Anglo American Capital plc

Report and Financial Statements
For the year ended 31 December 2021

Company Registration No. 04658814

Anglo American Capital plc

Report and financial statements for the year ended 31 December 2021

Contents | Page(s)

Anglo American Capital plc

Report and financial statements for the year ended 31 December 2021

Officers and professional advisers

Directors

A MacPherson
C Davage
S Pearce
R Price
A Field
Z Quattrocchi
M Walker (Resigned 1 September 2021)
C Fish (Appointed 2 September 2021)
E Klonarides (Resigned 12 November 2021)
C Murphy (Appointed 12 November 2021)

Secretary

Anglo American Corporate Secretary Limited

Registered office

17 Charterhouse Street
London EC1N 6RA

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Anglo American Capital plc

Strategic report

Business review and principal activities

Anglo American Capital plc (the "Company") is a wholly-owned subsidiary of Anglo American plc ("AA plc") (the "ultimate parent company").

The Company is a finance company participating in the finance arrangements of the Anglo American group of companies (the "Group"). The Company supports the Group, managing the Group cash and financing position through capital planning and debt issuances, cash pooling in various currencies across the Group entities, managing excess cash through liquidity funds and US Treasury funds and working with the Group to help manage cash flows around large capital expenditure requirements and dividend payments. There have not been any significant changes in the Company's principal activities during the year and the directors do not envisage any significant changes in the Company's activities in the foreseeable future.

As shown in note 4 on page 20, the Company's net finance income decreased by $96 million to $242 million (2020: $169 million decreased to $338 million) mainly driven by a reduction in finance income as well as the losses associated with bond buyback activity. Net interest received from other Group companies decreased year on year mainly due to lower interest rates. This is, however, offset by lower borrowing costs. The loss allowance recognised on intercompany receivables increased by $154 million to $401 million (2020: $247 million) mainly driven by further financing of Group companies during the year as these amounts were considered to show indicators of impairment at the balance sheet date. This has resulted in the Company recognising a loss after tax of $164m million (2020: profit after tax of $74 million) for the year ended 31 December 2021.

The balance sheet shows that the Company is in a net asset position of $5,414 million (2020: $7,028 million).

In April 2020, in addition to the existing $4.7 billion of credit facilities, the Group signed a new $2.0 billion revolving credit facility with an initial maturity date of April 2021. After the Group's $1.0 billion bond issuance in March 2021 the Group issued a notice of cancellation for the facility which became effective in March 2021 and accordingly this facility is no longer available.

On 14 December 2021, the Company cancelled its $0.2 billion bilateral facility. At the same time, it increased its $4.5 billion syndicated revolving credit facility maturing March 2025 by $0.2 billion to $4.7 billion.

Financial risks and uncertainties

The principal risks to the Company's business are liquidity risk, changes in interest rates and movements in foreign exchange rates. An explanation of these risks and how they are managed is referred to in note 11 on pages 27-31.

The Company is also exposed to intercompany credit risk as losses may be suffered should an intercompany counterparty be unable to service its debt obligations. This intercompany credit risk arises from a range of risks to which the rest of the Group is exposed. Group risks and the processes to manage them are discussed in the Group's Annual Report, which does not form part of this report. Refer to note 16.

Results and dividends

The loss after taxation for the year is $164 million (2020: $74 million profit). Dividends of $1.45 billion (2020: $nil) were paid to the ordinary shareholder during the year. A 3% preference dividend of $2,021 (2020: $1,927) was paid to the preference shareholder during the year.

Section 172(1) statement

The Anglo American Capital plc Board is cognisant of its legal duty to act in good faith and to promote the success of the Company for the benefit of its shareholders and with regard to the interests of stakeholders and other factors. These include the likely consequences of any decisions we make in the long term; the need to foster the relationships we have with all our stakeholders and the desire to maintain a reputation for high standards of business conduct.

Stakeholder considerations are integral to discussions at Board meetings and the decisions we make take into account any potential impacts on them and the environment. Like any business, we are aware that some of the decisions we make may have an adverse impact on certain stakeholders.

By listening to, understanding and engaging with our stakeholders, the Board endeavours to live up to their expectations, by staying true to the Purpose and making decisions in accordance with our Values.

Anglo American Capital plc

Strategic report (continued)

Our Purpose and Values

The Board recognises the role of the Company business in society and within the Anglo American Group. The Group's purpose is summarised as 'to re-imagine mining to improve people's lives', and the Company is focused on contributing to the achievement of this purpose.

The Group's Values: Safety; Care and Respect; Integrity; Accountability; Collaboration; and Innovation guide our behaviour, shape our culture, and are fundamental to creating enduring benefit for all our employees, shareholders, and stakeholders in a way that demonstrably improves people's lives.

The purpose of the Company is to support the Group's financing activities as mentioned in the Strategic Report and is aligned to the Group's core Values.

Engaging our stakeholders

Healthy stakeholder relationships help us to better communicate how our business decisions, activities and performance are likely to affect or be of significant interest to our stakeholders and provide the opportunity to co-create effective and lasting solutions to business and other challenges.

The Company's stakeholders include Group companies, banks and credit institutions, Governments, in addition to our shareholders.

Long Term Decision Making

The Board took a range of factors and stakeholder considerations into account when making decisions in the year. Decisions are made within the context of the long term factors that may impact the Company and its stakeholders.

Relationships with Suppliers and Customers

The Company aims to be a valued and trusted partner to all members of the Group's industry. This includes the suppliers and customers that we operate with.

Approved by the Board of Directors on 4 March 2022 and signed on its behalf by:

Aaron Field
Director
4 March 2022

Anglo American Capital plc

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

Directors

The following served as directors throughout the year up to the date this report was approved:

A MacPherson
C Davage
S Pearce
R Price
A Field
Z Quattrocchi
M Walker (Resigned 1 September 2021)
C Fish (Appointed 2 September 2021)
E Klonarides (Resigned 12 November 2021)
C Murphy (Appointed 12 November 2021)

Directors' interests

During the year none of the directors held any beneficial interests in the shares of the Company (2020: none).

Results and dividends

The results and dividends can be found in the Strategic Report on page 2 and forms part of this report by cross-reference.

Political and charitable donations

There have been no political or charitable donations during the year (2020: nil).

Financial risk management and objectives

Details of financial risk management objectives and policies can be found in the Strategic Report and form part of this report by cross-reference.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company's ability to continue as a going concern is assessed in conjunction with the Group, as its viability is dependent on the ability of other Group companies to settle their intercompany balances. The directors have considered the Company's cash flow forecasts for the period to the end of March 2023 under base and downside scenarios, with reference to the Group's principal risks as set out in the Group's Viability Statement in the 2021 Annual Report on pages 60 and 61. Further consideration was given to the uncertainty of the impact of the Covid-19 pandemic on the wider macroeconomic environment including demand for the Group's products and realised prices, and the Group's operations, including production levels. In the downside scenario modelled (including price reductions of up to 20% against budget, operational incidents and climate change impacts), the Company maintains sufficient liquidity throughout the period of assessment without the use of mitigating actions.

