principal activities
MR Iron Ore Marketing Services Singapore Pte. Ltd.	10 Collyer Quay, Level 38 Ocean Financial Centre, Singapore 049315 Units 01, 02A, 07, 08, Floor 32, No.1198 Century Avenue,	50.1%	Ordinary	Consultancy and marketing support services
Anglo American Resources Trading (China) Co., Ltd.	Pudong New Area, Shanghai, China Torre Titanium, 2800	100%	Ordinary	Trading and marketing support services
Anglo American Marketing Chile SpA	Isidora Goyenechea, piso 46, Las Condes, Santiago 7550647	100%	Ordinary	Trading and marketing support services
Cobre del Norte S.A	Calle Esquilache 371, Piso 10, San Isidro, Lima 27	99.99%	Ordinary	Trading and marketing support services

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

12. Trade and other receivables

	2018 \$'000	2018 \$'000	2018 \$'000
	Expected within one year	Expected after one year	Total
Trade receivables	333,698	-	333,698
Trading amounts owed by Group Companies	73,857	-	73,857
Other receivables	2,777	866	3,643
Prepayments and accrued income	79,464	21	79,485
	<u>489,796</u>	<u>887</u>	<u>490,683</u>

	2017 \$'000	2017 \$'000	2017 \$'000
	Expected within one year	Expected after one year	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>

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 (2017: 30 days) and are not interest-bearing.

13. Inventories

	2018 \$'000	2017 \$'000
Finished products	29,265	39,756
Bunker	14,249	6,319
	<u>43,514</u>	<u>46,075</u>

The cost of inventories recognized as an expense and included in cost of sales amounted to \$6,578,646,000 (2017: \$6,337,918,000).

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

14. Cash and cash equivalents

	2018 \$'000	2017 \$'000
Deposit with a Group company	470,262	508,128
Cash at bank	12,637	55,015
Deposit with bank	36,989	23,425
	<u>519,888</u>	<u>586,568</u>

The deposit with a Group company is unsecured, repayable on demand and carries an interest rate of 1.89% (2017: 0.98%).

There was no restricted cash as at 31 December 2018. 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

	2018 \$'000	2017 \$'000
Financial assets arising from the fair value of marked to market sales and purchase contracts and other financial instruments	119,227	34,856
Financial liabilities arising from fair value of marked to market sales and purchase contracts and other financial instruments	<u>(48,646)</u>	<u>(120,488)</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

	2018 \$'000	2017 \$'000
Trade payables	119,195	64,547
Trading amounts owed to Group Companies	598,009	728,115
Accruals	93,413	121,718
Deferred income	867	-
Tax and social security	1,165	674
Other payables	2,516	440
	<u>815,165</u>	<u>915,494</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 (2017: 30 days) and are not interest-bearing.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

17. Provision for liabilities

	2018 \$'000	2017 \$'000
At 1 January	88	88
Additions during the year	867	-
At 31 December	<u>955</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 2017	575
Movement during the year	<u>449</u>
At 1 January 2018	1,024
Movement during the year	<u>84</u>
At 31 December 2018	<u>1,108</u>

19. Equity

	2018 \$'000	2017 \$'000
Share capital Called up, allotted and fully paid:		
19,056,917 (2017: 19,056,917) ordinary shares of £1 each	30,120	30,120
1,000 (2017: 1,000) ordinary shares of \$1 each	<u>1</u>	<u>1</u>
	<u>30,121</u>	<u>30,121</u>
Share Premium Account	<u>119,999</u>	<u>119,999</u>

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

19. Equity (continued)

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.

20. Share-based payments reserve

During the year ended 31 December 2018, 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 and did not entitle the participant to dividends during the vesting period.

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 all shares except those allocated to dividend bearing share awards.

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.

Anglo American Marketing Limited

Notes to the financial statements For the year ended 31 December 2018

20. Share-based payments reserve (continued)

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 2018	LTIP 2018	BSP 2017	LTIP 2017
Date of grant	09/03/18	09/03/18	07/03/17	12/05/17
Number of instruments	223,759	106,500	323,558	171,100
Share price at date of grant (£)	17.79	17.79	11.18	11.18
Contractual life (years)	3	3	3	3
Vesting Conditions	(1)	(1)	(1)	(1)
Expected volatility ⁽²⁾	50%	50%	50%	50%
Risk free interest rate ⁽³⁾	0.76%	0.76%	0.60%	0.60%
Expected departures	5% pa	5% pa	5% pa	5% pa
Dividend yield	3%	3%	3%	3%
Fair value at date of grant (weighted average) (£)	17.79	17.79	11.18	11.18

(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.

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:

	2018 Numbers of shares	2017 Numbers of shares
Outstanding at 1 January	899,443	792,464
Conditionally awarded in year	223,759	323,558
Vested in year	(257,375)	(186,532)
Forfeited in year	(25,302)	(30,047)
Outstanding at 31 December	840,525	899,443

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:

	2018 Numbers of shares	2017 Numbers of shares
Outstanding at 1 January	860,341	768,256
Conditionally awarded in year	106,500	171,100
Vested in year	(141,295)	(71,067)
Forfeited in year	-	(7,948)
Outstanding at 31 December	825,546	860,341

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Notes to the financial statements For the year ended 31 December 2018

21. Commitments

Operating leases

	2018 \$'000	2017 \$'000
The future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	44,324	54,869
Greater than one year, less than two years	5,303	17,047
	<u>49,627</u>	<u>71,916</u>

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 \$1,383,017,553 as at 31 December 2018 (2017: \$1,175,833,000) to be paid over the next five years with half of the commitment due in more than two years. These contracts secure long term supply of freight for the Company.

22. Related party transactions

At 31 December 2018, 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:

	2018 \$'000	2017 \$'000 Restated
Purchase of commodity from other related parties	2,287,367	2,105,778
Recharges income from other related parties	(19,150)	(17,722)
Recharges expenses from other related parties	<u>11,385</u>	<u>11,028</u>

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, the arbitration proceedings between the Company and the customer under the Iron Ore Supply Agreement (the "Arbitration Proceedings") have been stayed, and certain of the claims and counterclaims that previously formed part of the Arbitration Proceedings have been released and discontinued. Therefore, the Company no longer considers there to be any contingent liability associated with the Arbitration Proceedings or the Iron Ore Supply Agreement.

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Notes to the financial statements For the year ended 31 December 2018

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 18 June 2019, an interim dividend of \$121,000,000 was approved by the Board of Directors of the Company.