

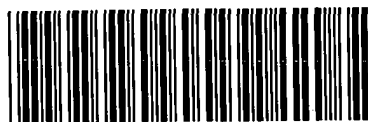
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KUMBA INTERNATIONAL TRADING LIMITED
(Incorporated in Jersey. Registration Number: 127615)

ANNUAL REPORT

For the financial year ended 31 December 2020

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KUMBA INTERNATIONAL TRADING LIMITED
(Incorporated in Jersey)

ANNUAL REPORT

For the financial year ended 31 December 2020

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KUMBA INTERNATIONAL TRADING LIMITED

Officers and professional advisers

Directors

B A Mazarura
R Price
T S Smit
P G Whitcutt
A Gerber

Company Secretaries

Anglo American Corporate Secretary Limited
Ogier Global Company Secretary (Jersey) Limited

Registered Office

3rd Floor
44 Esplanade
St Helier
Jersey
JE4 9WG

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
1 Silk Street
London EC2Y 8HQ
United Kingdom

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London, WC2N 6RH
United Kingdom

KUMBA INTERNATIONAL TRADING LIMITED

DIRECTORS' REPORT

For the financial year ended 31 December 2020

The directors present their annual report on the affairs of the Company together with the audited financial statements and independent auditors' report for the financial year ended 31 December 2020.

Principal activities

The Company is 98.8% owned by Kumba Iron Ore Holdings S.à.r.l., a company incorporated in Luxembourg, with Sishen Iron Ore Company (Pty) Ltd holding the remaining 1.2% of the shares.

The principal activities of the Company comprise the sale of iron ore to international customers in Europe, Africa, the Americas, Middle East, as well as to its subsidiary Kumba Singapore Pte Ltd, which in turn sells the iron ore to customers in China and other countries in the Asia Pacific region.

Results and dividends

The profit after tax for the financial year ended 31 December 2020 is \$86,486,000 (14-month period ended 31 December 2019: \$225,694,000).

Interim dividends of \$40,000,000 were declared and paid in the financial year ended 31 December 2020. Additional interim dividends of \$35,000,000 were declared on 16 December 2020 and paid on 6 January 2021. No final dividend was declared for the financial year ended 31 December 2020.

Directors

The following served as directors throughout the year, and except as shown, to the present time:

B A Mazarura
R Price
T S Smit
P G Whitcutt
A Gerber

Going concern

The directors have considered the Company's cash flow forecasts for the period to the end of 2022. This included assessing the impact of uncertainty due to Covid-19 on the wider macro-economic environment, Anglo American's commodity production, demand for the Company's products and realised prices.

In all of the scenarios modelled, the Company maintains sufficient liquidity throughout the period of assessment without the use of mitigating actions. The Board is satisfied that the Company's forecasts and projections, taking account of modelled changes in trading performance, show that the Company will be able to remain in operation for the period assessed. For this reason, the Company continues to adopt the going concern basis in preparing its financial statements.

KUMBA INTERNATIONAL TRADING LIMITED

DIRECTORS' REPORT

For the financial year ended 31 December 2020

Principal risks and uncertainties and financial risk management

The Company's activities expose it to a number of financial risks including price risk and credit risk. Whilst the Company must operate within its available intercompany facility limits, its exposure to liquidity risk and cash flow risk is not deemed material for the assessment of assets, liabilities and the financial statements.

The operations and profitability of the Company are dependent on the ability of other Group companies to continue in operation and provide supply for onward sales, the principal risks and uncertainties for these other Group companies are included in the financial statements of the Kumba Iron Ore Limited group (see Note 16 for details).

Credit risk

The majority of the Company's European customers operate on an open account. The Company has a long-standing relationship with these customers with no history of payment default. Due dates are strictly monitored. The Company has an approved Credit Policy and the Credit Committee meet quarterly or as required.

Price risk

The Company is exposed to commodity price risk via its sales and purchases contracts, as well as its inventory holdings. Price risk is managed by the Company's sales team actively monitoring the markets in which it operates and 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.

