COMPANY REGISTRATION NUMBER 27767

ANTOFAGASTA RAILWAY COMPANY plc

Annual Report and Financial Statements

31 December 2017

ANTOFAGASTA RAILWAY COMPANY plc

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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Board of Directors	I Arriagada A Atucha F Veloso A M Rabagliati (appointed 26 June 2018)
Company Secretary	J T R Anderson
Registered Office	Cleveland House 33 King Street London SW1Y 6RJ
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors
Solicitors	Clifford Chance LLP

STRATEGIC REPORT

The Directors present their Strategic Report and the audited financial statements for the year ended 31 December 2017.

Principal Activities

The principal activity of Antofagasta Railway Company plc ("the Company") during the year was and will continue to be the transport of freight by rail. This activity is based in Chile, where the business is known as the Ferrocarril Antofagasta a Bolivia ("FCAB").

Business Review

The Company uses a number of financial and non-financial key performance indicators in order to measure performance, which are set out below. Other key performance indicators relating to the Antofagasta plc group as a whole, including information relating to employees, health and safety and the environment, are contained within the Group's 2017 Annual Report, available from the Group's website, www.antofagasta.co.uk.

		2017	2016
Turnover	US$'000	**141,356**	133,235
Operating profit	US$'000	**51,499**	52,384
Capital expenditure	US$'000	**30,280**	15,085
Rail tonnage transported	000 tons	**5,045**	5,310

Turnover increased by US$8,121,000 or 6% to US$141,356,000, mainly due to increased average rail tariffs and higher sales of industrial water. Operating profit decreased by US$885,000 or 2% to US$51,499,000 with the higher turnover offset by increased operating costs mainly reflecting higher diesel prices due to the stronger Chilean peso and an increase in services provided by third parties. Capital expenditure in the year was US$30,280,000 (2016 – US$15,085,000).

Future Developments

The Company's ongoing focus is firstly on ensuring it continues to operate its existing long-term customer contracts to the highest standards. The Company is also continuing to explore opportunities to expand its existing core business, as well as other related opportunities.

Results and Financial Position

The profit before taxation was US$55,373,000 in 2017 compared with a profit of US$47,925,000 in 2016. The profit for the financial year of US$41,362,000 (2016 – US$31,251,000) has been transferred to reserves. At 31 December 2017 the Company had a net asset position of $176,494,000 (2016 - $132,838,000).

Principal Risks and Uncertainties

Introduction

The Company is exposed to a range of risks and uncertainties which may affect it. These risks include strategic, commercial, operational, regulatory and financial risks. A summary of the key risks facing the Company is set out below. There may be additional risks unknown to the Company and other risks, currently believed to be insignificant, could turn out to be significant. These risks, whether they materialise individually or simultaneously, could significantly affect the Company's business and financial results. In addition to the Company-specific risks discussed below, the risks and uncertainties relating to the Antofagasta plc Group as a whole are described in the Group's Annual Report, available from the Group's website.

STRATEGIC REPORT *(continued)*

Principal Risks and Uncertainties (continued)

Economic Environment and Customer Demand

The Company's main business is the transportation of copper cathodes from, and sulphuric acid to, copper mines located in the Antofagasta region of Chile. As such, demand for the Company's services is affected by the performance of the copper mining industry and the development of new mining projects in that region.

The financial performance of mining companies is directly related to commodity price levels, which are influenced strongly by world economic growth, and can fluctuate widely. Demand for supplies, equipment, skilled personnel and contractors could affect capital and operating costs, which may impact the development of new mining projects and the expansion of existing mining operations.

Mining operations and project developments are also subject to a number of circumstances not wholly within their control, including damage to or breakdown of equipment or infrastructure, natural disasters, unexpected geological variations and industrial actions. Increasing regulatory and environmental approvals and litigation could result in significant delays in construction and/or increases in construction costs. These events could materially and adversely affect a mining project's economics or its successful completion.

The majority of the Company's sales are based on medium to long-term contracts with customers, which reduces the Company's short term exposure to volatility in the mining sector.

Operational Risks

The costs of capital projects or ongoing operating expenses could increase beyond current levels, due to changes in the general economic environment or project specific factors, resulting in a reduction in profitability.

Political Environment

The Company could be affected by any political or regulatory developments in Chile in which it operates, including controls on imports, exports and prices, expropriation of assets, or new forms or rates of taxation and royalties.

Health, Safety and Environment

The Company operates in an industry that is subject to numerous health and safety laws and regulations. Developments in regulatory standards could result in increased costs and/or litigation, which could impact on earnings and cash flows.

Financial Risk and Risk Management

The Company periodically uses derivative financial instruments to reduce exposure to foreign exchange movements. The Company does not use such derivative instruments for speculative trading purposes.

Foreign Exchange Risk

The Company is exposed to a variety of currencies. The currency in which the majority of the Company's sales and operating costs are determined is the US dollar. In addition to the US dollar, the Chilean peso is the most important currency influencing costs and, to a lesser extent, sales.

The functional and presentation currency of the Company for internal and external reporting is the US dollar, given its significance to the Company's operations. The US dollar is also the principal currency for borrowing and holding surplus cash, although a portion of this may be held in other currencies, notably Chilean pesos, to meet short-term operational and capital commitments.