The directors have also received support from the ultimate parent entity for use to the extent that it is necessary including but not limited to not seeking repayment of amounts advanced to the Company by the Parent and/or subsidiaries of the Anglo American Group unless alternative financing has been secured by the Company. This support will remain in place for the foreseeable future, including the period of 12 months from authorisation of the Company's financial statements.

Future developments

There have not been any significant changes in the Company's principal activities during the year and the directors do not envisage any significant changes in the Company's activities in the foreseeable future.

Subsequent events

There are no subsequent events.

Anglo American Capital plc

Directors' report (continued)

Corporate governance

The description of the Company's internal control and risk management systems in relation to the financial reporting process are disclosed in the Group's Annual Report, which includes the Company.

Due to the nature of the debt issued, which is listed on the London Stock Exchange, the Company is exempt from the provisions of UK Corporate Governance Code and the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority with the exception of DTR 7.2.5 which requires a description of the main features of the system of risk management and internal control over financial reporting. The key procedures, which the directors have established in respect of internal control are as follows;

- reporting of financial information to Group finance. Treasury management monitors the results throughout the financial year;
- significant emphasis on cash flow management. Bank balances and liquidity are reviewed on a daily basis;
- reporting to Group finance, the board and/or the Group's Committees on specific matters including treasury management and interest exposure.

Any control weaknesses that these procedures identify are monitored and addressed in the normal course of business. No control weaknesses that are significant to the Company have been identified in the year ended 31 December 2021.

Indemnities

To the extent permitted by law and the Articles, the Company has made qualifying third-party indemnity provisions for the benefit of its directors during the year, which remain in force at the date of this report. Copies of these indemnities are open for inspection at the Company's registered office.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report and Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 101 ''Reduced Disclosure Framework'', and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the income statement of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 101 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 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.

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 and Article 4 of the IAS Regulation.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

1) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
2) they have taken all steps that he ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Anglo American Capital plc

Directors’ report (continued)

Independent Auditors

Resolutions to authorise the Board to re-appoint and determine the remuneration of PwC will be proposed at the Company’s AGM on 4 March 2022.

Approved by the Board of Directors on 4 March 2022 and signed on its behalf by:

Aaron Field
Director
4 March 2022

Independent auditors' report to the members of Anglo American Capital plc

Report on the audit of the financial statements

Opinion

In our opinion, Anglo American Capital plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2021; 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.

Our opinion is consistent with our reporting to the directors.

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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 3 of the Annual Report, we have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- The Company's principal activity is to conduct financing activities for the Anglo American Group (the "Group" which consists of Anglo American plc and its subsidiaries). Our detailed audit procedures are tailored to test material financial statement line items, together with the relevant financial statement disclosures.

Key audit matters

- Assessment of impairment or impairment reversals related to receivables from fellow Group undertakings.

Materiality

- Overall materiality: US$54.0 million (2020: US$72.0 million) based on 1% of net assets.
- Performance materiality: US$40.50 million (2020: US$54.0 million).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Covid-19, which was a key audit matter last year, is no longer included because the key audit matter was to address the risks to the initial reporting period impacted by Covid-19. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment or impairment reversals related to receivables from fellow Group undertakings. As a financing company, the Company participates in the financing arrangements of the Anglo American group of companies. At 31 December 2021, the Company has gross receivable balances of $32,201 million (2020: $32,585 million) related to amounts due from fellow Group undertakings. The Company is exposed to credit risk should a Group undertaking not be able to service its debt obligations. At 31 December 2021, a loss allowance of $1,050 million (2020: $649 million) related to the impairment of four intercompany loans (2020: three) was recorded. The determination as to whether an impairment or impairment reversal is required can be judgemental. In accordance with IFRS 9, where indicators of impairment or impairment reversal are identified, management must determine the recoverable amount of the receivable based on an assessment of the financial position of the Group undertaking and consideration of past evidence of default and future company specific and wider macroeconomic factors. .	We understood and evaluated management's processes and controls in respect of identifying and assessing for indicators of impairment and impairment reversal related to receivables from fellow Group undertakings. We evaluated and challenged management's assessment and judgements in respect of impairment/impairment reversal indicators, including ensuring consideration of events and conditions across the Group, such as whether broader non-financial asset impairments recorded in the Group financial statements had been considered in management's analysis and conclusions. Where indicators were identified, we challenged management's assessment as to whether the counterparty had sufficient liquid net assets or the ability to repay the loan on demand and therefore if a loss allowance was required and the level of the allowance. Where no indicators of a change in credit risk were identified, we reviewed management's expected credit loss assessment and assessed its appropriateness in the context of the broader group and the expected manner of recovery and recovery period of the intercompany loan. As a result of our procedures, we determined that the loss allowance recorded is appropriate and that adequate disclosures have been made in the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we considered where the directors had made subjective accounting judgements and estimates. Our detailed audit procedures were tailored to test material financial statement line items, together with the relevant financial statement disclosures.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Company materiality	US$54.0 million (2020: US$72.0 million).
How we determined it	1% of net assets
Rationale for benchmark applied	We considered the nature of the business and activities of Anglo American Capital plc (being a financing company participating in the financing arrangements of the Anglo American group of companies) and determined that net assets is the most appropriate basis for the calculation of overall materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to US$40.50 million (2020: US$54.0 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the directors that we would report to them misstatements identified during our audit above $2.7 million (2020: $3.6 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- As the Company is the financing entity for the Anglo American Group, the Company's ability to continue as a going concern is assessed in conjunction with the Group. We therefore assessed the appropriateness of this and evaluated the directors' assessment;
- We evaluated the base case forecast and their downside scenarios, including those that incorporate the unpredictability of the global pandemic on the Group's operations and the macroeconomic environment, and challenged the adequacy and appropriateness of the underlying assumptions;
- We considered and validated the Company's available financing and maturity profile to assess management's forecast liquidity throughout the going concern period;
- We performed our own independent sensitivity analysis to understand the impact of changes in cash flow and net debt on the resources available to the Company;
- We assessed the reasonableness of planned or potential mitigation actions including obtaining and reading the letter of support provided by Anglo American plc; and
- We reviewed the disclosures included within the financial statements.

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, except to the extent otherwise explicitly stated in this report, 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.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

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 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 also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 journal entries posted with unusual account combinations; and
- Assessing significant judgements and estimates in particular those relating to impairment or impairment reversals related to receivables from fellow Group undertakings and the disclosure of these items (and as outlined further in the 'Key audit matters' section of this report).

