

Registered number: 04948435

ANGLO AMERICAN CROP NUTRIENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

ANGLO AMERICAN CROP NUTRIENTS LIMITED

COMPANY INFORMATION

Directors	J Flynn TJ McCulley (appointed 12 January 2022) AM O'Neill (resigned 31 December 2022) ST Pearce RJB Price DG Wanblad (resigned 6 May 2022) CN Fraser (resigned 4 January 2022)
Company secretary	Anglo American Corporate Secretary Limited
Registered number	04948435
Registered office	17 Charterhouse Street London United Kingdom EC1N 6RA

ANGLO AMERICAN CROP NUTRIENTS LIMITED

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ANGLO AMERICAN CROP NUTRIENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their strategic report on Anglo American Crop Nutrients Limited (the “Company” or “AACN”) for the financial year ended 31 December 2022, including all its subsidiary companies and its North Yorkshire Polyhalite Project (the “Group”). The Group is an indirectly wholly owned subsidiary of Anglo American Group plc (“Anglo American”).

Principal activities

The principal activity of the Group is to evaluate and develop its polyhalite project (“the Woodsmith Project”) in North Yorkshire, a deep mine and associated transport, processing and port infrastructure development designed to extract polyhalite ore, process it and ship it worldwide for use as an agricultural fertiliser. The Group is wholly owned by Anglo American plc.

Business review

Throughout 2022, construction on the Woodsmith Project has continued to progress towards extracting polyhalite that will be exported across the world as a fertiliser to boost crop yields and increase global food supply.

The Group expects to reach first polyhalite in 2027. As part of a strategic review of shaft sinking operations, Anglo American has engaged German Canadian mining contractor and engineering firm, Redpath, to lead and deliver the shaft sinking of the two main mineshafts and tunnel access shaft at Woodsmith Mine.

The contract for program management services and engineering, procurement and construction management (EPCM) was awarded to Worley Limited, who have over 100 years of mining experience in the UK.

The Lockwood Beck intermediate access shaft was completed and connected to the mineral transport system tunnel to provide both ventilation and additional access.

Excavation and construction of the second intermediate access shaft at the Ladycross site is also ongoing. The mineral transport tunnel is progressing well and recently surpassed 22km long. The Group also continued to develop and implement detailed sales and marketing strategies for each region and supported customers with their own market development activities in order to further promote the mine’s product, known as POLY4, to the end users of the product – farmers.

As noted in a number of market updates throughout 2022, the project’s configuration has been enhanced. This includes the capacity of the shafts and other infrastructure to accommodate higher production volumes and more efficient and scalable mining methods to ensure maximum commercial returns over the expected multi-decade asset life.

These proposals, endorsed by the Anglo American Board at the end of the year, indicate an extension to the development schedule and the capital budget, compared to what was previously anticipated. First product to market is now expected in 2027, with an annual capital investment of around \$1.0 billion. Subject to studies and approval, there is also an expectation to increase capacity from c.10 Mtpa to c.13 Mtpa. \$0.8 billion is approved for 2023, with the bulk of initial spend on the shaft sinking and tunnel boring activities.

As usual in developing underground mines, the schedule will largely be determined by the ground conditions encountered as sinking activities progress. The changes made will have a materially positive impact on the project’s long-term attractiveness and prospects.

However, for accounting purposes at this early stage of the project’s development, an impairment of \$1,707.5 million to the carrying value of the asset within special items and remeasurements, has been included to reflect the extension of the development schedule and capital budget.

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Capital invested in the project during the financial year was \$522.4 million.

As shown in the Group's statement of comprehensive income, the Group shows a loss before tax of \$1,726.4m (2021 – loss before tax of \$33.9m).

The balance sheet shows that the Group is in a net liability position of \$1,434.8m (2021 - net assets of \$558.6m).