When considered appropriate the Company uses forward exchange contracts and currency swaps to limit the effects of movements in exchange rates in foreign currency denominated assets and liabilities. The Company also uses these instruments to reduce currency exposure on future transactions and cash flows.

STRATEGIC REPORT *(continued)*

Principal Risks and Uncertainties (continued)

Interest Rate Risk

The Company's policy is generally to invest cash at floating rates. Fluctuations in interest rates may impact on the Company's net finance income, and to a lesser extent, the value of financial assets. The Company's borrowings are generally at fixed interest rates or are non-interest bearing, and accordingly the Company is not exposed to significant risk from fluctuations in interest rates in respect of its borrowings.

Price Risk

The majority of the Company's sales are based on medium to long-term contracts with customers for which transport tariffs are adjusted for inflation in the US and Chile, and fuel prices. Tariffs are also based on transport volumes and transport distances. Prices achieved by the Company may therefore vary with these factors.

Credit Risk

Credit risk arises from trade and other receivables, cash in bank and in hand and term deposits. The Company's credit risk is primarily related to trade receivables. The credit risk on cash in bank and in hand and term deposits is limited because the counterparties are banks with high credit ratings assigned by international credit agencies. The carrying value of financial assets recorded in the financial statements represents the maximum exposure to credit risk. The amounts presented in the balance sheet are net of allowances for any doubtful receivables.

Cash Flow Risk

The Company's future cash flows depend on a number of factors, including transport tariffs, transport volumes, operating costs, capital expenditure levels and financial income and costs. Its cash flows are therefore subject to the exchange rate; interest rate and price risks described above as well as operational factors and input costs.

Liquidity Risk

The Company typically holds surplus cash balances either on demand deposits or short-term deposits.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Determining many of the amounts included in the financial statements involves the use of judgement and/or estimation based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Changes in judgements or the assumptions underlying estimates could result in a significant impact on the financial statements. Details of principal accounting policies are set out in Note 2(a) to the financial statements and details of critical accounting judgements and key sources of estimation uncertainty are set out in Note 2(b) to the financial statements.

Environment

The environmental policies and activities for the Antofagasta plc group as a whole are discussed within the Group's Annual Report, available from the Group's website.

Approved by the Board and signed on its behalf by:

A Atucha
Director
28 June 2018

Registered office: Cleveland House, 33 King Street, London, SW1Y 6RJ

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2017.

The directors of the company who were in office during the year and up to the date of signing the financial statements (other than as indicated below) were:

I Arriagada
A Atucha
F Veloso
A M Rabagliati (appointed 26 June 2018)

Dividends

During 2017 no ordinary dividends were declared and paid (2016 - nil). The Directors do not recommend the payment of any further final dividend for the year (2016 – nil).

The total cost of preference dividends paid and recognised as an expense in the profit and loss account was US$129,000 (2016 – US$136,000).

Creditor Days

The Company does not trade in the United Kingdom. Creditor days for the Company have been calculated at 141 days (2016 – 104 days). Credit terms are agreed with individual suppliers and payment is made in accordance with terms agreed.

Fixed Assets

Details of movements in tangible assets during the year are given in Note 11 to the financial statements.

Disclosures contained within the Strategic Report

The following disclosures are contained with the Strategic Report:

- the Company's business activities, together with those factors likely to affect its future performance
- details of the key risks facing the Company and financial risk management, including details on the management of liquidity and credit risk.

Going Concern

After making appropriate enquiries, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements. In assessing the Company's going concern status the Directors have taken into account the financial position of the Company, in particular its net cash position and its positive net asset position.

Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

DIRECTORS' REPORT *(continued)*

Independent Auditors

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This statement is made and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board and signed on its behalf by:

A Atucha
Director
28 June 2018

Registered office:
Cleveland House
33 King Street,
London SW1Y 6RJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

Independent auditors' report to the members of Antofagasta Railway Company plc

Report on the audit of the financial statements

Opinion

In our opinion, Antofagasta Railway Company plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In 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 Statement of Directors' Responsibilities set out on page 7, 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.

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 received 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.

Jason Burkitt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 June 2018

ANTOFAGASTA RAILWAY COMPANY plc

YEAR ENDED 31 DECEMBER 2017

PROFIT AND LOSS ACCOUNT

	Note	2017 US$'000	2016 US$'000
Turnover	3	**141,356**	133,235
Cost of sales		**(67,985)**	(60,860)
Gross profit		**73,371**	72,375
Administrative expenses		**(21,648)**	(19,389)
Other operating expense		**(1,393)**	(898)
Other operating income	3	**1,169**	296
Operating profit		**51,499**	52,384
Loss on disposal of tangible assets	4	**(20)**	(1,630)
Interest receivable and similar income	5	**618**	624
Interest payable and other finance item	5	**3,276**	(3,453)
Profit before taxation		**55,373**	47,925
Tax on profit on ordinary activities	9	**(14,011)**	(16,674)
Profit for the financial year		**41,362**	31,251

The movements in reserves for the year are analysed in Statement of Changes in Equity. There were no operations other than continuing operations during the year.