Political and Charitable Donations

The Company made no political and charitable donations during the financial year/period ended 31 December 2020 (2019: \$Nil).

Directors' interests

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

Independent Auditors

At the 2020 Annual General Meeting of Anglo American plc, the Company's ultimate parent company, PricewaterhouseCoopers LLP were appointed as external auditor to the Anglo American Group.

KUMBA INTERNATIONAL TRADING LIMITED

DIRECTORS' REPORT

For the financial year ended 31 December 2020

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable Jersey law and generally accepted accounting practice.

Company law requires the directors to prepare financial statements for each financial year which 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. 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.

Disclosure of information to Auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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



Matthew Loosley
For and on behalf of
Anglo American Corporate Secretary Limited
Secretary
28 October 2021

Independent auditors' report to the directors of Kumba International Trading Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kumba International Trading Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended; and
- have been properly prepared in accordance with FRS 101 "Reduced Disclosure Framework".

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2020; the income statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to international tax regulations and anti-bribery and corruption laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias included within significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Review of Board minutes, discussions with management, internal audit and the legal function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Assessing significant judgements and estimates, in particular those relating to the classification of commodity contracts and the fair value of financial instruments, and the disclosure of these items.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

London

28 October 2021

KUMBA INTERNATIONAL TRADING LIMITED**INCOME STATEMENT***For the financial year ended 31 December 2020*

| | Note | For the financial year ended 31 December 2020 \$'000 | 14-month period ended 31 December 2019 \$'000 |
|---|------|---|---|
| Revenue | 3 | 4,428,045 | 4,494,554 |
| Cost of sales | | (4,375,783) | (4,390,237) |
| Gross profit | | 52,262 | 104,317 |
| Administrative expenses | | (6,320) | (10,568) |
| Operating profit | 5 | 45,942 | 93,749 |
| Finance expense | 6 | (1,047) | (5,687) |
| Other income | 7 | 50,775 | 155,387 |
| Profit before tax | | 95,670 | 243,449 |
| Income tax expense | 8 | (9,184) | (17,780) |
| Profit for the financial year/period | | 86,486 | 225,669 |

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

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

The accompanying notes form an integral part of these financial statements.

KUMBA INTERNATIONAL TRADING LIMITED**STATEMENT OF FINANCIAL POSITION***As at 31 December 2020*

| | Note | 2020 \$'000 | 2019 \$'000 |
|----------------------------------|------|------------------|----------------|
| Non-current assets | | | |
| Investment in subsidiary | 10 | 100,000 | 100,000 |
| Total non-current assets | | 100,000 | 100,000 |
| Current assets | | | |
| Trade and other receivables | 11 | 846,068 | 350,981 |
| Cash and cash equivalents | 12 | 136,186 | 135,882 |
| Total current assets | | 982,254 | 486,863 |
| Total assets | | 1,082,254 | 586,863 |
| Current liabilities | | | |
| Trade and other payables | 13 | 929,801 | 440,580 |
| Current tax liabilities | | 3,654 | 8,870 |
| Total current liabilities | | 933,455 | 449,450 |
| Net current assets | | 48,799 | 37,413 |
| Net assets | | 148,799 | 137,413 |
| Equity | | | |
| Called up share capital | 14 | 6,736 | 6,736 |
| Share premium account | | 15,342 | 15,342 |
| Capital contribution reserve | | 308 | 408 |
| Legal reserve | | 674 | 674 |
| Retained earnings | | 125,739 | 114,253 |
| Total Equity | | 148,799 | 137,413 |

These financial statements of Kumba International Trading Limited, registered number 127615, were approved by the Board of Directors and authorised for issue on 28 October 2021.

Signed on behalf of the Board of Directors by:



Peter Whitcutt
Director

The accompanying notes form an integral part of these financial statements.