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The main risks and uncertainties are as follows:

- Underground and shaft excavations failure – An underground structural failure within the project's shafts or tunnel could cause potential fatalities/injuries and/or, environmental damages, significant business interruption and financial losses;
- Underground fire and explosion - a fire incident including an underground explosion or exposure of personnel to an irrespirable atmosphere within the project's infrastructure could cause potential fatalities/injuries and/or significant business interruption and property damage;
- Cyber security – A breach of the Group's cyber security defences could cause loss or harm related to our technical infrastructure and the use of technology within the organisation;
- Safety performance – A failure to maintain safe working practices during the project's construction operations could cause injuries and fatalities to the workforce;
- Corruption - Bribery or other forms of corruption committed or perceived to have been committed by an employee or agent of the Group could cause reputational and financial loss to the Company;
- Failure to deliver project completion to adequate technical standards - Failure to complete successful construction of the project's necessary facilities would threaten the Company's ability to operate;
- Delays due to contractors and supplier's underperformance - Due to the outsourced nature of most of the construction activities of the project, performance issues by contractors or a lack of goal-alignment could manifest itself in delays to the construction programme and/or additional construction costs being incurred, or in the future performance of the mine once it becomes operational;
- Environmental damages – The project requires significant environmental controls to mitigate the risk of underground and/ or surface water contamination, impacts on wildlife and ecology, dust and noise emissions, among others. Failure to mitigate these can result in loss of the project's licenses and permits, license to operate, financial losses and reputational damage;
- Inaccurate reserves and resources estimate - There are inherent uncertainties with respect to estimating the project's polyhalite mineral resources and ore reserves;
- Ukraine conflict – The ongoing conflict in Ukraine may have an impact on procurement worldwide which could affect the availability of products and services and drive an increase in costs of goods and services. In addition, Ukraine, Russia and Belarus play an important role in the global fertiliser market; this has led to an increase in fertiliser prices, with resulting market disruption likely to continue; and
- Foreign exchange fluctuations – The Group expects its future revenues to be denominated in US Dollars while the majority of its construction and operational costs are expected to be denominated in other currencies (mainly Sterling). A strengthening of non-US Dollar currencies, without offsetting improvement in US Dollar-denominated polyhalite prices, could adversely affect the project's profitability.

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Management takes reasonable and proactive steps to mitigate the risks outlined above where possible. This includes adopting Anglo American's safety and operating integrity standards throughout all areas of the project to help protect employees and stakeholders; working with the wider Anglo American group on an appropriate hedging strategy for risks in future exchange rate fluctuations; developing a robust cyber security defence infrastructure to protect the Group's IT systems; and targeted recruitment of a talented project and support team along with effective policies on working with the most appropriate and professional contractors. This reduces the risks of project cost overruns, delays, and inadequate technical standards. In addition, management are closely monitoring the conflict in Ukraine and are continually assessing the impact this may have on the project, the risk being mitigated by taking careful consideration of the contractors and vendors the project plans to work with.

s172 statement

The Board is cognisant of its legal duty to act in good faith and to promote the success of the Group for the benefit of its shareholders and regarding the interests of stakeholders and other factors. These include the consequences of any decisions it makes in the long term; the need to foster the relationships the Group has with all of its stakeholders; the interests of its employees; the impact its operations have on the environment and local communities; and the desire to maintain a reputation for high standards of business conduct.

Stakeholder considerations are integral to the Board's decisions which consider potential impacts on them and the environment. Like any business, the Board is aware that some of the decisions it makes may have an adverse impact on certain stakeholders. By listening to, understanding and engaging with its stakeholders, the Board endeavors to live up to their expectations, by staying true to the Purpose and making decisions in accordance with our Values.

Purpose and Values

The Board recognises the role of the Group's business in society and within the Anglo American Group. The Group's Purpose is stated as 'to re-imagine mining to improve people's lives', and the Company is focused on its ongoing alignment with this purpose. The Group's Values: Safety; Care and Respect; Integrity; Accountability; Collaboration; and Innovation guide the Group's behavior and shape its culture, and are fundamental to creating enduring benefit for employees, shareholders, and stakeholders in a way that demonstrably improves people's lives.

Engaging our stakeholders

Healthy stakeholder relationships help the Group to better communicate how its business decisions, activities and performance are likely to affect or be of significant interest to its stakeholders and provide the opportunity to co-create effective and lasting solutions to business and other challenges. The Group's stakeholders include its host communities, governments, industry peers and broader civil society in addition to its shareholder.

The Interests of the Company's Employees

The Board acknowledges that its people are critical to everything the Group does. The Group seeks to create safe, inclusive, and diverse working environments that encourage and support high performance and innovative thinking. The Board is acutely aware that to get the best from its people, it needs to understand their viewpoints and address any concerns they may raise about working for the Group. The Board considers workforce engagement to be a priority for every leader at Anglo American; for several years, the Group has run regular surveys to identify areas where we need to do more, for example to ensure that colleagues feel cared for and respected.