STATEMENT OF COMPREHENSIVE INCOME

	Note	**2017** **US$'000**	2016 US$'000
Profit for the financial year		**41,362**	31,251
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains of defined benefit plans	20	**1,981**	626
Deferred tax on actuarial gains/(losses)		**97**	(48)
Items that will be reclassified subsequently to profit or loss:			
Cash flow hedges		**206**	516
Tax on cash flow hedges		**10**	(122)
Total other comprehensive income for the year		**2,294**	972
Total comprehensive income for the year		**43,656**	32,223

ANTOFAGASTA RAILWAY COMPANY plc

YEAR ENDED 31 DECEMBER 2017

BALANCE SHEET

	Note	31 December 2017 US$'000	31 December 2016 US$'000
Non-current assets			
Tangible assets	11	**158,398**	142,022
Investment in subsidiary undertakings	12	**76,456**	76,456
Investments	13	**13**	13
Derivative financial instruments		**172**	235
		235,039	218,726
Current assets			
Inventories		**12,701**	16,648
Trade and other receivables	14	**37,572**	22,758
Current tax receivable		**76,141**	67,162
Amounts owed by fellow subsidiary undertakings		**28,788**	4,126
Current asset investments – term deposits		**37,541**	36,215
Derivative financial instruments		**79**	-
Cash at bank and in hand		**19,567**	3,349
		212,389	150,258
Total assets		**447,428**	368,984
Current liabilities			
Borrowings	15	**(29,745)**	(29,745)
Trade and other payables	16	**(32,397)**	(16,446)
Amounts owed to parent undertaking		**(9,531)**	(9,536)
Amounts owed to fellow subsidiary undertakings		**(144,950)**	(95,064)
Deferred tax liability	9(b)	**(13,292)**	(13,705)
Derivative financial instruments		**(14)**	(176)
		(229,929)	(164,672)
Non-current liabilities			
Borrowings	15	**(32,625)**	(62,122)
Derivative financial instruments		**-**	(28)
Provisions for liabilities	18	**(8,380)**	(9,324)
		(41,005)	(71,474)
Total liabilities		**(270,934)**	(236,146)
Net assets		**176,494**	132,838
Capital and reserves			
Called up share capital	19	**11,372**	11,372
Retained earnings		**165,122**	121,466
Total shareholders' funds		**176,494**	132,838

The financial statements of Antofagasta Railway Company plc (Company no. 27767) on pages 10 to 35 were approved by the Board of Directors and authorised for issue on 28 June 2018. They were signed on its behalf by:

A Atucha
Director

STATEMENT OF CHANGES IN EQUITY

	Called up share capital (Note 19) US$'000	Retained earnings US$'000	Total shareholders' funds US$'000
Balance at 1 January 2016	**11,372**	**89,243**	**100,615**
Profit for the financial year	-	31,251	31,251
Other comprehensive income for the year	-	972	972
Total comprehensive income for the year	-	**32,223**	**32,223**
Dividends	-	-	-
Balance at 31 December 2016 and 1 January 2017	**11,372**	**121,466**	**132,838**
Profit for the financial year	-	41,362	41,362
Other comprehensive income for the year	-	2,294	2,294
Total comprehensive income for the year	-	**43,656**	**43,656**
Dividends	-	-	-
Balance at 31 December 2017	**11,372**	**165,122**	**176,494**

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Antofagasta Railway Company plc is a company limited by shares, and incorporated and domiciled in the United Kingdom under the provisions of the Companies Act. 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 business review on page 2.

1.1 Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

The financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101.

The financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard) "Reduced Disclosure Framework" as issued by the Financial Reporting Council, which applies the recognition and measurement bases of IFRS with reduced disclosure requirements.

These financial statements have been prepared under the historical cost basis convention, as modified by the use of fair values to measure certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The Company is a wholly-owned subsidiary of Antofagasta plc and is included in the consolidated financial statements of Antofagasta plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The financial information has also been prepared on a going concern basis as explained in the Directors' Report.

These financial statements are presented in US dollars because that is the currency of the primary economic environment in which the Company operates.

As permitted by FRS 101, and because the Company is a wholly-owned subsidiary of Antofagasta plc, it has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet affective, impairment of assets and related party transactions. Where required equivalent disclosures are given in the group financial statements of Antofagasta plc.

1.2 Adoption of new accounting standards.

The following accounting standards, amendments and interpretations became effective in the current reporting period:

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Disclosure Initiative (Amendments to IAS 7)

The application of these standards and interpretations effective for the first time in the current year has had no significant impact on the amounts reported in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. General information *(continued)*

1.3 Accounting standards issued but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 9, *Financial Instruments*
- IFRS 15, *Revenue from Contracts with Customers*
- IFRS 16, *Leases*
- IFRIC 22, Foreign Currency Transactions and Advance Consideration
- IFRIC 23, Uncertainty over Income Tax Treatments
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to three IFRS Standards 2015–2017 Cycle

The Company is continuing to evaluate the impact of adopting these new standards and interpretations.