KUMBA INTERNATIONAL TRADING LIMITED

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

| | Note | Called up Share capital \$'000 | Share premium account \$'000 | Capital contribution reserve \$'000 | Legal reserve \$'000 | Retained earnings \$'000 | Total \$'000 |
|---|------|---|---------------------------------------|--|----------------------------|--------------------------------|-----------------|
| At 1 November 2018 | | 6,736 | 15,342 | 984 | 674 | 114,584 | 138,320 |
| Profit for the financial period | | - | - | - | - | 225,669 | 225,669 |
| Transaction with owners, recognised directly in equity | | | | | | | |
| Dividends | 9 | - | - | - | - | (226,000) | (226,000) |
| Equity settled share-based payments | 4 | - | - | (576) | - | - | (576) |
| At 31 December 2019 | | 6,736 | 15,342 | 408 | 674 | 114,253 | 137,413 |
| Profit for the financial year | | - | - | - | - | 86,486 | 86,486 |
| Transaction with owners, recognised directly in equity | | | | | | | |
| Dividends | 9 | - | - | - | - | (75,000) | (75,000) |
| Equity settled share-based payments | 4 | - | - | (100) | - | - | (100) |
| At 31 December 2020 | | 6,736 | 15,342 | 308 | 674 | 125,739 | 148,799 |

The accompanying notes form an integral part of these financial statements.

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

1. General information

Kumba International Trading Limited is a privately owned Company limited by shares incorporated under the Companies (Jersey) Law 1991, registered in Jersey and centrally managed and controlled from the United Kingdom. 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 2 to 4.

The Company was previously incorporated in Luxembourg under the name of Kumba International Trading S.à.r.l. ("KITSàrl"). On 1 November 2018, KITSàrl officially changed its country of incorporation from Luxembourg to Jersey, and became Kumba International Trading Limited. The change in jurisdiction has no impact on operations.

These financial statements are presented in United States Dollars as it 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, as it is included in the group accounts of Kumba Iron Ore Limited. The group accounts of Kumba Iron Ore Limited are available to the public and can be obtained as set out in Note 16.

2. Accounting policies

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

Basis of preparation

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, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies (Jersey) Law 1991.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies (see below).

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Accounting policies (continued)

Basis of preparation (continued)

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The Company may take FRS 101 exemptions as it is a member of a Group where the parent prepares publicly available consolidated financial statements which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss and the Company is included in that consolidation.

Adoption of new and revised Standards

On 1 January 2020, 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 year/period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Accounting policies (continued)

Going concern

The directors have considered the Company's cash flow forecasts for the period to the end of 2022. This included assessing the impact of uncertainty due to Covid-19 on the wider macro-economic environment, Anglo American's commodity production, demand for the Company's products and realised prices.

In all of the scenarios modelled, the Company maintains sufficient liquidity throughout the period of assessment without the use of mitigating actions. The Board is satisfied that the Company's forecasts and projections, taking account of modelled changes in trading performance, show that the Company will be able to remain in operation for the period assessed. For this reason, the Company continues to adopt the going concern basis in preparing its financial statements.

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 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. The Company's payment terms are generally consistent with market practice for the relevant commodity markets and hence sales contracts do not contain any significant financing components.

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Accounting policies (continued)

Revenue recognition (continued)

Revenue represents the net invoice value of goods 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 control has been transferred to the customer.

Sales are provisionally priced such that the price is not settled until a predetermined future date, normally ranging from 30 to 90 days, based on movements in quoted markets or contractual prices up to the date of final pricing. Revenue on these sales is initially recognised (when the above criteria are met) at the current market price. 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 income statement.

Commodity based (own use) contracts that meet the scope exemption in IFRS 9 are recognised in earnings when they are settled by physical delivery and revenue from these contracts are shown as revenue from contracts with customers. Commodity contracts which do not meet the own use criteria are accounted for as derivatives prior to settlement and the related fair value gains and losses are shown as revenue from other sources.

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. Revenue from intracompany transfer pricing adjustments is recognised in accordance with approved transfer pricing arrangements.

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.

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Accounting policies (continued)

Finance expense

Finance expense comprises bank charges and debtors discounting charge from the banks.