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**STRATEGIC REPORT
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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 Group and its stakeholders. The Project that the Group is pursuing has unparalleled low environmental impact design and construction, agricultural sustainability enhancing product, and positive impact for the local community in the Northeast of England meaning that it should have a significant positive impact for all our stakeholders and will continue to do so long into the future.

This report was approved by the board on 12 July 2023 and signed on its behalf.



J Flynn
Director

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ANGLO AMERICAN CROP NUTRIENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2022.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

J Flynn

TJ McCulley (appointed 12 January 2022)

AM O'Neill (resigned 31 December 2022)

ST Pearce

RJB Price

DG Wanblad (resigned 6 May 2022)

CN Fraser (resigned 4 January 2022)

Dividends

The Directors have not recommended payment of a dividend for the year ended 31 December 2022 (2021: \$nil).

Going concern

These financial statements have been prepared on a going concern basis. The Group continues to incur significant cash outflows due to the development activity that it is undertaking of its polyhalite project in North Yorkshire (the Project). At the year end, the Group had net liabilities of \$1,434.8m and the Company had net assets of \$92.3m.

The Company and the Group does not currently anticipate generating any positive net cash flows from the project for a number of years. All cash outflows are paid through the Group but ultimately funded through an intercompany financing agreement with the wider Anglo American plc group. Therefore, the Company and the Group's ability to continue as a going concern for the time being is dependent upon it continuing to receive funding from the wider Anglo American plc group. Anglo American plc has publicly announced its intention to continue the development of the Project and accordingly is expected to make funds available to the Group to carry on the Project's development for the foreseeable future and to meet its debts as they fall due.

The Board of Directors have received confirmation from Anglo American plc ("AA plc") that AA plc will provide adequate financial support to the Company and the Group to meet their obligations for a period of at least 12 months from the Directors' approval of each of the Group's statutory financial statements for the year ended 31 December 2022.

Based on the above, the Board of Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

Future developments

The Directors anticipate that the Group's scale of activities will continue to increase in the coming years as the construction of the project continues. The Group expects to be able to draw upon funding from fellow Anglo American plc group companies in order to fund these activities until commercial ore sales commence subsequent to the completion of construction of the project.

Qualifying third party indemnity insurance

Directors' and officers' insurance is maintained at an appropriate level in respect of legal action against the Directors. These arrangements are qualifying third-party indemnities for the benefit of the directors and were in place throughout the financial year and up to the date of approval of the financial statements.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Statement on engagement with suppliers, customers and others in a business relationship with the company

The Directors maintain strong relationships and active engagement with suppliers, customers and other business partners through regular and effective communication and transparency. Decision making is made with consideration for the impact on all stakeholders by ensuring sufficient representatives are involved.

Employees

The Directors are committed to engaging with and encouraging a positive contribution from the Group's employees. This is achieved in a number of ways, such as through regular internal communications on the latest activity in the group and wider Anglo American plc group; consultations with department representatives on Group activity and decisions; and employee share schemes and incentive plans.

To encourage the involvement of employees in the Company's performance, UK employees are eligible to participate in the Anglo American plc group Save As You Earn (SAYE) scheme and Share Incentive Plan (SIP).

Research and development

The Group incurs costs in relation to its global research and development programme which provides technical, agronomic and commercial validation for POLY4's use as an effective multi-nutrient fertiliser suitable for widespread use in farming.

Political donations and political expenditure

The Company does not make any political donations or incur political expenditure (2021: \$nil).

Disabled employees

The Company's policy is that people with disabilities should have full and fair consideration for all vacancies. Employment of disabled people is considered on merit and with regard only to the ability of any applicant to conduct the role. The Company endeavors to retain the employment of, and arrange suitable retraining for, any employees in the workforce who become disabled during their employment. Where possible the Company will adjust a person's working environment to enable them to stay in employment.

Financial risks

The main financial risks faced by the Company relate to the availability of funds to meet business needs (liquidity risk) and fluctuations in foreign exchange rates (market risk). An explanation of these risks and how they are managed is referred to in note 21 on pages 45-48.