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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 27 February 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2020 to 31 December 2021.

Frances Cucinotta (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 March 2022

Anglo American Capital plc
Company Registration No. 04658814

Income statement
For the year ended 31 December 2021

US$'000	Note	2021	2020
Administrative expenses		(4,733)	(5,988)
Operating loss	3	**(4,733)**	**(5,988)**
Finance income	4	846,491	1,079,959
Finance expense	4	(604,680)	(742,344)
Loss allowance	5	(400,909)	(246,910)
(Loss) / profit before taxation		**(163,831)**	**84,717**
Tax on (loss) / profit	6	(123)	(10,663)
(Loss) / profit for the financial year		**(163,954)**	**74,054**

All results derive from continuing operations.

There are no recognised gains and losses for the year other than the loss shown above. Therefore, no separate Statement of comprehensive income has been presented.

Anglo American Capital plc
Company Registration No. 04658814

Balance sheet
As at 31 December 2021

US$'000	Note	2021	2020
Non-current assets			
Derivative financial assets	9,10	250,806	636,168
Receivables – due after one year	8	-	40,200
		250,806	**676,368**
Current assets			
Derivative financial assets	9,10	32,022	8,891
Receivables – due within one year	8	31,155,404	31,986,927
Cash and cash equivalents	10	4,490,732	5,271,753
		35,678,158	**37,267,571**
Creditors: amounts falling due within one year			
Derivative financial liabilities	9,10	(94,613)	(39,591)
Short-term borrowings	11	(21,100,522)	(20,381,120)
Other creditors		(6,790)	(6,588)
		(21,201,925)	**(20,427,299)**
Net current assets		**14,476,233**	**16,840,272**
Total assets less current liabilities		**14,727,039**	**17,516,640**
Creditors: amounts falling due after more than one year			
Deferred tax	12	-	(4,322)
Derivative financial liabilities	9,10	(311,919)	(191,812)
Medium and long-term borrowings	11	(9,000,960)	(10,292,392)
		(9,312,879)	(10,488,526)
Net assets		**5,414,160**	**7,028,114**
Capital and reserves			
Called-up share capital	14	6	6
Share premium account		4,519,995	4,519,995
Capital contribution		1,000	1,000
Retained earnings		893,159	2,507,113
Total shareholders' funds		**5,414,160**	**7,028,114**

The financial statements of Anglo American Capital plc were approved by the Board of Directors and authorised for issue on 4 March 2022. They were signed on its behalf by:

Aaron Field
Director

Anglo American Capital plc
Company Registration No. 04658814

Statement of changes in equity
For the year ended 31 December 2021

US$'000	Called up share capital	Share premium	Capital contribution	Retained earnings	Total
Balance at 1 January 2020	**6**	**4,519,995**	**1,000**	**2,433,059**	**6,954,060**
Profit for the year	-	-	-	74,054	74,054
Dividends	-	-	-	-	-
Balance at 31 December 2020	**6**	**4,519,995**	**1,000**	**2,507,113**	**7,028,114**
Loss for the year	-	-	-	(163,954)	(163,954)
Dividends	-	-	-	(1,450,000)	(1,450,000)
Balance at 31 December 2021	**6**	**4,519,995**	**1,000**	**893,159**	**5,414,160**

Notes to the financial statements
For the year ended 31 December 2021

1. Accounting policies

The principal accounting policies are summarised below.

Basis of accounting

Anglo American Capital plc is a public company, limited by shares and a wholly-owned subsidiary of Anglo American plc. The Company is incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006.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 Strategic report on page 2.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC). 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 the presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of Anglo American plc. The consolidated financial statements of Anglo American plc are available to the public and can be obtained as set out in note 16.

Changes in accounting policies and disclosures

The accounting policies applied are consistent with those adopted and disclosed in the financial statements for the year ended 31 December 2020, except for the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform — Phase 2.

The adoption of this new accounting pronouncement has not had a significant impact on the accounting policies, methods of computation or presentation applied by the Company.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company's ability to continue as a going concern is assessed in conjunction with the Group, as its viability is dependent on the ability of other Group companies to settle their intercompany balances. The directors have considered the Company's cash flow forecasts for the period to the end of March 2023 under base and downside scenarios, with reference to the Group's principal risks as set out in the Group's Viability Statement in the 2021 Annual Report on pages 60 and 61. Further consideration was given to the uncertainty of the impact of the Covid-19 pandemic on the wider macroeconomic environment including demand for the Group's products and realised prices, and the Group's operations, including production levels. In the downside scenario modelled (including price reductions of up to 20% against budget, operational incidents and climate change impacts), the Company maintains sufficient liquidity throughout the period of assessment without the use of mitigating actions.

The directors have also received support from the ultimate parent entity for use to the extent that it is necessary including but not limited to not seeking repayment of amounts advanced to the Company by the Parent and/or subsidiaries of the Anglo American Group unless alternative financing has been secured by the Company. This support will remain in place for the foreseeable future, including the period of 12 months from authorisation of the Company's financial statements.

1. Accounting policies (continued)

Preference shares

Under IAS 32 “Financial Instruments: Presentation”, where the terms of issuance require the issuer to redeem preference shares for a fixed or determinable amount at a fixed or determinable future date, or where the holder has the option of redemption, these shares are classified as liabilities and the dividends paid on these shares classified as a finance cost. When preference shares are non-redeemable, the appropriate classification is determined by the other rights that attach to them which are not at the discretion of the directors. The Company’s preference shares entitle the holders to a fixed cumulative dividend of 3% per annum and these shares are, therefore, considered financial liabilities.

Foreign currency

Transactions in currencies other than the functional currency during the year have been translated and included in the financial statements at the rates of exchange prevailing at the time those transactions were executed. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date have been translated at the rates of exchange prevailing at that date. Gains and losses arising on retranslation are included in the income statement for the period and are classified in the income statement according to the nature of the monetary item giving rise to them. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Taxation

Current tax, including UK Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. The current tax payable is based on taxable profit for the year. Taxable profit differs from profit on ordinary activities before taxation as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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.

1. Accounting policies (continued)

Derivative financial instruments and hedge accounting

In order to hedge exposure to foreign exchange and interest rate risk for economic and fair value hedge relationships respectively, the Company enters into forward and swap contracts. The Company does not use derivative financial instruments for speculative purposes.

All derivatives are held at fair value through profit and loss in the balance sheet within 'Derivative financial assets' or 'Derivative financial liabilities'. Derivatives are classified as current or non-current depending on the contractual maturity of the derivative.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Company's only hedging instruments are interest rate swaps that have similar critical terms to the related debt instruments, such as payment dates, maturities and notional amounts. As all critical terms matched during the year, there was no material hedge ineffectiveness. The Company also uses cross currency swaps to manage foreign exchange risk associated with borrowings denominated in foreign currencies. These are not designated in an accounting hedge as there is a natural offset against foreign exchange movements on associated borrowings.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, revoked, or no longer qualifies for hedge accounting.