Defined contribution pension schemes

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

Share-based payments

The Company makes equity settled share-based payments to certain employees, which are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the Anglo American 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 other share schemes with non-market related vesting conditions, the likelihood of vesting has been taken into account when determining the relevant charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

Tax

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

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

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

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Accounting policies (continued)

Tax (continued)

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, in which case the tax is also recognised outside profit or loss (directly in other comprehensive income).

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 income statement.

Financial instruments

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

Financial assets

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.

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(i) *Financial assets at amortised cost and effective interest method*

Under IFRS 9, trade and other receivables and cash and cash equivalents 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.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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, cash on demand deposits with a Group company and cash balances in a margin facility that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

Trade and other receivables 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 IFRS 9, trade receivables from provisionally priced sales are classified as fair value through profit or loss. The company reclassifies debt instruments when and only when its business model for managing those assets changes.

(iii) *Impairment of financial assets*

Financial assets not measured at fair value through profit or loss are assessed at each reporting period 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, 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 and FVTOCI. 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 income statement. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(iv) 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 the income statement.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company 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.

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Accounting policies (continued)

Financial liabilities and equity instruments (continued)

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.

Derivative financial instruments

The Company enters into futures and swap contracts for price risk management purposes. The Company does not use derivative financial instruments for speculative purposes. Changes in the assets and liabilities from these activities arising in the current period (resulting primarily from newly originated transactions and the impact of price movements on existing transactions) are recognised in the profit or loss account 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 income statement 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 income statement.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with the Financial Reporting Standards 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.

Impact of Covid-19

The Company has considered the impact of Covid-19 on each of its significant accounting judgements and estimates. No further significant judgements or estimates have been identified as a result of Covid-19, although the pandemic has increased the level of uncertainty inherent in all future cash flow forecasts.

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 and/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

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 90 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.

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

3. Revenue

| | For the financial year ended 31 December 2020 \$'000 | For the 14- month period ended 31 December 2019 Restated \$'000 |
|-------------------------------|---|---|
| Revenue by destination | | |
| Europe | 784,417 | 1,147,965 |
| Singapore | 3,632,420 | 3,303,650 |
| Rest of the World | 11,208 | 42,939 |
| | 4,428,045 | 4,494,554 |

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

4. Staff costs

The average monthly number of employees (including directors) during the financial year was 3 (14-month period ended 31 December 2019: 3).

| | For the financial year ended 31 December 2020 \$'000 | 14-month period ended 31 December 2019 \$'000 |
|---|---|---|
| Staff costs for the above persons were as follows: | | |
| Wages and salaries | 394 | 1,889 |
| Less: Wages and salaries recharged to related company (Note 15) | (77) | - |
| | <u>317</u> | <u>1,889</u> |
| Pension costs | 3 | 49 |
| Share-based payments | (100) | (576) |
| Less: Share-based payments recharged to related company (Note 15) | 71 | - |
| | <u>(29)</u> | <u>(576)</u> |
| Social security costs | - | 64 |
| Directors' emoluments were as follows: | | |
| Aggregate emoluments | 309 | 29 |
| Contributions to defined contribution pension scheme | 13 | 1 |

For the financial year ended 31 December 2020 and 14-month period ended 31 December 2019, one director (2019: one director) was paid in respect of his services to the Company. The other directors are remunerated by their respective employing Company within the Anglo American Group of companies.

KUMBA INTERNATIONAL TRADING LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***5. Operating profit**

| | For the financial year ended 31 December 2020 \$'000 | 14-month period ended 31 December 2019 \$'000 |
|--|---|--|
| Operating profit is stated after charging/(crediting): | | |
| Equity settled share-based payments | (100) | (576) |
| Less: Share-based payments recharged to related company (Note 15) | 71 | - |
| | <u>(29)</u> | <u>(576)</u> |
| Audit fees | 57 | 41 |
| Loss on foreign currency translation | <u>79</u> | <u>86</u> |

6. Finance costs

| | For the financial year ended 31 December 2020 \$'000 | 14-month period ended 31 December 2019 \$'000 |
|---------------------------|---|--|
| Bank interest and charges | <u>1,047</u> | <u>5,687</u> |