Greenhouse gas emissions, energy consumption and energy efficiency action

	2022
The Company's greenhouse gas emissions and energy consumption are as follows:	
Scope 1 emissions (measured in Mt CO ₂ equivalent)	4,147
Scope 2 emissions (measured in Mt CO ₂ equivalent)	6,538

Energy consumed from activities for which the Company is responsible involving the combustion of gas, or the consumption of fuel for the purposes of transport, and the annual quantity of energy consumed resulting from the purchase of electricity by the Company for its own use, including for the purposes of transport, in kWh.

21,140,860

ANGLO AMERICAN CROP NUTRIENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Greenhouse gases (GHGs)

The Intergovernmental Panel on Climate Change 2006 report (as updated in 2011) factors are applied as defaults for all carbon dioxide-equivalent (CO₂e) and energy calculations. Where emission factors are available for specific countries or sub-regions from government and regulatory authorities, these are applied.

In line with the GHG Protocol's 'management control' boundary, 100% of the direct and indirect emissions for managed operations are accounted for while zero emissions for associates are included in the reporting scope.

Post balance sheet events

Since 31 December 2022, a new entity (Anglo American Europe B.V.) has been incorporated in the Netherlands to commence the sale of sample product in Europe and is a subsidiary of Anglo American Crop Nutrients Limited.

Statement of directors' responsibilities

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 group financial statements in accordance with UK-adopted international accounting standards and the company 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, 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 group and company and of the profit or loss of the group 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 UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, 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 group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 487 (2) of the Companies Act 2006.

This report was approved by the board on 12 July 2023 and signed on its behalf.



J Flynn
Director

ANGLO AMERICAN CROP NUTRIENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGLO AMERICAN CROP NUTRIENTS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022

Report on the audit of the financial statements

Opinion

In our opinion:

- Anglo American Crop Nutrients Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements 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 consolidated statement of financial position and the company statement of financial position as at 31 December 2022; the consolidated statement of comprehensive income, the consolidation statement of changes in equity, the company statement of changes in equity and the consolidated statement of cash flows 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 group 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.

Our audit approach

Overview

Audit scope

- The group, headed by Anglo American Crop Nutrients Limited, comprises 14 wholly owned statutory entities, 8 of which are registered and domiciled in the UK. The remaining entities are registered and domiciled in Jersey, Canada, Singapore, India and the USA. We have tailored the scope of our audit to ensure that we have performed sufficient work to be able to give an opinion on the financial statements as a whole, obtaining coverage over 95% of the group's total assets and over 95% of its loss before tax.

Key audit matters

- Complex financial instruments - Royalty agreement (group)
- Assessment of impairment for intangible assets, property, plant and equipment (group)
- Assessment of impairment for investments in subsidiaries (parent)

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ANGLO AMERICAN CROP NUTRIENTS LIMITED (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Materiality

- Overall group materiality: US\$13,500,000 (2021: US\$19,600,000) based on 0.5% (2021: 1%) of pre-impairment total assets (2021: total assets).
- Overall company materiality: US\$6,700,000 (2021: US\$14,900,000) based on 0.43% (2021: 2%) of pre-impairment total assets (2021: total assets) – capped below group materiality.
- Performance materiality: US\$10,125,000 (2021: US\$14,700,000) (group) and US\$5,025,000 (2021: US\$11,175,000) (company).

