
ANGLO AMERICAN PREFCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ANGLO AMERICAN PREFCO LIMITED

COMPANY INFORMATION

Directors	C Howells (resigned 27 September 2019) O F J C De Rendinger (resigned 11 February 2019) E Klonarides R W Henderson W K B Ward-Brew (appointed 12 March 2019) D Smailes (Alternate Director) (resigned 11 February 2019)
Company secretary	Anglo American Corporate Secretary Limited
Registered number	03734783
Registered office	20 Carlton House Terrace London United Kingdom SW1Y 5AN
Independent auditor	Deloitte LLP Statutory Auditor Hill House 1 Little New St London United Kingdom EC4A 3TR
Bankers	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP

ANGLO AMERICAN PREFCO LIMITED

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ANGLO AMERICAN PREFCO LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The Company is a holding company, with interests in Anglo American Holdings Limited from which it receives ordinary and preference dividends. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Business review

As shown in the Company's statement of comprehensive income, the Company shows a profit before tax of \$201,572,000 (2018 - \$164,964,000). The increase in profit compared to the prior year is a result of an increase in the dividends received from the Company's subsidiary Anglo American Holdings Limited.

The balance sheet shows that the Company is in a net asset position of \$1,593,800,000 (2018 - \$1,593,771,000).

Principal risks and uncertainties and financial risk management policies

The directors considered the risks attached to the Company's financial instruments. The directors have taken a prudent approach in their consideration of the various risks attached to the financial instruments of the Company. The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of assets, liabilities and the financial statements. Credit risk is not considered to be material on the basis that the Company's debtor balances are due from other companies within the Anglo American Group.

Key performance indicators

The directors consider the Company's key performance indicator to be the financial performance of its subsidiaries. The performance of these subsidiaries is monitored monthly by the director by way of comprehensive management reports and as these companies are, and are expected to continue to be, profitable the director considers the key performance indicator outturn to be satisfactory.

Section 172(1) statement

The Anglo American Prefco Limited 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; the interests of our employees; the impact our operations have on the environment and local communities; and the desire to maintain a reputation for high standards of business conduct.

The Board received an update on the Companies (Miscellaneous Reporting) Regulations 2018 amongst other things.

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 PREFCO LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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 and 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.

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 our host communities, governments, industry peers and broader civil society in addition to our shareholders.

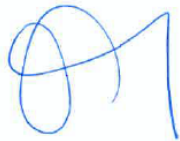
Long Term Decision Making

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 industry. This includes the suppliers and customers that we operate with.

This report was approved by the board on 29 April 2020 and signed on its behalf.



Claire Murphy
For and on behalf of
Anglo American Corporate Secretary Limited
Secretary

ANGLO AMERICAN PREFCO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Principal activity

The Company is a holding company, with interests in Anglo American Holdings Limited from which it receives ordinary and preference dividends. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Results and dividends

The profit for the year, after taxation, amounted to \$201,512,000 (2018 - \$164,917,000).

On 2 May 2019, the Company declared and paid an interim dividend of \$2.04 per share to A.R.H. Limited of \$104,853,452 on its preference shares. Dividends of \$0.60 per share (\$30,839,251) have been classified as interest expense (see note 8).

On 20 September 2019, the Company declared and paid an interim dividend of \$2.48 per share to A.R.H. Limited of \$127,468,902 on its preference shares.

During 2018, the Company paid dividends to A.R.H. Limited of \$211,762,854 on its preference shares. Dividends of \$0.60 per share (\$30,839,251) were classified as interest expense (see note 8).

Directors

The directors who served during the year and up to the date of this report were:

C Howells (resigned 27 September 2019)
O F J C De Rendinger (resigned 11 February 2019)
E Klonarides
R W Henderson
W K B Ward-Brew (appointed 12 March 2019)
D Smailes (Alternate Director) (resigned 11 February 2019)

Principal risks and uncertainties and financial risk management policies

The financial risk management policies of the Company are disclosed in the Strategic Report.