IFRS 16 Leases. Adoption of this standard is mandatory in 2019. The standard has been endorsed by the EU.

The Group's work on the implementation of the new standard to date has included an analysis of the main impacts of the standard on the Group, an estimation of the likely overall impact on the Group's results and balance sheet, including the impact on the Group's key financial ratios, and commencing a detailed contract review process. The detailed contract review process and relevant staff training will complete during 2018.

The standard will result in most of the Group's existing operating leases being accounted for similar to finance leases under the current IAS 17 Leases standard, resulting in the recognition of additional assets within property, plant and equipment in respect of the right of use of the lease assets, and additional lease liabilities. The operating lease charges currently reflected within operating expenses (and EBITDA) will be eliminated, and instead depreciation and finance charges will be recognised in respect of the lease assets and liabilities. Based on the operating leases in place at 31 December 2017 it is currently estimated that this would result in the recognition of additional lease assets within property, plant & equipment and additional lease liabilities as at 1 January 2018 of approximately $4.3 million in each case. It is also estimated that this would result in a decrease in annual operating expenses before depreciation (and therefore an increase in EBITDA) of approximately $1.7 million, an increase in annual depreciation of approximately $1.5 million, an increase in finance costs of less than $0.2 million, and a net impact on profit before tax of less than $0.1 million. The cash flow from operations figure per the cash flow statement will increase, as currently all cash payments relating to operating leases are included within this line, but under IFRS 16 the payments will be classified either as interest payments or repayment of borrowings

The standard will be applied in 2019, and the current expectation is that it will be applied with retrospective restatement of the prior year comparatives.

IFRS 15 - Revenue from Contracts with Customers. Adoption of this standard is mandatory in 2018. The standard has been endorsed by the EU.

The basic principle of this Standard is that an entity recognizes income from ordinary activities to represent the transfer of goods or services committed to customers for a price that reflects the consideration to which the law expects to be entitled, a change in said goods or services. This Standard gives us a five-step package for your application, which includes a guide for the recognition of performance obligations under the client, assigning the transaction price between performance obligations, and the recognition of income when you are performance obligations are met.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Company made an impact assessment of IFRS 15, and carried out an analysis of the contracts that exist for more than one associated service, among which railway transport and special services such as storage, unloading and / or loading were identified. Determining what said income was perceived separately in the times in which they are actually borrowed in reality the nature of the same. Based on that any impact is expected from this Standard implementation.

IFRS 9 Financial Instruments. Adoption of this standard is mandatory in 2018. The standard has been endorsed by the EU.

The Company is still reviewing the impact of IFRS 9. The principal impact of the Standard is expected on the credit loss model for impairment of financial assets which replaces the incurred loss model used in IAS 39 but not material impact is expected.

2. Accounting Polices

a) Principal accounting policies

A summary of the principal accounting policies, which have been applied consistently throughout the current and prior years, is set out below.

(i) Currency translation

The Company's functional currency and presentation currency is the US dollar. Transactions denominated in other currencies, including the issue of shares, are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities, including amounts due from or to subsidiaries, are translated at the rate of exchange ruling at the end of the financial year. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

(ii) Turnover and revenue recognition

Sale of goods and services

Turnover represents the value of goods and services supplied to third parties during the year. Turnover is measured at the fair value of consideration received or receivable, and excludes any applicable sales tax. A sale is recognised when the significant risks and rewards in respect of the goods and services have passed and the turnover can be reliably measured. In the case of freight transportation this is generally when the freight arrives at its intended destination. The Company has only one business and geographical segment, relating to the transport of freight by rail in Chile.

Dividend and interest income

Dividends proposed by subsidiaries are recognised as income by the Company when they represent a present obligation of the subsidiaries, i.e. in the period in which they are formally approved for payment.

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accounted for on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(iii) Tangible assets and depreciation

Tangible assets are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation commences when the assets are ready for their intended use. Freehold land is not depreciated.

Depreciation is provided to write down the carrying value of fixed assets to their estimated residual value in equal instalments at the following rates based on their estimated useful lives:

a. *Freehold land* – freehold land is not depreciated.
b. *Buildings and infrastructure* – straight-line basis over 10 to 25 years.
c. *Railway track* – straight-line basis over 20 to 25 years.
d. *Wagons and rolling stock* – straight-line basis over 10 to 20 years.
e. *Machinery, equipment and other assets* – straight-line basis over 5 to 10 years.
f. *Assets under construction* – no depreciation until asset is available for use.

(iv) Impairment of property, plant and equipment

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to dispose and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Accounting Polices *(continued)*

a) Principal accounting policies *(continued)*

(v) Investments in subsidiaries

Investments in subsidiaries represent equity holdings in subsidiaries. Such investments are valued at cost less any impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher.

(vi) Taxation

Tax expense comprises the charges or credits for the period relating to both current and deferred tax. Current tax is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable and deductible in different years and also excludes items that are not taxable or deductible. The liability for current tax is calculated using tax rates which have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates that have been enacted or substantively enacted by the balance sheet date, and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is provided in respect of the undistributed earnings of subsidiaries, associates and joint ventures except where the Company is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(vii) Retirement benefits and severance indemnities

The Company operates defined contribution schemes for a limited number of employees. For such schemes, the amount charged to the profit and loss account is the contributions paid or payable in the year.