The scope of our audit

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

Key audit matters

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

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

Assessment of impairment for intangible assets and property, plant and equipment is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ANGLO AMERICAN CROP NUTRIENTS LIMITED (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Key audit matter	How our audit addressed the key audit matter
<p><i>Complex financial instruments - Royalty agreement (group)</i></p> <p>The group's financing activities have included a US\$250 million royalty agreement with Hancock. Accounting for the royalty agreement under IFRS is complex with the host instrument being accounted for at amortised cost and an embedded derivative used to hedge fluctuations in future cash flows held at fair value through other comprehensive income.</p> <p>The valuation model used to value the royalty agreement is sensitive to changes in significant assumptions. Given the material nature of these financial instruments and the judgement involved in determining the significant assumptions for the embedded derivative we consider this a key audit matter.</p> <p>Refer to note 1 (reference information) and note 13 (royalty financing).</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> assessed the appropriateness of the accounting treatment adopted by management; assessed the appropriateness of management's discounted cash flow model for the derivative, checking the mathematical accuracy of the calculations included within the forecast model; challenged the basis for determining significant assumptions and, where relevant, their interrelationships; obtained corroborating evidence for data supporting significant assumptions; determined a reasonable range for the discount rate assumption, with the assistance of our valuation experts, and compared it to the discount rate used by management; assessed whether the judgements made in selecting the significant assumptions give rise to indicators of possible management bias; and for the host instrument, we recalculated the interest charged. <p>Based on the procedures performed, the accounting and valuation of the royalty agreement were reasonable.</p>
<p><i>Assessment of impairment for intangible assets, property, plant and equipment (group) and investment in subsidiaries (parent)</i></p> <p>As at 31 December 2022, the group has intangible assets of \$22.9 million (2021: \$45.6 million) and property, plant and equipment of \$874.1 million (2021: \$1,823.1 million). All of these asset categories require review for indicators of impairment.</p> <p>The determination of whether an impairment trigger exists can be judgemental. Management must determine the recoverable amount when impairment indicators are identified.</p> <p>The determination of recoverable amount, being the higher of value in-use ("VIU") and fair value less costs of disposal ("FVLCD"), requires judgement and estimation on the part of management in identifying and then determining the recoverable amounts.</p>	<p>In respect of the assessment of impairment for the group's intangible assets and property, plant and equipment, we have performed the following procedures:</p> <ul style="list-style-type: none"> obtained and reviewed management's impairment assessment; assessed the appropriateness of management's discounted cash flow model, checking the mathematical accuracy of the calculations included within the forecast model; challenged the basis for determining significant assumptions such as timing of the mine, future capital expenditure, operating expenditure and Polyhalite volumes and pricing, and, where relevant, their interrelationships;

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGLO AMERICAN CROP NUTRIENTS LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

<p>Recoverable amounts are based on management's view of key value driver inputs and external market conditions such as future commodity prices, budgeted operating expenditure, the timing and approval of future capital expenditure, and the most appropriate discount rate.</p> <p>Estimation uncertainty is considered to be significant due to the long lives of the mine assets and uncertainty in the quantum and timing of cash flows.</p> <p>Management's assessment concluded that an impairment of US\$1,707.5 million (2021: US\$nil) had occurred for the Woodsmith mine assets. Given the judgement involved in determining the significant assumptions we consider this a key audit matter.</p> <p>The parent company holds investments in subsidiaries amounting to US\$nil (2021: US\$273.1 million), which is reviewed annually for impairment indicators.</p> <p>Management's assessment concluded that an impairment of US\$273.1 million (2021:US\$nil) had occurred for the investment in subsidiaries, as a direct consequence of the impairment in mine assets noted above.</p> <p>Refer to note 7 (Intangible assets), note 8 (Property, plant and equipment) and note 29 (Investments).</p>	<ul style="list-style-type: none"> • obtained corroborating evidence for data supporting significant assumptions; • determined a reasonable range for the discount rate assumption, with the assistance of our valuation experts, and compared it to the discount rate used by management; and • assessed whether the judgements made in selecting the significant assumptions give rise to indicators of possible management bias. <p>As a result of our work, we determined that the impairment charges recorded are appropriate and that adequate disclosures have been made in the financial statements.</p> <p>In respect of investments in subsidiaries in the Company, we undertook the following to test management's assessment for indicators of impairment:</p> <ul style="list-style-type: none"> • evaluated and challenged management's assessment and judgements, including ensuring that consideration had been given to the results of the group's impairment assessment in respect of intangible assets and property, plant and equipment. <p>As a result of our work, we determined that the impairment charges recorded are appropriate and that adequate disclosures have been made in the financial statements.</p>
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How we tailored the audit scope

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

The group, headed by Anglo American Crop Nutrients Limited, comprises 14 wholly owned statutory entities, 8 of which are registered and domiciled in the UK. The remaining entities are registered and domiciled in Jersey, Canada, Singapore, India and the USA. The group's activities are fully focused on its UK operations, in particular the development of the Woodsmith mine, a non current asset held by Anglo American Woodsmith Limited. The group is financed via equity and external debt instruments held principally by Anglo American Crop Nutrients Limited, Anglo American Woodsmith Limited and Sirius Minerals Finance No. 2 Limited.