Future developments

The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

ANGLO AMERICAN PREFCO LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

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

Post balance sheet events

Following the end of 2019 the novel coronavirus (COVID-19) has been declared a pandemic by the World Health Organisation. The emergence of COVID-19 is considered a non-adjusting post balance sheet event as defined in IAS 10 Events after the reporting period since it represents a set of conditions which only arose after the balance sheet date. The impact of COVID-19 on the world economy and the Company's future financial performance remains uncertain. Depending on the extent and severity of the pandemic, there may be a material impact on the Company's accounting estimates in future periods.

Going concern

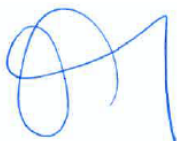
The Company's ability to operate as a going concern is assessed in conjunction with Anglo American plc and its subsidiaries (together the "Group") as its viability is dependent upon the ability of the Group companies to settle their intercompany balances with the Company and to provide funds for working capital needs. Anglo American Services (UK) Ltd have confirmed that they intend to provide financial resources, where requested, for at least 12 months from the date of signing these financial statements, whilst the Company remains a subsidiary of Anglo American plc.

The directors of the Company therefore feel that the Company will have sufficient funds, taking account of possible changes in trading performance (including specifically the potential impact of COVID-19 on the cash flows of the Company, Anglo American Services (UK) Ltd and Anglo American plc) and amounts owed by other Group companies, to conclude that the Company can adopt the going concern basis for the foreseeable future.

Auditor

Deloitte LLP will not be seeking re-appointment as auditor of the Company at the conclusion of their current term of office. Accordingly, the directors intend to appoint PricewaterhouseCoopers LLP as external auditor to the Company for 2020. This follows the impending appointment of PricewaterhouseCoopers LLP as external auditor to the Group at the 2020 Annual General Meeting of Anglo American plc, the Company's ultimate parent company. There are no circumstances connected with the resignation of Deloitte LLP as external auditor which should be brought to the attention of members or creditors of the Company.

This report was approved by the board on 29 April 2020 and signed on its behalf.



Claire Murphy

For and on behalf of
Anglo American Corporate Secretary Limited
Secretary

ANGLO AMERICAN PREFCO LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors are responsible for preparing the Annual Report and audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare annual financial statements for each financial year. Under that law the directors have elected to prepare the annual financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ANGLO AMERICAN PREFCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO AMERICAN PREFCO LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Anglo American Prefco Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

- the Statement of comprehensive income;
- the Balance sheet;
- the Statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

ANGLO AMERICAN PREFCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO AMERICAN PREFCO LIMITED

Other information (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

ANGLO AMERICAN PREFCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO AMERICAN PREFCO LIMITED

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Paul Barnett

Paul Barnett FCA

for and on behalf of

Deloitte LLP

Statutory Auditor

London
United Kingdom

Hill House
1 Little New St
London
United Kingdom
EC4A 3TR
29 April 2020

ANGLO AMERICAN PREFCO LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$000	2018 \$000
Income from fixed assets investments	6	232,410	195,803
Interest receivable and similar income	7	1	-
Interest payable and expenses	8	(30,839)	(30,839)
PROFIT BEFORE TAX		201,572	164,964
Tax on profit	9	(60)	(47)
PROFIT FOR THE FINANCIAL YEAR		201,512	164,917
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		201,512	164,917

The notes on pages 13 to 26 form part of these financial statements.

The results relate to continuing operations of the Company.

ANGLO AMERICAN PREFCO LIMITED
REGISTERED NUMBER: 03734783

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 \$000	2018 \$000
FIXED ASSETS			
Investments	11	<u>2,063,055</u>	<u>2,063,055</u>
		2,063,055	2,063,055
CURRENT ASSETS			
Debtors: amounts falling due within one year	12	<u>55,271</u>	<u>55,241</u>
		55,271	55,241
Creditors: amounts falling due within one year	13	<u>(49)</u>	<u>(48)</u>
		55,222	55,193
NET CURRENT ASSETS		55,222	55,193
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,118,277</u>	<u>2,118,248</u>
Creditors: amounts falling due after more than one year	14	<u>(524,477)</u>	<u>(524,477)</u>
		1,593,800	1,593,771
NET ASSETS		<u>1,593,800</u>	<u>1,593,771</u>
CAPITAL AND RESERVES			
Called up share capital	16	25,699	25,699
Share premium account	17	1,988,218	1,988,218
Other reserves	17	(475,286)	(475,286)
Profit and loss account	17	<u>55,169</u>	<u>55,140</u>
SHAREHOLDERS' FUNDS		<u>1,593,800</u>	<u>1,593,771</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 April 2020.