Employment terms may also provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (and may be subject to a cap as to the number of qualifying years of service) and based on final salary level. The calculation of the severance indemnity obligation is based on valuations performed by an independent actuary using the projected unit credit method which are regularly updated. The obligation recognised in the balance sheet represents the present value of the severance indemnity obligation. Actuarial gains and losses are immediately recognised in the statement of total other comprehensive income.

(viii) Current asset investments and cash at bank and in hand

Current asset investments comprise highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risks of changes in value, typically maturing within twelve months.

Cash at bank and in hand comprise cash in hand and deposits repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Accounting Polices *(continued)*

a) Principal accounting policies *(continued)*

(ix) Other financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

a. *Investments* - Investments which are not subsidiaries, associates or joint ventures are initially measured at cost, including transaction costs.

Investments are classified as either held-for-trading or available-for-sale, and are normally measured at subsequent reporting dates at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised in profit or loss.

Securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised in profit or loss.

Dividends on available for sale equity investments are recognised in the profit and loss account when the right to receive payment is established.

b. *Trade and other receivables* - Trade and other receivables do not generally carry any interest and are normally stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

c. *Trade and other payables* - Trade and other payables are generally not interest bearing and are normally stated at their nominal value.

d. *Borrowings (loans and preference shares)* - Interest-bearing loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method. Amounts are recorded as financing costs in the profit and loss account. Finance charges are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The sterling-denominated preference shares issued by the Company carry a fixed rate of return without the right to participate in any surplus. They are accordingly classified within borrowings and translated into US dollars at period end rates of exchange. Preference share dividends are included within finance costs.

Intercompany borrowings are non-interest bearing.

e. *Equity instruments* - Equity instruments issued are recorded at the proceeds received, net of direct issue costs. Equity instruments of the Company comprise its sterling-denominated issued ordinary share capital and related share premium.

As explained in Note 2(a)(i), the functional and presentation currency of the Company is the US dollar, and ordinary share capital and share premium are translated into US dollars at historical rates of exchange based on dates of issue.

f. *Derivative financial instruments* - the Company occasionally uses derivative financial instruments to reduce exposure to foreign exchange movements. The Company does not use such derivative instruments for trading purposes. The Company does not generally apply the hedge accounting provisions of IAS 39 "Financial Instruments.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. Accounting Polices *(continued)*

a) Principal accounting policies *(continued)*

(ix) Other financial instruments *(continued)*

f. Derivative financial instruments (continued)- Accordingly, derivatives are initially measured at cost (which may be US$nil) including transaction costs, and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are included in the profit and loss account within net finance costs.

Any derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value. Changes in fair value are reported in the profit and loss for the period.

(b) Key sources of estimation uncertainty and critical accounting judgements

In the application of the Company's accounting policies, which are described in Note 2(a) above, the Directors' are required to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these
estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Information about such judgements and estimates is included in the principal accounting policies in Note 2(a) or the other notes to the financial statements, and the key areas are set out below.

(i) Useful economic lives of tangible assets

As explained in Note 2(a)(iii), tangible assets are depreciated on a straight-line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives at least annually and any changes could affect prospective depreciation rates and asset carrying values.

(ii) Impairment of tangible fixed assets

As explained in Note 2(a)(iv), the Company reviews the carrying value of its tangible fixed assets to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit ("CGU"). The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs to sell and value in use.
Management necessarily applies its judgement in allocating assets to CGUs, in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the value in use calculation. Subsequent changes to CGU allocation or estimates and assumptions in the value in use calculation could impact the carrying value of the respective assets.

(iii) Severance indemnities

As explained in Note 2(a)(vii), the expected costs of severance indemnities relating to employee service during the period are charged to the profit and loss account. Any actuarial gains or losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the statement of other comprehensive income.

Assumptions in respect of the expected costs are set in consultation with an independent actuary. These include the selection of the discount rate used, service lives and expected rates of salary increases. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the earnings of the Company.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3. Turnover

	2017 US$'000	2016 US$'000
Transportation of freight	**141,356**	133,235
Other operating income	**1,169**	296
Interest receivable and similar income (Note 5)	**618**	624
Total	**143,143**	134,155

4. Profit On Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after (charging)/crediting:

	2017 US$'000	2016 US$'000
Depreciation of tangible assets	**(13,635)**	(12,570)
Loss on disposal of tangible assets	**(20)**	(1,630)
Cost of inventories recognised as an expense	**(14,917)**	(23,299)
Staff costs	**(27,010)**	(23,865)

5. Interest

	2017 US$'000	2016 US$'000
Interest receivable and similar income		
Interest receivable	**618**	624
	618	624
Interest payable		
Interest payable	**(1,817)**	(2,202)
Unwinding of discount – employee severance indemnities provision	**(438)**	(458)
Preference dividends	**(129)**	(136)
	2,384	2,796
Other finance item		
Exchange gain/(loss)	**5,660**	(657)
Total Interest payable and other finance item	**3,276**	(3,453)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Auditors' Remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the Company's annual financial statements were US$157,000 (2016 – US$122,000).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent Company are required to disclose such fees on a consolidated basis.