We have identified Anglo American Woodsmith Limited as a financially significant component of the group due to the quantum of the pre-impairment total assets. Sirius Mineral Finance No. 2 Limited (due to large balances), Anglo American Woodsmith (Teesside) Limited (due to the inclusion of significant risk FSLIs) and Anglo American Crop Nutrients Limited (to gain sufficient coverage) were also identified as in-scope components.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGLO AMERICAN CROP NUTRIENTS LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

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

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

	Financial statements - group	Financial statements - company
<i>Overall materiality</i>	US\$13,500,000 (2021: US\$19,600,000).	US\$6,700,000 (2021: US\$14,900,000).
<i>How we determined it</i>	0.5% (2021: 1%) of pre-impairment total assets (2021: total assets)	0.43% (2021: 2%) of pre-impairment total assets (2021: total assets) - capped below group materiality
<i>Rationale for benchmark applied</i>	The group is in a pre-trading phase and is focused on developing the Woodsmith mine asset. Accordingly, pre-impairment total assets is the primary measure used by shareholders in assessing the performance of the group.	The Company holds investments in wholly owned subsidiary entities focused on developing the Woodsmith mine asset. Accordingly, pre-impairment total assets is the primary measure used by shareholders in assessing the performance of the Company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was US\$530,000 to US\$12,825,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to US\$10,125,000 (2021: US\$14,700,000) for the group financial statements and US\$5,025,000 (2021: US\$11,175,000) for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above US\$675,000 (group audit) (2021: US\$980,000) and US\$335,000 (company audit) (2021: US\$745,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGLO AMERICAN CROP NUTRIENTS LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their 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, 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.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGLO AMERICAN CROP NUTRIENTS LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment laws and health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias to manipulate financial reporting. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team:

- Enquiries with management relating to known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding and evaluating management's controls that are designed to prevent and deter irregularities in the control environment;
- Identifying and testing journal entries using a risk based approach;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular the royalty valuation and impairment assessment for the mine assets; and
- Reviewing financial statement disclosures to assess compliance with applicable laws and regulation.

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

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

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ANGLO AMERICAN CROP NUTRIENTS LIMITED (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Michael Whyte (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
12 July 2023

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$m	2021 \$m
Operating costs		(22.8)	(20.4)
Profit from equity accounted investments	10	0.5	3.4
Impairment charge	3	(1,707.5)	-
Operating loss		(1,729.8)	(17.0)
Impairment of equity investments		-	(7.0)
Fair value gain/(loss) on minority call option	10	4.2	(7.8)
Net finance expense	5	(0.8)	(2.1)
Loss before taxation		(1,726.4)	(33.9)
Tax (expense)/credit	6	(67.2)	37.3
(Loss)/profit for the year		(1,793.6)	3.4
Other comprehensive income:			
Items that will or may be reclassified to income statement:			
Exchange losses arising on translation on foreign operations		-	(0.3)
Cash flow hedging movement	13	(268.2)	82.4
Deferred tax movement	20	67.1	(37.4)
		(201.1)	44.7
Other comprehensive (loss)/income for the year, net of tax		(201.1)	44.7
Total comprehensive (loss)/income		<u>(1,994.7)</u>	<u>48.1</u>

The Company has not presented its own statement of comprehensive income as permitted by section 408 of the Companies Act 2006. The loss for the Company for the year was \$1,025.8 million (2021: profit of \$56.2 million).

The notes on pages 26 to 54 form part of these financial statements.

ANGLO AMERICAN CROP NUTRIENTS LIMITED
REGISTERED NUMBER: 04948435

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 \$m	2021 \$m
Assets			
Non-current assets			
Intangible assets	7	22.9	45.6
Property, plant and equipment	8	874.1	1,823.1
Investments in equity-accounted associates	10	11.3	10.7
Other non-current investments	10	13.0	8.8
Restricted cash	9	34.6	36.6
		955.9	1,924.8
Current assets			
Other receivables	11	29.9	28.6
Cash and cash equivalents		10.7	4.6
		40.6	33.2
Total assets		996.5	1,958.0
Liabilities			
Non-current liabilities			
Royalty liabilities	13	504.8	127.3
Lease liabilities	14	12.9	11.8
Loans from parent company	16	1,687.6	1,047.8
Bonds	17	112.5	104.8
Provisions	15	17.5	22.8
		2,335.3	1,314.5
Current liabilities			
Trade and other liabilities	12	95.0	84.4
Lease liabilities	14	1.0	0.5
		96.0	84.9
Total liabilities		2,431.3	1,399.4
Net (liabilities)/assets		(1,434.8)	558.6