Changes in the fair value of any derivative instruments that are not designated in a hedge relationship are recognised immediately in the income statement. Changes in the fair value of the hedged debt are offset against fair value changes in the interest rate swap and recognised in the income statement.

Interest rate benchmark reform: amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments

The Company uses interest rate derivatives to swap the majority of its Euro, Sterling and US dollar bonds from fixed interest rates to EURIBOR, SONIA and USD LIBOR respectively. Any non-USD interest rate derivatives are swapped to USD LIBOR using cross currency interest rate swaps which are not designated into hedges. The interest rate derivatives are designated into fair value hedges.

USD LIBOR is being replaced by an alternative risk-free rate, which is expected to be completed by June 2023. The Company completed the transition of its external GBP LIBOR financial instruments to SONIA in advance of its cessation on 31 December 2021 with no impact to Derivative financial liabilities and Borrowings.

Intercompany receivables and borrowings are entitled to a relevant market rate which is predominately USD LIBOR with a few exceptions in GBP LIBOR. The GBP loan agreements will continue to be referenced to LIBOR on a synthetic basis and will transition to an appropriate reference rate when the USD portfolio transitions.

Phase 2 IBOR amendments to IFRS 9 Financial Instruments, IAS 39 Hedge Accounting and IFRS 7 Financial Instruments Disclosures were adopted in the year with no material impact to the Company.

The Company is continuing its transition to incorporate alternative risk-free rates and the principal benchmarks used are EURIBOR, SONIA and USD LIBOR. The Company is continuing to monitor the market and discussing the potential changes with its counterparties in order to effectively transition to alternative risk-free rates. During the year, the Company has adhered to International Swaps and Derivative Association (ISDA) fallback protocol to ensure appropriate rates may be applied to relevant derivative instruments on cessation in the event transition to alternative risk-free rates is not completed in advance of cessation. Refer to note 10 for an overview of financial instruments transitioned to alternative benchmark risk-free rates.

Refer to note 11 for a list of the Company's Euro, Sterling and US dollar bonds which in turn reflects the nominal amount of the hedging instruments for those bonds which have been hedged.

1. Accounting policies (continued)

Borrowings

Interest bearing borrowings and overdrafts are initially recognised at fair value, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are recognised in the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance Income and Expense

Interest income and expense are recognised when it is probable that the economic benefits will flow and the amount of revenue or expense can be measured reliably. Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flow through the expected life of the financial instruments to the initial carrying amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet. Cash and cash equivalents are measured at amortised cost except for highly liquid money market fund investments which are held at fair value through profit and loss as they are redeemed through the sale of units in the funds and not solely through the recovery of principal and interest.

Financial assets and liabilities

Financial assets and liabilities are classified into the following measurement categories: receivables at amortised cost, debt instruments at amortised cost fair valued for interest rate risks 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.

At subsequent reporting dates, financial assets at amortised cost are measured at amortised cost less any loss allowances.
The Company monitors all financial assets that are subject to loss allowance requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month probability of default (PD). The Company has adopted the practical expedient that any financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company computes the risk of a default occurring on the financial instrument at the reporting date based on the repayment terms of the instrument, changes in the country risk premium and any other factors which may indicate an increased probability of default.

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the course of preparing the financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. The critical judgements and key sources of estimation uncertainty that affect the results for the year ended 31 December 2021 are set out below.

Loss allowance for financial assets (including receivables)

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the expected credit loss model to assess any loss allowances on financial assets. The expected credit losses (ECL) on receivables are estimated by reference to past default experience and credit rating, adjusted for current observable data.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL of whether the loss allowance is based on 12 month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECL's and the indication of a significant increase in credit risk.

Judgement is therefore required to determine whether the borrower has insufficient liquid assets to repay the loan on demand either in part or in full and whether this constitutes an event of default.

Financial assets measured at amortised cost include amounts due from Group companies (refer to note 8) of $32 billion (2020: $33 billion). Within this, amounts considered to have low credit risk totalled $30 billion (2020: $32 billion). A stage 1 assessment, being the 12 months ECL, of $15 million (2020: unadjusted loss $17 million) has been recorded. In 2020, $1 billion is deemed to be of high credit risk and a stage 2 assessment, being a lifetime ECL, has been calculated and showed an unadjusted loss of $1 million. If the probability of default used to calculate the ECL on stage 1 loans was increased by 10% this would result in an additional $2 million (2020: $3 million) unadjusted potential loss.

Loss allowance charges of $401 million (2020: $247 million) is recognised in the current year income statement in respect of amounts due from Group undertakings as the borrowers are not considered to have sufficient liquid assets to repay the loans on demand.

Reporting currency

The Company reports in US dollars, the currency in which its business is primarily conducted (US dollar functional currency).

Segmental reporting

The Company operates in one business sector and generates all income in the United Kingdom.

2. Information regarding directors and employees

The Company has no employees (2020: none). No directors received any remuneration for their services to the Company (2020: $nil). All directors remuneration was borne by another Group company, Anglo American Services (UK) Limited. The directors do not believe it is practicable to apportion their total remuneration between their services as the directors of the Company and as directors of fellow group companies.

3. Operating loss

Operating loss is stated after charging:

US$'000	2021	2020
Management fees	**(4,733)**	(5,988)

The Company's audit fee totalling $190,000 (2020: $162,000) is borne by another Group company, Anglo American Services (UK) Limited and are not recharged to the entity (2020: $nil).

Non-audit fees for 2021 and 2020 in relation to other assurance services which totalled $180,000 are borne by another Group company, Anglo American Services (UK) Limited and are not recharged to the entity (2020: $nil).

4. Finance income/expense

US$'000	2021	(Restated) 2020
Finance income		
Interest income on cash and cash equivalents	1,614	18,080
Interest income from Group companies		
Anglo American plc	3,678	-
Other Group companies	840,005	1,061,879
Net foreign exchange gains	1,194	-
Finance Income	**846,491**	**1,079,959**
Finance expense		
Interest and other finance expense	(284,122)	(367,458)
Interest expense for Group companies		
Anglo American plc	(2)	(3,483)
Other Group companies	(207,192)	(341,881)
Net foreign exchange losses	-	(21,694)
Net fair value gains on derivatives and other movements	1,956	22,474
Loss on bond buyback	(115,320)	(30,302)[(1)]
Finance expense	**(604,680)**	**(742,344)**
Net finance income	**241,811**	**337,615**

[(1)] The comparative column has been restated to separately present the losses recognised on the bond buybacks as these amounts were previously included within Net fair value gains on derivatives and other movements.