7. Other income

| | For the financial year ended 31 December 2020 \$'000 | 14-month period ended 31 December 2019 \$'000 |
|--|---|--|
| Interest income: | | |
| - Interest income from Group company | 335 | 1,023 |
| - Interest income from trade receivables | 200 | 3,390 |
| - Bank interest income | 240 | 974 |
| Dividend income from subsidiary | 50,000 | 150,000 |
| | <u>50,775</u> | <u>155,387</u> |

KUMBA INTERNATIONAL TRADING LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***8. Income tax expense**

| | For the financial year ended 31 December 2020 \$'000 | 14-month period ended 31 December 2019 \$'000 |
|---|---|--|
| (a) Analysis of charge for the year/period | | |
| Current tax | | |
| UK current tax on profits for the year/period | 9,184 | 17,780 |
| | For the financial year ended 31 December 2020 \$'000 | 14-month period ended 31 December 2019 \$'000 |
| (b) Factors affecting tax charge for the year/period | | |
| The UK rate of corporation tax has been presented within the rate reconciliation below as the most applicable rate due to the Company being UK resident for tax purposes. | | |
| Profit before tax | 95,670 | 243,449 |
| Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%) | 18,177 | 46,255 |
| Expenses no deductible for tax purposes | 576 | 462 |
| Income not taxable | (9,569) | (28,937) |
| Total tax charge for the year/period | 9,184 | 17,780 |

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. It is not anticipated that these changes will have a material impact on the Company's deferred tax balances.

KUMBA INTERNATIONAL TRADING LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***9. Dividends**

| | For the financial year ended 31 December 2020 \$'000 | 14-month period ended 31 December 2019 \$'000 |
|---|---|--|
| Interim dividends declared and paid of \$11.88 (2019: \$67.10) per share in respect of the current financial year | 40,000 | 226,000 |
| Interim dividends declared of \$10.39 (2019: \$Nil) per share in respect of the current financial year | 35,000 | - |
| | 75,000 | 226,000 |

Interim dividends of \$35,000,000 were declared by the Company on 16 December 2020 and paid on 6 January 2021.

10. Investment in subsidiary

| | 2020 \$'000 | 2019 \$'000 |
|--------------------------|------------------------|------------------------|
| Investment in subsidiary | 100,000 | 100,000 |

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

| Name | Place of incorporation (or registration) and operation | Types of shares | Proportion of ownership interest and voting power held | | Principal activities |
|----------------------------|---|-----------------|---|-----------|-----------------------------------|
| | | | 2020 % | 2019 % | |
| Kumba Singapore Pte Ltd | 10 Collyer Quay Ocean Financial Centre Level 38 Singapore 049315 | Ordinary | 100 | 100 | Marketing and sale of iron ore |

The investment in subsidiary is stated at cost less provision for impairment. There was no impairment of the subsidiary for the current and previous financial year/period.

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

11. Trade and other receivables

Amounts expected within one year:

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Trade receivables | 219,683 | 31,881 |
| Amounts owing from subsidiary (trade) | 604,929 | 305,692 |
| Amounts owing from related companies (trade) | 17,880 | 6,698 |
| Amounts owing from related companies (non-trade) | 2,947 | 4,837 |
| Prepayments | 28 | 1,388 |
| Accrued income | 588 | 476 |
| Other receivables | 13 | 9 |
| | 846,068 | 350,981 |

There are no outstanding amounts expected after more than one year.

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 21 days (2019: 21 days) and carry interest of 1 month Libor plus 2% (2019: 1 month Libor plus 2%) per annum charged on the outstanding balances.

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

Of the year end trade receivables balance, there is a provision of expected credit loss of US\$2,663,000 (2019: \$Nil) and \$Nil (2019: \$Nil) were past due. The historical level of customer default is none and there is no current observable data to indicate a material future default. As a result, the credit quality of year end trade receivables is considered to be high.