ANGLO AMERICAN CROP NUTRIENTS LIMITED
REGISTERED NUMBER: 04948435

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

	Note	2022 \$m	2021 \$m
Issued capital and reserves attributable to owners of the parent			
Share capital		22.5	22.5
Share premium		824.2	824.2
Other reserves		36.1	237.2
Capital contribution reserve		1.3	-
Accumulated losses		(2,318.9)	(525.3)
		<u>(1,434.8)</u>	<u>558.6</u>
TOTAL EQUITY		<u>(1,434.8)</u>	<u>558.6</u>

The financial statements on pages 19 to 54 were approved and authorised for issue by the board of directors on 12 July 2023 and were signed on its behalf by:



J Flynn
Director

The notes on pages 26 to 54 form part of these financial statements.

ANGLO AMERICAN CROP NUTRIENTS LIMITED
REGISTERED NUMBER: 04948435

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 \$m	2021 \$m
Assets			
Non-current assets			
Investments in subsidiaries	29	-	273.1
Loans to subsidiaries	30	428.3	1,216.7
		<u>428.3</u>	<u>1,489.8</u>
Current assets			
Loans to subsidiaries	30	1.7	2.8
Cash and cash equivalents		6.5	0.2
		<u>8.2</u>	<u>3.0</u>
Total assets		<u>436.5</u>	<u>1,492.8</u>
Liabilities			
Non-current liabilities			
Loans from parent company	32	211.2	183.2
		<u>211.2</u>	<u>183.2</u>
Current liabilities			
Trade and other liabilities		0.4	1.0
Loans from subsidiaries	31	132.6	190.5
		<u>133.0</u>	<u>191.5</u>
Total liabilities		<u>344.2</u>	<u>374.7</u>
Net assets		<u>92.3</u>	<u>1,118.1</u>
Issued capital and reserves attributable to owners of the parent			
Share capital		22.5	22.5
Share premium		824.2	824.2
Accumulated losses		(754.4)	271.4
TOTAL EQUITY		<u>92.3</u>	<u>1,118.1</u>

The financial statements on pages 19 to 54 were approved and authorised for issue by the board of directors on 12 July 2023 and were signed on its behalf by:



J Flynn
Director

The notes on pages 26 to 54 form part of these financial statements.

ANGLO AMERICAN CROP NUTRIENTS LIMITED
REGISTERED NUMBER: 04948435

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2022

	Share capital \$m	Share premium \$m	Other reserves \$m	Capital contribution reserve \$m	Accumul ated losses \$m	Total equity \$m
At 1 January 2021	22.5	824.2	192.5	-	(528.7)	510.5
Profit for the year	-	-	-	-	3.4	3.4
Other comprehensive income	-	-	44.7	-	-	44.7
At 31 December 2021	<u>22.5</u>	<u>824.2</u>	<u>237.2</u>	<u>-</u>	<u>(525.3)</u>	<u>558.6</u>
At 1 January 2022	22.5	824.2	237.2	-	(525.3)	558.6
Loss for the year	-	-	-	-	(1,793.6)	(1,793.6)
Share based payment charge	-	-	-	1.3	-	1.3
Other comprehensive expense	-	-	(201.1)	-	-	(201.1)
At 31 December 2022	<u>22.5</u>	<u>824.2</u>	<u>36.1</u>	<u>1.3</u>	<u>(2,318.9)</u>	<u>(1,434.8)</u>

The share premium account is used to record the excess proceeds over nominal values on the issue of shares.

The capital contribution reserve is used to record the fair value of share-based payments relating to schemes operated by Anglo American Group which are outstanding.

Other reserves comprise the foreign exchange reserve (which arises on translation of foreign operations with a functional currency other than US Dollars, or, prior to 16 March 2020, Sterling) of a surplus of \$1.2 million (31 December 2021: \$1.2 million) and the cash flow hedge reserve (which accumulates unrecognised gains or losses on instruments in designated cash flow hedge relationships) of a surplus of \$37.3 million (31 December 2021: \$252.2 million).