E Klonarides
 Director

ANGLO AMERICAN PREFCO LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital \$000	Share premium account \$000	Other reserves \$000	Profit and loss account \$000	Total equity \$000
At 1 January 2019	25,699	1,988,218	(475,286)	55,140	1,593,771
COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year	-	-	-	201,512	201,512
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	201,512	201,512
Dividends: Equity capital	-	-	-	(201,483)	(201,483)
TOTAL TRANSACTIONS WITH OWNERS	-	-	-	(201,483)	(201,483)
AT 31 DECEMBER 2019	25,699	1,988,218	(475,286)	55,169	1,593,800

Further details in respect of the dividend paid are disclosed in note 10.

ANGLO AMERICAN PREFCO LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital \$000	Share premium account \$000	Other reserves \$000	Profit and loss account \$000	Total equity \$000
At 1 January 2018	25,699	1,992,615	(475,286)	66,750	1,609,778
COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year	-	-	-	164,917	164,917
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	164,917	164,917
Dividends: Equity capital	-	-	-	(180,924)	(180,924)
Transfer to/from profit and loss account	-	-	-	4,397	4,397
Transfer between other reserves	-	(4,397)	-	-	(4,397)
TOTAL TRANSACTIONS WITH OWNERS	-	(4,397)	-	(176,527)	(180,924)
AT 31 DECEMBER 2018	25,699	1,988,218	(475,286)	55,140	1,593,771

ANGLO AMERICAN PREFCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Anglo American Prefco Limited is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales.

The nature of the Company's operations and principal activities is set out in the Strategic report.

The address of the registered office is given on the Company Information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- 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 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 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 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.

ANGLO AMERICAN PREFCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.3 Impact of new international reporting standards, amendments and interpretations

IFRS 16

There are no material adjustments required to be made to the Company's financial statements as a result of the application of IFRS 16.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

2.4 Going concern

The Company's ability to operate as a going concern is assessed in conjunction with Anglo American plc and its subsidiaries (together the "Group") as its viability is dependent upon the ability of the Group companies to settle their intercompany balances with the Company and to provide funds for working capital needs. Anglo American Services (UK) Ltd have confirmed that they intend to provide financial resources, where requested, for at least 12 months from the date of signing these financial statements, whilst the Company remains a subsidiary of Anglo American plc.

The directors of the Company therefore feel that the Company will have sufficient funds, taking account of possible changes in trading performance and amounts owed by other Group companies, to conclude that the Company can adopt the going concern basis for the foreseeable future.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or

ANGLO AMERICAN PREFCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.7 Financial instruments (continued)

amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being 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 dividend or interest earned on the financial asset.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised or at FVOCI. 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 always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

ANGLO AMERICAN PREFCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.8 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is USD as this is the currency of the primary economic environment in which the Company operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.10 Financial liabilities

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequently, the measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

ANGLO AMERICAN PREFCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.12 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.13 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

There are no critical judgments made by the directors in applying the Company's accounting policies other than assessing investments for impairment and determining recoverability of loans.

Impairment of investments in subsidiaries

Determining whether the Company's debt and equity investments in subsidiaries have been impaired requires estimations of the recoverable amount of the investments. Recoverable amount is the higher of fair value less costs of disposal and value in use. The value in use calculations require the Company to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income. See Note 10 for further information.

Determining recoverability of loans

The Company assesses the recoverability of loans to group undertakings and makes provision in the event that full recovery is not expected. The recoverability of loans is assessed by review of the net asset position of the group undertaking.

4. Operating profit

The audit fee payable to the Company's auditor for the audit of the Company's financial statements, of \$10,015 (2018 - \$10,228) has been borne by Anglo American Services (UK) Ltd in the current year.

ANGLO AMERICAN PREFCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2018 - \$NIL).

6. Income from fixed asset investments

	2019	<i>2018</i>
	\$000	<i>\$000</i>
Dividend income	232,410	<i>195,803</i>
	232,410	<i>195,803</i>

During the year, the Company received dividends totalling \$232,410,418 (2018: \$195,803,070) from its subsidiary Anglo American Holdings Limited.