7. Staff Costs

The monthly average number of employees including directors by location and class of business during the year was:

	2017	2016
	Number	Number
Chile		
-Railway operations in Northern Chile	710	698
-Management and administration	207	210
	917	908

The aggregate remuneration comprised:

	2017	2016
	US$'000	US$'000
Wages and salaries	**(25,473)**	(22,273)
Social security costs	**(869)**	(923)
Post-employment benefits – severance charge in year	**(668)**	(669)
	(27,010)	(23,865)

8. Directors' Remuneration and Transactions

None of the Directors received any remuneration for their roles as Directors of the Company during the year. All of the Directors are employees of Antofagasta Minerals S.A., a fellow subsidiary undertaking.

None of the Directors (2016 – none) exercised any share options in the year and had no shares receivable under long-term incentive schemes.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. Tax On Profit

(a) Analysis of tax charge for the year

The Company's activities and generation of profits are based in Chile. The Company is liable to Chilean corporate tax at the rate of 25.5% (2016 – 24%) on profits arising in Chile, with further tax payable of 35% less underlying tax already paid on such profits distributed overseas.

The Company's tax charge for the year comprises current and deferred tax as set out below:

	2017	2016
	US$'000	US$'000
Current tax charge for the year		
- Chilean corporate tax	**(14,851)**	(12,072)
- Chilean withholding tax	-	(3,869)
- Exchange rate	**524**	-
Total current tax	**(14,327)**	(15,941)
Deferred tax charge for the year		
- Origination and reversal of timing differences	**316**	(733)
Total deferred tax	**316**	(733)
Tax charge for the year	**(14,011)**	(16,674)

(b) Analysis of deferred tax liability

	Accelerated capital allowances	**Timing differences on severance provision and other balance sheet items**	**Deferred withholding tax**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
1 January 2016	(15,410)	4,420	(1,934)	(12,924)
Charge to profit and loss	(648)	(85)	-	(733)
Charge to other comprehensive income	-	(48)	-	(48)
31 December 2016 and 1 January 2017	(16,058)	4,287	(1,934)	(13,705)
Credit to profit and loss	322	(6)	-	316
Credit to other comprehensive income	-	97	-	97
31 December 2017	**(16,058)**	**4,700**	**(1,934)**	**(13,292)**

The deferred tax assets which form part of the net deferred tax liability balance have been recognised based on an assessment of the likelihood that the Company will generate sufficient future taxable profits in order to be able to utilise these amounts.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. Tax On Profit *(continued)*

(c) Profit before taxation

	2017 US$'000	2016 US$'000
Profit before taxation	**55,373**	47,925
Profit before taxation multiplied by the standard rate of corporation tax in Chile of 25.5% (2016 – 24%)	**14,120**	11,502
Chilean withholding tax	**-**	3,869
Exchange rate	**(524)**	-
Net other items	**415**	1,303
Tax charge for the year	**14,011**	16,674

Dividend income from investments in Chile is received out of the post-tax profits of the investments and is not subject to further tax on receipt.

10. Dividends

	2017 US$'000	2016 US$'000
Dividend paid during the year – nil	**-**	-

The Directors do not recommend the payment of any further final dividend for the year (2016 – nil).

The Company's redeemable preference shares are included in the balance sheet as a liability and, accordingly, the dividends payable on them are included in interest payable and similar charges.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Tangible Assets

	Freehold land US$'000	Buildings and infra-structure US$'000	Railway track US$'000	Wagons and rolling stock US$'000	Machinery equipment and others US$'000	Assets under construction US$'000	Total US$'000
Cost or valuation							
1 January 2016	12,443	21,949	71,918	117,067	20,155	11,751	255,283
Reclassifications / transfers	-	885	4,584	10,400	474	(16,343)	-
Additions	-	1	-	169	87	14,828	15,085
Disposals	-	-	(1,278)	(446)	(9)	(867)	(2,600)
31 December 2016 and 1 January 2017	12,443	22,835	75,224	127,190	20,707	9,369	267,768
Reclassifications / transfers	-	192	1,042	(5,949)	6,792	(2,084)	(7)
Additions	-	-	-	-	381	29,900	30,281
Disposals	-	-	-	(237)	(1,935)	-	(2,172)
31 December 2017	**12,443**	**23,027**	**76,266**	**121,004**	**25,945**	**37,185**	**295,870**
Accumulated depreciation							
1 January 2016	-	(9,947)	(22,810)	(66,102)	(15,074)	-	(113,933)
Charge for the year	-	(1,130)	(2,832)	(7,443)	(1,165)	-	(12,570)
Disposals	-	-	477	272	8	-	757
31 December 2016 and 1 January 2017	-	(11,077)	(25,165)	(73,273)	(16,231)	-	(125,746)
Reclassifications		(14)	3	4,012	(3,988)	-	13
Charge for the year	-	(1,140)	(2,823)	(8,123)	(1,549)	-	(13,635)
Disposals	-	-	-	331	1,565	-	1,896
31 December 2017	**-**	**(12,231)**	**(27,985)**	**(77,053)**	**(20,203)**	**-**	**(137,472)**
Net book value							
31 December 2017	**12,443**	**10,795**	**48,281**	**43,951**	**5,742**	**37,185**	**158,398**
31 December 2016	12,443	11,758	50,059	53,917	4,476	9,369	142,022

At 31 December 2017, the Company had entered into contractual commitments for the acquisition of tangible assets amounting to nil (2016 – US$7,000).