Interest income from Group companies on financial assets at amortised cost is $844 million (2020: $1,062 million) and interest expense for Group companies on financial liabilities at amortised cost is $207 million (2020: $345 million). Interest income on cash in 2021 includes $2 million (2020: $18 million) in respect of financial assets carried/recognised at fair value through profit and loss.

5. Loss allowance

US$'000	2021	2020
Loss allowance recognised during the year	**(400,909)**	(246,910)

As one of the Group's main financing entities, the Company provides funding to a large number of other Group companies and assets are comprised of loans receivable from Group undertakings, highly liquid investments in liquidity funds and US Treasury funds (Cash and cash equivalents) and derivative positions (Other financial assets) at 31 December 2021. For the loan receivables from Group companies a review has been conducted to assess the borrower's ability to repay the debts due as at 31 December 2021.

Loss allowance charges of $401 million (2020: $247 million) is recognised in the current year income statement in respect of amounts due from Group undertakings as the borrowers are not considered to have sufficient liquid assets to repay the loans on demand.

6. Tax on (loss) / profit

6(a). Tax charge on (loss) / profit on ordinary activities

US$'000	2021	2020
Current and Deferred tax		
Current tax charge on (loss) / profit for the year	(4,445)	(26,446)
Deferred tax credit for the year	4,322	15,783
Total tax charge on (loss) / profit	**(123)**	**(10,663)**

6(b). Factors affecting tax charge for year

US$'000	2021	2020
(Loss) / profit before tax	(163,831)	84,717
Estimated amount of tax (calculated at standard rate of corporation tax in the UK of 19% (2020: 19%))	31,128	(16,096)
Effects of:		
Expenses not deductible for tax purposes	(76,173)	(46,913)
Transfer pricing adjustments	158	675
Tax rate changes	-	(2,365)
Group and other relief received for nil consideration	40,442	35,889
Deferred withholding tax liability on accrued interest	4,322	18,147
Total tax charge for the year	**(123)**	**(10,663)**

The Finance (No. 2) Act 2015 reduced the standard rate of 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, however, legislation in the Finance Act 2020, enacted in July 2020, repealed this reduction. The Finance Act 2021 included measures to increase the standard rate of UK corporation tax to 25% with effect from 1 April 2023. The Finance Act 2021 was enacted in June 2021 and accordingly, these rates are applicable to the measurements of deferred tax balances on 31 December 2021. Deferred tax has been measured at the rate it is expected to reverse.

7. Dividends

US$'000	2021	2020
Dividends paid on equity capital	**(1,450,000)**	**-**

In 2021, the Company paid dividends of $1.45 billion to its ultimate parent company, Anglo American plc.

8. Receivables

US$'000	2021	2020
Amounts due from Joint ventures and Associates - due after one year	-	40,200
- due within one year	4,315	49,930
Amounts due from fellow Group undertakings – due within one year	32,200,555	32,585,402
Accumulated loss allowance (1)	(1,050,035)	(649,126)
Interest receivable	568	721
	31,155,404	**32,027,127**

(1) Recognised in accumulated loss allowance are amounts relating to foreign exchange gains of $ nil (2020: gains of $9 million).

Amounts due from fellow Group undertakings are repayable within 12 months period, unsecured and are entitled to a relevant market interest rate plus a margin calculated based on the credit rating of the counterparty and the terms of the current account or loan.

The accumulated loss allowance is recognised against four intercompany loans (2020: three), which have a gross carrying value of $1,035 million (2020: $649 million) and a further $15 million (2020: $nil) relating to stage 1 and 2 expected credit loss assessments.

The $40.2 million receivables amount due from joint ventures and associates which was due after one year in 2020 related to an associate. This balance was fully repaid in 2021. Refer to note 15.

9. Derivative financial assets/(liabilities)

The Company utilises derivative instruments to manage certain market risk exposures however it may choose not to designate certain derivatives as hedges for accounting purposes. Such derivatives are classified as 'Derivatives not designated in hedge relationships' and fair value movements are recorded in the income statement. The use of derivative instruments is subject to limits and the positions are regularly monitored and reported to senior management.

Fair value hedges

Interest rate swaps taken out to swap the Company's majority of fixed rate borrowings to floating rate (in accordance with the Group's policy) have been designated as fair value hedges. The carrying value of the hedged debt is adjusted at each balance sheet date to reflect the impact on its fair value of changes in market interest rates. At 31 December 2021, this adjustment was to increase the carrying value of borrowings by $106 million (2020: $458 million increase). Changes in the fair value of the hedged debt are offset against fair value changes in the interest rate swap and recognised in the income statement. Recognised in the income statement is a gain on fair value hedged items of $351 million (2020: $194 million loss), offset by a loss on fair value hedging instruments of $356 million (2020: $188 million gain).

Derivatives not designated in hedge relationships

The Company may choose not to designate certain derivatives as hedges. This may occur where the Company is economically hedged but IFRS 9 hedge accounting cannot be achieved or where gains and losses on both the derivative and hedged item naturally offset in the income statement, as is the case for certain cross currency swaps of non-US dollar debt. A fair value loss of $196 million (2020: $462 million gain) in respect of these cross currency swaps has been recognised in the income statement and is presented net of foreign exchange gains on the related borrowings of $202 million (2020: $435 million loss). Fair value changes on held for trading derivatives are recognised in the income statement.

Accounting policies

Refer to note 1 for the Company's accounting policies on derivative financial instruments and hedge accounting.

9. Derivative financial assets/liabilities (continued)

The fair values of the open derivative positions as at 31 December 2021 are as follows:

US$'000	Asset	Liability
Current		
Fair value hedge[1]		
Interest rate swaps	23,465	-
Derivatives not designated in hedge relationships [2]		
Cross currency swaps	-	(82,398)
Foreign currency forwards	8,557	(12,215)
Total current derivatives	**32,022**	**(94,613)**
Non-current		
Fair value hedge[1]		
Interest rate swaps	237,848	(76,675)
Derivatives not designated in hedge relationships [2]		
Cross currency swaps[3]	12,958	(235,244)
Total non-current derivatives	**250,806**	**(311,919)**

[1] Recognised in the income statement is a gain on fair value hedged items of $351 million (2020: $194 million loss), offset by a loss on fair value hedging instruments of $356 million (2020: $188 million gain).

[2] Recognised in the income statement is a net fair value loss of $115 million (2020: $31 million) in respect of bond buybacks completed in the year, offset by net gains on derivatives hedging net debt and fair value and currency movements on the related borrowings of $2 million (2020: $23 million) (Refer to note 4).