7. Interest receivable

	2019	<i>2018</i>
	\$000	<i>\$000</i>
Interest income and similar income	1	<i>-</i>
	1	<i>-</i>

8. Interest payable and expenses

	2019	<i>2018</i>
	\$000	<i>\$000</i>
Dividends paid on financial liability component of preference shares	30,839	<i>30,839</i>
	30,839	<i>30,839</i>

On 2 May 2019, the Company declared and paid an interim dividend in respect of 2019 of \$0.60 per share to A.R.H. Limited of \$30,839,251 on its preference shares.

Disclosure of the terms and conditions attached to the preference shares is made in note 16.

ANGLO AMERICAN PREFCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Taxation

	2019	<i>2018</i>
	\$000	<i>\$000</i>
Corporation tax		
Current tax on profits for the year	59	<i>8</i>
Adjustments in respect of previous periods	1	<i>39</i>
Total current tax	60	<i>47</i>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (*2018 - lower than*) the standard rate of corporation tax in the UK of 19% (*2018 - 19%*). The differences are explained below:

	2019	<i>2018</i>
	\$000	<i>\$000</i>
Profit before tax	201,572	<i>164,964</i>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (<i>2018 - 19%</i>)	38,299	<i>31,343</i>
Effects of:		
Exempt dividends from UK companies	(44,158)	<i>(37,203)</i>
Adjustments in respect of prior periods	1	<i>39</i>
Non-deductible interest on preference shares	5,859	<i>5,859</i>
Transfer pricing adjustments	59	<i>7</i>
Foreign exchange differences	-	<i>2</i>
Total tax charge for the year	60	<i>47</i>

Factors that may affect future tax charges

On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. Deferred tax has therefore been recognised at the 17% rate where appropriate.

On 17th March 2020, a Budget resolution was passed which substantively enacted an increase in the rate of UK corporation tax to 19% from 1 April 2020.

ANGLO AMERICAN PREFCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Dividends

	2019	<i>2018</i>
	\$000	<i>\$000</i>
Dividends paid on equity capital	201,483	<i>180,924</i>
	201,483	<i>180,924</i>

On 2 May 2019, the Company paid an interim dividend of \$2.04 per share to A.R.H. Limited of \$104,853,452 on its preference shares.

On 20 September 2019, the Company declared and paid an interim dividend of \$2.48 per share to A.R.H. Limited of \$127,468,902 on its preference shares.

Dividends of \$0.60 per share (\$30,839,251) have been classified as interest expense (see note 8).

11. Fixed asset investments

	Investments in subsidiary companies \$000
Cost or valuation	
At 1 January 2019	2,063,055
At 31 December 2019	2,063,055
Net book value	
At 31 December 2019	2,063,055
<i>At 31 December 2018</i>	<i>2,063,055</i>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Class of shares	Holding	Principal activity
Anglo American Holdings Limited	Ordinary B shares 8% Preference 8.3% Preference	100 %	Holding Company

ANGLO AMERICAN PREFCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Fixed asset investments (continued)

Subsidiary undertaking (continued)

As at 31 December 2019 the Company held the entire issued preference share capital and ordinary B shares of Anglo American Holdings Limited, an intermediate holding company incorporated in the United Kingdom and registered in England and Wales.

Group financial statements are not presented as the Company is a wholly owned subsidiary undertaking of Anglo American plc, a company incorporated in the United Kingdom and registered in England and Wales. Accordingly, these financial statements present information about the Company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared because the Company is exempt under s400 of the Companies Act 2006.

Name	Registered Office
Anglo American Holdings Limited	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom

12. Debtors

	2019	<i>2018</i>
	\$000	<i>\$000</i>
Amounts owed by group undertakings	55,271	<i>55,241</i>
	55,271	<i>55,241</i>

The Company has facility agreements with affiliated undertakings of which \$103,000 had been advanced at year end. The balance bears interest at a market related rate. The classification of the amounts owed is based on the repayment terms.

The Company has a dividend receivable due from its subsidiary Anglo American Holdings Limited of \$55,168,000 (2018 - \$55,168,000).