The Reclassifications / transfers primarily relate to assets under construction which were transferred to the relevant category following completion of construction, as well as reclassifications between asset categories and adjustments in respect of fully depreciated asset balances.

12. Investments in Subsidiary Undertakings

	Total US$'000
At 1 December 2016	76,456
Movements	-
At 31 December 2016 and 1 January 2017	76,456
Movements	-
At 31 December 2016 and 1 January 2017 and 31 December 2017	**76,456**

The investments in subsidiaries are all stated at cost less provision for impairment.

	Country of incorporation and operation	Registered office	Nature of business	Effective equity Shareholding
Direct subsidiary undertakings of parent company				
Servicios Transportes Integrados Limitada	Chile	1	Transport	100%
Forestal SA	Chile	1	Forestry	100%
Inversiones Train Limitada	Chile	1	Investment	100%
FCAB Ingeniería y Servicios Limitada	Chile	1	Transport	100%
The Andes Trust Chile SA	Chile	1	Investment	100%
Inversiones Chilean Northern Mines Limitada	Chile	1	Investment	100%
Inversiones Punta de Rieles Limitada	Chile	1	Investment	100%
Indirect subsidiary undertakings				
Emisa Antofagasta SA	Chile	1	Transport	100%
Embarcadores Limitada	Chile	1	Transport	100%
Servicios Logisticos Capricornio Limitada	Chile	1	Transport	100%
Bolivian Rail Investors Company Inc.	United States	2	Investment	100%
Blue Ocean Overseas Inc.	BVI	3	Investment	100%
Inversiones Ferrobal Limitada	Bolivia	4	Investment	100%

Registered offices:

1: Simon Bolivar 255, Antofagasta, Chile
2: 1209 Orange Street, Wilmington, DE 19801, USA
3: PO Box 958, Road Town, Tortolo VG1110, British Virgin Islands
4: Avenida 16 de Julio, No 1440, piso 19 oficina 1905, La Paz, Bolivia

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Investments

	US$'000
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	13

14. Trade and other receivables

	2017 US$'000	2016 US$'000
Trade debtors	**23,513**	18,825
Other debtors and prepayments	**14,059**	3,933
	37,572	22,758

Movements in the provision for doubtful debts were as follows:

	US$'000
Balance at 1 January 2016	(1,277)
Charge for the year	(71)
Unutilised amounts written-back	-
Balance at 31 December 2016 and 1 January 2017	(1,348)
Charge for the year	(178)
Unutilised amounts written-back	178
Balance at 31 December 2017	(1,348)

The ageing analysis of the trade and other receivables balance is as follows:

		Past due but not impaired			
	Neither past due nor impaired US$'000	**Up to 3 months past due US$'000**	**3 – 6 months past due US$'000**	**More than 6 months past due US$'000**	**Total US$'000**
2017	19,999	11,920	70	5,583	37,572
2016	19,724	2,446	56	532	22,758

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Borrowings

	2017	2016
	US$'000	US$'000
Due within one year		
Floating rate loan	**(29,745)**	(29,745)
Due after more than one year		
Floating rate loan	**(29,918)**	(59,685)
5% Cumulative preference shares	**(2,707)**	(2,437)
	(32,625)	(62,122)
	(62,370)	(91,867)

The long-term loan is US dollar denominated and comprises a loan for $59,600,000 (2016: $89,430,000) with a duration of 2.5 years (2016: 3.5 years) and with an interest rate of LIBOR six-month plus 0.48%. The Company has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2017 the current notional amount hedged of the long-term loan was $60,000,000 (2016: $90,000,000), at an average fixed rate of 1.634% (1.634%).

The preference shares are sterling-denominated and issued by the Company. There were 2,000,000 £1 shares authorised, issued and fully paid at both 31 December 2016 and 31 December 2017. The preference shares are non-redeemable and are entitled to a fixed cumulative dividend of 5% per annum. On winding up they are entitled to repayment and any arrears of dividend in priority to ordinary shareholders, but are not entitled to participate further in any surplus. Each preference share carries one vote in any general meeting of the Company.