[3] Included within the fair value of the derivative assets and liabilities above is the credit and debit valuation adjustments recorded to reflect in the fair value of financial assets and liabilities the effect of our counterparty's credit quality and Anglo American's own credit quality respectively based on observed credit spreads. These adjustments are calculated in total for each counterparty based on the net expected exposure. In many cases this includes exposures on a number of different types of derivative instruments. As at 31 December 2021 the debit valuation adjustment was $5 million, being a gain to the income statement.

9. Derivative financial assets/liabilities (continued)

The fair values of the open derivative positions as at 31 December 2020 were as follows:

US$'000	Asset	Liability
Current		
Fair value hedge[1]		
Interest rate swaps	7,876	-
Derivatives not designated in hedge relationships [2]		
Cross currency swaps	-	(18,708)
Foreign currency forwards	1,015	(20,883)
Total current derivatives	**8,891**	**(39,591)**
Non-current		
Fair value hedge[1]		
Interest rate swaps	561,853	(26,318)
Derivatives not designated in hedge relationships [2]		
Cross currency swaps[3]	74,315	(165,494)
Total non-current derivatives	**636,168**	**(191,812)**

[1] Recognised in the income statement was a loss on fair value hedged items of $194 million, offset by a gain on fair value hedging instruments of $188 million.

[2] Recognised in the income statement was a net $1 million loss relating to derivatives held at fair value through profit and loss.

[3] Included within the fair value of the derivative assets and liabilities above is the credit and debit valuation adjustments recorded to reflect in the fair value of financial assets and liabilities the effect of our counterparty's credit quality and Anglo American's own credit quality respectively based on observed credit spreads. These adjustments are calculated in total for each counterparty based on the net expected exposure. In many cases this includes exposures on a number of different types of derivative instruments. As at 31 December 2020 the credit valuation adjustment was $3 million.

10. Financial Instruments

Overview

For financial assets and liabilities which are traded on an active market, fair value is determined by reference to market value. For non-traded financial assets and liabilities, fair value is calculated using discounted cash flows, considered to be reasonable and consistent with those that would be used by a market participant, and based on observable market data where available (for example forward exchange or interest rate curve), unless carrying value is considered to approximate fair value. The Company has continued its transition to alternative interest risk-free rates in the year as a result of interest rate benchmark reform.

The values of financial instruments for the year ended 31 December 2021 are as follows:

US$'000	At fair value through profit and loss	Financial assets at amortised cost	Designated into hedges	Financial liabilities at amortised cost	Total	Not presently transitioned to alternative benchmark risk-free rate
Financial assets						
Derivative financial assets	21,515	-	261,313	-	282,828	175,976[(1)]
Receivables	568	31,154,836	-	-	31,155,404	31,155,404[(2)]
Cash and cash equivalents	4,468,841	21,891	-	-	4,490,732	
	4,490,924	**31,176,727**	**261,313**	**-**	**35,928,964**	
Financial liabilities						
Derivative financial liabilities	(329,857)	-	(76,675)	-	(406,532)	(400,343)[(1)]
Borrowings	-	-	(8,541,672)	(21,559,810)	(30,101,482)	(20,114,519)[(3)]
Other creditors	-	-	-	(6,790)	(6,790)	
	(329,857)	**-**	**(8,618,347)**	**(21,566,600)**	**(30,514,804)**	
Net financial assets/(liabilities)	**4,161,067**	**31,176,727**	**(8,357,034)**	**(21,566,600)**	**5,414,160**	

[(1)]The Company completed the transition of its financial derivatives benchmarked to GBP LIBOR to SONIA in advance of its cessation on 31 December 2021 and is continuing its transition of the remaining derivatives portfolio that are referenced to USD LIBOR to incorporate alternative risk-free rates

[(2)] The Receivables amount not presently transitioned to alternative benchmark risk-free rate relates principally to intercompany loans referenced to USD LIBOR and includes an amount of £843 million ($1,140 million USD equivalent) referenced to synthetic GBP LIBOR.

[(3)] The Borrowings amount not presently transitioned to alternative benchmark risk-free rate excludes bonds held at fixed rate of $1,445 million, and relates to intercompany loans referenced to USD LIBOR.

The values of financial instruments for the year ended 31 December 2020 were as follows:

US$'000	At fair value through profit and loss	Financial assets at amortised cost	Designated into hedges	Financial liabilities at amortised cost	Total
Financial assets					
Derivative financial assets	75,330	-	569,729	-	645,059
Receivables	721	32,026,406	-	-	32,027,127
Cash and cash equivalents	5,252,418	19,335	-	-	5,271,753
	5,328,469	**32,045,741**	**569,729**	**-**	**37,943,939**
Financial liabilities					
Derivative financial liabilities	(205,085)	-	(26,318)	-	(231,403)
Borrowings	-	-	(8,908,432)	(21,765,080)	(30,673,512)
Other creditors	-	-	-	(6,588)	(6,588)
	(205,085)	**-**	**(8,934,750)**	**(21,771,668)**	**(30,911,503)**
Net financial assets/(liabilities)	**5,123,384**	**32,045,741**	**(8,365,021)**	**(21,771,668)**	**7,032,436**

10. Financial Instruments (continued)

Cash and cash equivalents includes cash held in the Company bank accounts and cash equivalents held in short-term Liqudity and Treasury funds. These funds are selected to ensure compliance with the minimum credit rating requirements and counterparty exposure limits set out in the Company's Treasury policy.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- Cash and cash equivalents including cash held in short-term Treasury and Liquidity funds are classified as level 1 in the Fair value hierarchy and are valued using unadjusted quoted prices in active markets for identical financial instruments.

- The fair values of derivative instruments are classified as level 2 in the Fair value hierarchy and are valued using techniques based significantly on observable market data. Derivatives instruments are traded in an active market but the nature of the derivative contracts are unique and between two counterparties for which quoted prices are not continuously available.

- Borrowings designated in fair value hedges represent listed debt which is held at amortised cost, adjusted for the fair value of the hedged interest rate risk. The carrying value of these bonds is $8,542 million (2020: $8,908 million) and the fair value of these borrowings is $8,818 million (2020: $9,289 million), which is measured using quoted indicative broker prices and consequently categorised as level 2 in the fair value hierarchy. The carrying value of the remaining borrowings at amortised cost includes bonds which are not designated into hedge relationships. The carrying value of these bonds is $1,445 million (2020: $2,016 million) and the fair value is $1,659 million (2020: $2,431 million).

Offsetting of financial assets and liabilities

The Group offsets financial assets and liabilities and presents them on a net basis in the Consolidated balance sheet only where there is a legally enforceable right to offset the recognised amounts, and the Group intends to either settle the recognised amounts on a net basis or to realise the asset and settle the liability simultaneously.

At 31 December 2021, no over-the-counter derivatives entered into by the Company and recognised at fair value through profit and loss meet the requirements of IAS 32 Financial Instruments: Presentation, and therefore the gross carrying amounts equate to the net amount presented in the statement of financial position.