13. Creditors: Amounts falling due within one year

	2019	<i>2018</i>
	\$000	<i>\$000</i>
Corporation tax	49	<i>48</i>
	49	<i>48</i>

ANGLO AMERICAN PREFCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Creditors: Amounts falling due after more than one year

	2019	<i>2018</i>
	\$000	<i>\$000</i>
Financial liability component of preference share premium	498,778	<i>498,778</i>
Financial liability component of preference shares (51,398,751 shares of \$0.50 each)	25,699	<i>25,699</i>
	524,477	<i>524,477</i>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 16.

\$524,477,000 (2018 - \$524,477,000) of preference shares has been classified as debt in accordance with the presentation requirements of FRS 25.

The preference shares of US\$0.50 each entitle the holder to receive a cumulative preferential dividend on the paid up capital equal to the greater of US\$0.60 per preference share in issue or four times the aggregate dividends declared or paid on an Anglo American plc ordinary share.

15. Financial instruments

	2019	<i>2018</i>
	\$000	<i>\$000</i>
Financial assets		
Loans and receivables measured at amortised cost	55,271	<i>55,241</i>
Financial liabilities		
Financial liabilities measured at amortised cost	(524,526)	<i>(524,525)</i>

Loans and receivables measured at amortised cost comprise amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise the financial liability component of preference shares and corporation tax payable.

ANGLO AMERICAN PREFCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Share capital

	2019 \$000	2018 \$000
Shares classified as equity		
Authorised		
100 Ordinary shares of £1.00 each	-	-
100,000,000 capital preference shares of \$0.50 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
1 Ordinary share of £1.00	-	-
51,398,751 capital preference shares of \$0.50 each	25,699	25,699
	<u>25,699</u>	<u>25,699</u>
	2019 \$000	2018 \$000
Shares classified as debt		
Authorised		
100,000,000 preference shares of \$0.50 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
51,398,751 preference shares of \$0.50 each	25,699	25,699
	<u>25,699</u>	<u>25,699</u>

ANGLO AMERICAN PREFCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Share capital (continued)

The Company's issued share capital is one ordinary share of £1 and 51,398,751 capital preference shares of US\$0.50. Preference shares have been classified as a combination of debt and equity under IFRS 7 (refer to note 14). The capital preference shares do not have any rights to dividends.

On a return of capital on winding up, holders of preference shares have the right, in priority to any payment to holders of any other class of shares, to the repayment of a sum equal to the nominal capital and any premium paid up or credited as paid up on the preference shares held by them and accruals (if any) of the preferential dividend, whether declared or not, accrued up to the date of winding up.

The holders of preference shares are not entitled to any further or other right of participation in the assets of the Company. In the event of winding up, capital preference shareholders will be, in priority to any payment to holders of any other class of shares (with the exception of preference shareholders), entitled to the repayment of a sum equal to the nominal capital paid up, or credited as paid up, on the capital preference shares held by them together with a premium of US\$38.65 per capital preference share held. Holders of capital preference shares are not entitled to any further participation or right of participation in the assets of the Company.

The holders of the preference shares and the capital preference shares have the right to vote at General Meetings of the Company only if a resolution is to be proposed modifying any rights of the holders of such shares or to wind up the Company. In addition, the preference shareholders are entitled to vote if and when the dividend on the preference shares is six months or more in arrears.

17. Reserves

Share premium account

Share premium represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

Other reserves

The other reserves balance represents the negative equity component of preference shares.

Profit and loss account

Profit and loss account reserve represents accumulated retained earnings or losses.

18. Post balance sheet events

Following the end of 2019 the novel coronavirus (COVID-19) has been declared a pandemic by the World Health Organisation. The emergence of COVID-19 is considered a non-adjusting post balance sheet event as defined in IAS 10 Events after the reporting period since it represents a set of conditions which only arose after the balance sheet date.

The impact of COVID-19 on the world economy and the Company's future financial performance remains uncertain. Depending on the extent and severity of the pandemic, there may be a material impact on the Company's accounting estimates in future periods.

ANGLO AMERICAN PREFCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Ultimate parent undertaking and controlling party

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 and smallest group which includes the Company and for which group financial statements are prepared. Its financial statements may be obtained from the Company Secretary, 20 Carlton House Terrace, London SW1Y 5AN, the registered office of the Company.