12. Cash and cash equivalents

| | 2020 \$'000 | 2019 \$'000 |
|---------------------------------|----------------|----------------|
| Deposits with related companies | 117,935 | 105,491 |
| Deposit with subsidiary | 3,095 | - |
| Cash at bank | 15,156 | 30,391 |
| | 136,186 | 135,882 |

KUMBA INTERNATIONAL TRADING LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***12. Cash and cash equivalents (continued)**

Deposits with related companies include \$94,743,000 (2019: \$94,304,000), which is unsecured, repayable on demand and carries an interest rate of 0.50% (2019: 2.17%). This is classified as a cash equivalent.

13. Trade and other payables

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Trade payables | 20,793 | 145 |
| Amounts owing to immediate holding company | 34,568 | 7 |
| Amounts owing to other related companies (trade) | 784,650 | 425,710 |
| Amounts owing to other related companies (non-trade) | 4,643 | 3,651 |
| Amounts owing to subsidiary (trade) | 71,063 | 5,178 |
| Amounts owing to subsidiary (non-trade) | 229 | - |
| Accruals | 12,608 | 5,170 |
| Contract liabilities | 1,247 | 719 |
| | 929,801 | 440,580 |

Amounts owing to other related companies are non-interest bearing and repayable on demand. Amounts owing to immediate holding company are payable within 21 (2019: 21) days and carry interest of 1 month Libor plus 2% (2019: 1 month Libor plus 2%) per annum charged on the outstanding balances.

Contract liabilities represent amounts where consideration has been received from customers in advance of the related performance obligation being completed. All amounts presented as contract liabilities in the comparative period were recognised within revenue in the current period.

14. Called-up share capital

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Authorised: | | |
| Called up, allotted and fully paid | | |
| 3,367,947 ordinary shares of \$2 each | 6,736 | 6,736 |

Fully paid ordinary shares which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15. Related party transactions

During the reporting period, the Company purchased iron ore at arm's length from its related company, Sishen Iron Ore Company (Pty) Ltd, which is controlled by Anglo American plc. The Company has taken advantage of the exemption granted by FRS 101, not to disclose related party transactions with Anglo American Group of companies.

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

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

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Purchase of iron ore from related company | (4,026,960) | (4,359,178) |
| Sale of iron ore to subsidiary | 3,632,420 | 3,303,650 |
| Purchase of freight services from related company | (7,476) | (31,483) |
| Management services from related companies | (3,814) | (3,961) |
| Management services to related companies | 19 | 111 |
| Share-based payments recharged to related company | (71) | - |
| Wages and salaries recharged to related company | 77 | - |

16. Ultimate parent company

The ultimate parent company and ultimate controlling entity is Anglo American plc, a company incorporated in the United Kingdom and registered in England and Wales. Anglo American plc is the parent undertaking of the largest group which includes the Company and for which group financial statements are prepared.

The Company's immediate holding company is Kumba Iron Ore Holdings S.à.r.l., a société à responsabilité limitée, registered in Luxembourg at its registered office at 58, Rue Charles Martel, L-2134 Luxembourg, R.C.S. Luxembourg B 147724, holding approximately 98.8% of the shares and Sishen Iron Ore Company (Pty) Ltd, a limited liability company which is registered in South Africa at its registered office at Centurion Gate Building 2B, 124 Akkerboom Road, Centurion, 0157 Republic of South Africa, holding approximately 1.2% of the shares. The Company's financial statements are consolidated into its immediate holding company, Kumba Iron Ore Holdings S.à.r.l., and both the group financial statements for Kumba Iron Ore Holdings S.à.r.l. and Sishen Iron Ore Company (Pty) Ltd are consolidated into the group financial statements of Kumba Iron Ore Ltd, which are available from Kumba Iron Ore Ltd at its registered office at Centurion Gate Building 2B, 124 Akkerboom Road, Centurion, 0157 Republic of South Africa.

KUMBA INTERNATIONAL TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

16. Ultimate parent company (continued)

The group financial statements of both the immediate parent and ultimate parent companies may be obtained from the Company Secretary, 17 Charterhouse Street, London, EC1N 6RA, the registered office of the ultimate parent company.

17. Comparative information

The comparative figures cover the 14-month financial period from 1 November 2018 (date of incorporation) to 31 December 2019 and therefore, may not be entirely comparable.