If certain credit events (such as default) were to occur additional derivative instruments would be settled on a net basis under ISDA agreements. Interest rate and cross currency interest rate swaps in an asset position totalling $234 million (2020: $210 million liability position) would be offset against those in a liability position totalling $407 million (2020: $645 million asset position). In addition, certain intercompany loans are also subject to netting arrangement in certain credit events. Intercompany balance in an asset position totalling $664 million (2020 $882 million) would be offset against those in liability position totalling $20,115 million (2020: $19,749 million). These are however presented on a gross basis in the balance sheet as the Company does not have a legally enforceable right to offset the amounts in the absence of a credit event occurring.

11. Financial risk management

Overview

The Board approves and monitors the risk management processes, including documented treasury policies, counterparty limits and controlling and reporting structures. The types of risk exposure, the way in which such exposure is managed and quantification of the level of exposure in the balance sheet at 31 December 2021 is as follows:

A. Liquidity risk

The Company ensures that there are sufficient committed loan facilities (including refinancing, where necessary) in order to meet short-term business requirements, after taking into account its cash and cash equivalents.

The expected undiscounted cash flows of the Company's debt related and other financial liabilities, by remaining contractual maturity, based on conditions existing at the balance sheet date, are as follows:

US$'000	Within 1 year or on demand	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	After 5 years	Total
At 31 December 2021							
Borrowings	(851,436)	(851,077)	(650,000)	(1,212,383)	(567,385)	(5,655,108)	(9,787,389)
Borrowings from Group companies [1]	(20,114,519)	-	-	-	-	-	(20,114,519)
Expected future interest payments	(346,415)	(314,367)	(286,707)	(249,707)	(225,205)	(935,736)	(2,358,137)
Derivatives hedging debt – net settled	14,433	14,821	14,719	14,719	14,719	59,624	133,035
Derivatives hedging debt – gross settled							
- Gross inflows	1,294,539	865,286	9,198	688,997	568,620	-	3,426,640
- Gross outflows	(1,417,798)	(1,069,888)	(25,582)	(735,735)	(568,543)	-	(3,817,546)
Other financial liabilities	-	-	-	-	-	(79)	(79)
Total	**(21,421,196)**	**(1,355,225)**	**(938,372)**	**(1,494,109)**	**(777,794)**	**(6,531,299)**	**(32,517,995)**

US$'000	Within 1 year or on demand	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	After 5 years	Total
At 31 December 2020							
Borrowings	(488,470)	(892,305)	(921,810)	(650,000)	(2,137,488)	(5,274,325)	(10,364,398)
Borrowings from Group companies [1]	(19,749,396)	-	-	-	-	-	(19,749,396)
Expected future interest payments	(382,857)	(371,488)	(338,009)	(308,050)	(248,487)	(1,055,151)	(2,704,042)
Derivatives hedging debt – net settled	1,596	3,046	3,235	3,172	3,172	21,551	35,772
Derivatives hedging debt – gross settled							
- Gross inflows	993,049	545,214	927,640	-	-	-	2,465,903
- Gross outflows	(1,050,232)	(599,267)	(1,044,549)	-	-	-	(2,694,048)
Other financial liabilities	-	-	-	-	-	(79)	(79)
Total	**(20,676,310)**	**(1,314,800)**	**(1,373,493)**	**(954,878)**	**(2,382,803)**	**(6,308,004)**	**(33,010,288)**

[1] Where there are non US dollar denominated borrowings from Group companies, foreign currency forwards are entered into to reduce the currency risk. The foreign currency forward derivative liability balance at 31 December 2021 is $12 million (2020: $21 million), and all instruments are due to mature within one year.

11. Financial risk management (continued)

A. Liquidity risk (continued)

In April 2020, in addition to the existing $4.7 billion of credit facilities, the Group signed a new $2.0 billion revolving credit facility with an initial maturity date of April 2021. After the Group's $1.0 billion bond issuance in March 2021 the Group issued a notice of cancellation for the facility which became effective in March 2021 and accordingly this facility is no longer available.

On 14 December 2021, the Company cancelled its $0.2 billion bilateral facility. At the same time, it increased a $4.5 billion revolving credit facility maturing March 2025 by $0.2 billion to $4.7 billion.

B. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a loss to the Company by failing to pay its obligation.

The Company's principal financial assets are cash and cash equivalents, receivables, and derivative financial instruments. The Group's maximum exposure to credit risk primarily arises from these financial assets and is as follows:

US$'000	2021	2020
Cash and cash equivalents	4,490,732	5,271,753
Receivables	31,155,404	32,027,127
Derivative financial assets	282,828	645,059
Total	**35,928,964**	**37,943,939**

The Company limits credit risk on liquid funds and derivative financial instruments through diversification of exposures with a range of financial institutions approved by the Board. Counterparty limits are set for each financial institution with reference to credit ratings assigned by Standard & Poor's, Moody's and Fitch Ratings, shareholder equity (in case of relationship banks) and fund size (in case of asset managers).

C. Foreign exchange and interest rate risk

Interest rate risk arises due to fluctuations in interest rates which impact on the value of short-term investments and financing activities. The Company's policy is to borrow funds at fixed rates of interest. The Company uses interest rate contracts to convert the majority of borrowings to floating rates of interest and manage its exposure to interest rate movements on its debt, given the link with economic output and therefore the correlation over the longer term with commodity prices.

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments to maintain liquidity.

USD LIBOR is being replaced by an alternative risk-free rate, which is expected to be completed by June 2023.
During the year, the Company completed the transition of GBP LIBOR financial instruments to SONIA in advance of its cessation on 31 December 2021 with no impact to Derivative financial liabilities and Borrowings, for details of the instruments affected. Refer to note 10.

11. Financial risk management (continued)

The exposure of the Company to interest rate and currency risk is in respect of financial assets as follows:

Floating rate financial assets

US$'000	2021	2020
Cash and cash equivalents - US dollar	4,490,653	5,241,969
Cash and cash equivalents – Sterling	79	29,784
Total (excluding derivatives)	**4,490,732**	**5,271,753**
Derivatives	282,828	645,059
Total financial assets (excluding receivables)	**4,773,560**	**5,916,812**

The effect of derivatives used to hedge interest and currency risk is as follows. The table shows the carrying value of external borrowings together with the fair value at the balance sheet date of the associated swaps; the maturity of which is analysed to match the maturity of the underlying bonds:

US$'000	Within 1 year or on demand	Between 1-2 years	Between 2-5 years	After 5 years	Total
At 31 December 2021					
Total borrowings [(1)]	(966,763)	(871,479)	(2,279,808)	(4,423,622)	**(8,541,672)**
Interest rate swaps	23,465	39,007	60,105	62,061	**184,638**
Currency derivatives	(81,656)	(191,803)	(49,466)	12,956	**(309,969)**
Total hedged borrowings	**(1,024,954)**	**(1,024,275)**	**(2,269,169)**	**(4,348,605)**	**(8,667,003)**
At 31 December 2020					
Total borrowings	(604,996)	(920,427)	(3,121,197)	(4,261,812)	**(8,908,432)**
Interest rate swaps	7,876	45,230	194,142	296,163	**543,411**
Currency derivatives	(21,572)	(44,335)	(110,559)	66,579	**(109,887)**
Total hedged borrowings	**(618,692)**	**(919,532)**	**(3,037,614)**	**(3,899,070)**	**(8,474,908)**

[(1)] Excludes an amount of $1,445 million (2020: $2,016 million) of borrowings held at fixed rate.