The table below sets out an analysis of the loan maturities:

	2017	2016
	US$'000	US$'000
Due within one year	**(29,745)**	(29,745)
Three years	**(29,918)**	(59,685)
Over five years	**(2,707)**	(2,437)
	(62,370)	(91,867)

16. Trade and other payables

	2017	2016
	US$'000	US$'000
Trade creditors	**(22,369)**	(4,154)
Other creditors and accruals	**(3,528)**	(8,807)
Current tax payable	**(4,948)**	(1,992)
Other taxation	**(1,552)**	(1,493)
	(32,397)	(16,446)

17. Financial instruments

a) Categories of Financial Instruments

The Company's financial instruments, grouped according to the categories defined in IAS 39 "Financial instruments: Recognition and Measurement", are as follows:

	2017 US$'000	2016 US$'000
Financial assets		
Derivatives in designated hedge accounting relationships	**251**	235
Loans and receivables at amortised cost (including cash and cash equivalents)	**123,468**	66,448
Financial liabilities		
Derivatives in designated hedge accounting relationships	**(14)**	(176)
Financial liabilities measured at amortised cost	**(249,248)**	(212,913)
	(125,543)	(146,406)

b) Categories of Financial Instruments

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis based on the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The fair value of each category of financial asset and liability is not materially different from the carrying values presented for either 2017 or 2016.

Financial assets and liabilities measurement as fair value through profit and loss are designated as such upon initial recognition.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	2017 US$'000	2016 US$'000
Financial assets					
Derivatives in designated hedge accounting relationships	-	251	-	**251**	235
Financial liabilities					
Derivatives in designated hedge accounting relationships	-	(14)	-	**(14)**	(176)
	-	237	-	**237**	59

- There were no transfers between level 1 and 2 during the year.

18. Provisions for Liabilities

	Other US$'000
Balance at 1 January 2016	(9,351)
Charge to operating profit in year	(669)
Actuarial gain	626
Utilised in year	1,557
Foreign exchange	(1,029)
Unwinding of discount	(458)
Balance at 31 December 2016 and 1 January 2017	(9,324)
Charge to operating profit in year	(668)
Actuarial gain	1,981
Utilised in year	777
Foreign exchange	(708)
Unwinding of discount	(438)
Balance at 31 December 2017	**(8,380)**

The provision mainly relates to severance indemnities which are payable on termination of employment and are assessed on a discounted basis taking into account the expected service lives of employees. In addition, the balance also includes a provision relating to obligations in respect of the decommissioning of certain assets in the future. Further details of the employee severance indemnities are provided in note 20. The breakdown of the balance is:

	2017 US$'000	2016 US$'000
Employee severance indemnities	**(8,169)**	(8,876)
Asset decommissioning	**(211)**	(448)
	(8,380)	(9,324)

19. Called Up Share Capital

	31 December 2016 and 2017	
	Authorised US$'000	Allotted, issued and fully paid US$'000
Ordinary share capital	**11,372**	11,372

The Company has authorised share capital of 7,500,000 (2016 – 7,500,000) ordinary shares of £ 1 each.

The Company has issued share capital of 6,415,344 (2016 – 6,415,344) ordinary shares of £1 each. These share carry 1 vote each.

20. Employee Severance Indemnities

Employment terms for the Company's employees generally provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the obligation recognised is based on valuations performed by an independent actuary using the projected unit credit method, which are regularly updated. The liability is included within the provision balance as detailed in note 18. Actuarial gains and losses are immediately recognised in other comprehensive income.

The most recent valuation was carried out in 2017 by Ernst & Young, a qualified actuary in Santiago-Chile who is not connected with the Group.

The main assumptions used to determine the actuarial present value of benefit obligations were as follows:

	2017	2016
Average nominal discount rate	**4.9%**	4.5%
Average rate of increase in salaries	**1.5%**	1.3%
Average staff turnover	**9.3%**	9.3%

The movement in the provision during the year was:

	2017	2016
	US$'000	US$'000
Balance at 1 January	**(8,876)**	(8,903)
Charge to operating profit in year	**(668)**	(669)
Actuarial gain	**1,981**	626
Utilised in year	**540**	1,557
Foreign exchange	**(708)**	(1,029)
Unwinding of discount	**(438)**	(458)
Balance at 31 December	**(8,169)**	(8,876)

Amounts included in the profit and loss account in respect of severance provisions are as follows:

	2017	2016
	US$'000	US$'000
Current service cost (charged to operating profit)	**(668)**	(669)
Unwinding of discount	**(438)**	(458)
Foreign exchange	**(708)**	(1,029)
Total charge to profit and loss account	**(1,814)**	(2,156)

21. Exchange Rates in US Dollars

The principal exchange rates expressed in US dollars used in the preparation of the financial statements are as follows:

	2017	2016
Year-end rates	**US$1.3535 = £1**	US$1.2185 = £1
	US$1 = Ch$615	US$1 = Ch$669
Average rates	**US$1.2865 = £1**	US$1.3593 = £1
	US$1 = Ch$649	US$1 = Ch$677

22. Ultimate Parent Company

The ultimate parent company is Metalinvest Establishment, which is controlled by the E.Abaroa Foundation, in which members of the Luksic family have an interest. Both Metalinvest Establishment and the E. Abaroa Foundation are domiciled in Liechtenstein.

This company does not produce group financial statements. The immediate parent company is Antofagasta plc, a company incorporated and domiciled in the United Kingdom and listed on the London Stock Exchange.

Antofagasta plc is the only parent undertaking to prepare group financial statements. This is the largest and smallest group for which consolidated financial statements are prepared. Copies of these group financial statements are available from Antofagasta plc, Cleveland House, 33 King Street, London, SW1Y 6RJ.