Anglo American Capital plc

Notes to the financial statements
For the year ended 31 December 2021

11. Financial risk management (continued)

The Company uses cross currency interest rate swaps to swap foreign currency debt issues to US dollar. The exposure of the Company to interest rate and currency risk with respect to financial liabilities is as follows:

US$'000	Total	Floating rate borrowings	Fixed rate borrowings	Effective interest rate %	Weighted average for which rate is fixed in years
At 31 December 2021					
US dollar	(6,890,138)	-	(6,890,138)	3.97	7.60
Sterling	(418,085)	-	(418,085)	3.38	7.20
Euro	(2,678,648)	-	(2,678,648)	2.52	2.34
Gross borrowings [1] (excluding hedges)	**(9,986,871)**	**-**	**(9,986,871)**	**3.55**	**6.17**
Impact of Interest Rate Swaps[2] [3]	-	(8,541,672)	8,541,672		
Gross borrowings (after hedges)	**(9,986,871)**	**(8,541,672)**	**(1,445,199)**		
Borrowings from Group companies & Other creditors	(20,114,611)				
Total Borrowings	(30,101,482)				
Derivatives	(406,531)				
Total financial liabilities	**(30,508,013)**				

US$'000	Total	Floating rate borrowings	Fixed rate borrowings	Effective interest rate %	Weighted average for which rate is fixed in years
At 31 December 2020					
US dollar	(7,202,007)	-	(7,202,007)	4.32	7.78
Sterling	(448,845)	-	(448,845)	3.38	8.20
Euro	(3,273,185)	-	(3,273,185)	2.52	3.06
Gross borrowings (excluding hedges)	**(10,924,037)**	**-**	**(10,924,037)**	**3.74**	**6.39**
Impact of Interest Rate Swaps[2]	-	(8,908,432)	8,908,432		
Gross borrowings (after hedges)	**(10,924,037)**	**(8,908,432)**	**(2,015,605)**		
Borrowings from Group companies & Other creditors	(19,749,475)				
Total Borrowings	(30,673,512)				
Derivatives	(231,403)				
Total financial liabilities	**(30,904,914)**				

11. Financial risk management (continued)

(1) At 31 December 2021 the following bonds were retained as fixed rate exposures; US$193 million 5.375% due Apr 2025, US$750 million 5.625% due Apr 2030 and US$500 million 3.95% due Sep 2050. At 31 December 2020, the Company retained $2 billion of its bonds at fixed rate.

(2) The Company's policy is to borrow funds at fixed rates of interest. The majority of the borrowings is converted to floating rates of interest through the use of interest rate contracts. Intercompany interest is predominantly based on floating rates in line with the benchmark rate on the Company's borrowings.

(3) At 31 December 2021, derivatives in hedging relationships with a notional amount of $5,348 million (2020: $5,247 million) relating to USD instruments are yet to be transitioned to alternate risk free rates

Amounts payable to fellow Group undertakings are repayable within 12 months, unsecured and are entitled to a relevant market rate, including a margin based on the weighted average of the Group's return on cash investments.

There is minimal exposure to currency risk as external borrowings are retained or converted to USD using cross currency swaps. Intercompany balances are predominately in USD.

Based on the interest rate exposures and net foreign currency detailed above, and considering the effects of the hedging arrangements in place and offsetting impact of intercompany receivable, management considers that earnings and equity are not materially sensitive to reasonable foreign exchange or interest rate movements in respect of the financial instruments held as at 31 December 2021 or 31 December 2020.

12. Deferred tax

US$'000	2021	2020
Opening balance	(4,322)	(20,105)
Movement in profit in current year	4,322	15,783
Closing balance	**-**	**(4,322)**

The entire deferred tax liability of $nil (2020: $4 million liability) relates to withholding tax on accrued interest arising on an intercompany loan.

13. Preference shares

US$'000	2021	2020
Authorised:		
50,000 3% cumulative preference shares of £1 each	79	79
Called up, allotted and fully paid:		
50,000 3% cumulative preference shares of £1 each	79	79

The 3% preference shares of £1 each entitle the holders to receive a cumulative preferential dividend at the rate of 3% per annum, on the paid-up capital. On a return of capital on winding up, the holders of preference shares have the right to the repayment of a sum equal to the nominal capital and any premiums paid up or credited as paid up on the preference shares held by them, and accruals, if any, of the preferential dividend whether accrued or not up to the date of commencement of winding up.

14. Called-up share capital

US$'000	2021	2020
Authorised:		
1,000,000,000 ordinary shares of US$1 each	1,000,000	1,000,000
	1,000,000	**1,000,000**
Called up, allotted and fully paid:		
5,700 ordinary shares of US$1 each	6	6
	6	**6**

15. Related party transactions

At 31 December 2021, as identified in note 16, Anglo American plc is the Company's ultimate parent company. The Company has taken advantage of the exemption granted by Financial Reporting Standard 101 not to disclose transactions or balances between entities where 100% of the voting rights are controlled by the Group.

The Company granted loans to LLX Minas-Rio Logistica Comercial Exportadora S.A. (Joint Venture) and Cerrejon Zona Norte S.A. (Associate) which had balances owing to the Company at 31 December 2021 of $4 million (2020: $90 million) and related interest income for the year ended 31 December 2021 of $3 million (2020: $6 million). The loan with Cerrejon Zona Norte S.A was repaid in December 2021 as part of the wider Cerrejon sale (refer to Note 8). There is no loss allowance recognised against these loans.

Additional information is included in Note 36 Related party transactions of the Group consolidated financial statements.

16. Ultimate parent company

The immediate and ultimate parent company and controlling entity is Anglo American plc, a company incorporated in the United Kingdom and registered in England and Wales.

Anglo American plc is head of the largest and smallest group of undertakings of which the Company is a member and for which consolidated financial statements are prepared.

Copies of the consolidated financial statements of Anglo American plc, which include the results of the Company, are available from Anglo American plc at 17 Charterhouse St, London EC1N 6RA and on the Group website.

17. Events occurring after end of year

There are no subsequent events.