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital	Share premium	Accumul- ated losses	Total equity
	\$m	\$m	\$m	\$m
At 1 January 2021	22.5	824.2	215.2	1,061.9
Profit for the year	-	-	56.0	56.0
At 31 December 2021	22.5	824.2	271.2	1,117.9
At 1 January 2022	22.5	824.2	271.4	1,118.1
Loss for the year	-	-	(1,025.8)	(1,025.8)
At 31 December 2022	22.5	824.2	(754.4)	92.3

The notes on pages 26 to 54 form part of these financial statements.

The Company has only one class of share capital being ordinary shares with a par value of £0.0025 each. All shares are allotted, issued and fully paid up. The total number of shares outstanding at 31 December 2022 was 7,333,787,696 (31 December 2021: 7,333,787,696).

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 \$m	2021 \$m
Cash flows from operating activities		
Operating loss	(1,729.8)	(17.0)
Adjustments for		
Depreciation and amortisation	0.8	(0.1)
Impairment of property, plant and equipment	1,707.5	-
Share of post-tax profits of equity accounted associates	(0.5)	(3.4)
Share-based payment expense	1.3	-
Movements in working capital:		
Increase in trade and other receivables	(2.0)	(19.1)
Increase in trade and other payables	3.6	10.0
Cash used in operations	(19.1)	(29.6)
Income taxes received/(paid)	0.1	(0.1)
Net cash used in operating activities	(19.0)	(29.7)
Cash flows from investing activities		
Purchases of property, plant and equipment	(496.6)	(521.5)
Purchase of intangibles	(22.5)	(17.1)
Purchase of restricted cash	(1.8)	(0.1)
Net cash used in investing activities	(520.9)	(538.7)
Cash flows from financing activities		
Redemption of convertible loans	(4.9)	(4.9)
Payment of lease liabilities	(0.3)	(0.6)
Loans from group companies	553.0	577.7
Net cash from financing activities	547.8	572.2
Net cash increase in cash and cash equivalents	7.9	3.8
Cash and cash equivalents at the beginning of year	4.6	1.2
Exchange loss on cash and cash equivalents	(1.8)	(0.4)
Cash and cash equivalents at the end of the year	10.7	4.6

The notes on pages 26 to 54 form part of these financial statements.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Reference information

Anglo American Crop Nutrients Limited is a company limited by shares and incorporated and domiciled in the United Kingdom under the Companies Act 2006 (Registration number 04948435). The Company is registered in England and its registered address is 17 Charterhouse Street, London, EC1N 6RA.

1.1 Basis of preparation

These consolidated financial statements of the Company and its subsidiaries (together, the Group) have been prepared in accordance with UK-adopted International Accounting Standards and the Companies Act 2006. The preparation of financial statements in compliance with UK-adopted International Accounting Standards requires the use of certain critical accounting judgements and estimates (see note 2).

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (principally derivatives). The principal accounting policies set out both below and throughout the subsequent notes have been consistently applied to all years presented unless otherwise stated. The consolidated financial statements are presented in US Dollars (rounded to the nearest million), which is the functional currency of the Company and its principal subsidiaries.

1.2 Basis of consolidation

The Group's consolidated financial statements incorporate the financial statements made up to 31 December each year of the Company and all of its subsidiaries over which it has control. The Group's ultimate controlling party is Anglo American plc with results incorporated in the publicly available financial statements (together, the Anglo American Group). All intra-group transactions and balances are eliminated in preparing the consolidated financial statements.

The Group's associates (being entities over which the Group has significant influence but not outright control) are not consolidated in the same way as the Group's controlled subsidiaries, but instead are accounted for using the equity method. See note 10 for further details of the accounting for associates.

1.3 International Financial Reporting Standards in "issue" but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual years beginning after 1 January 2023 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

- Amendments to IAS 1 *Presentation of financial statements: disclosure of accounting policies*
- Amendments to IAS 1 *Presentation of financial statements: non-current liabilities with covenants*
- Amendments to IAS 8 *Accounting policies, changes in accounting estimates and errors: definition of accounting estimates*
- Amendments to IAS 12 *Income Taxes: deferred tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback*
- IFRS 17 *Insurance Contracts*
- Amendments to IFRS 17, Initial Application of IFRS 17 and IFRS 9 - Comparative Information.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Accounting policies (continued)**1.4 Going concern**

These financial statements have been prepared on a going concern basis. The Group continues to incur significant cash outflows due to the development activity that it is undertaking of its polyhalite project in North Yorkshire (the Project). At the year end, the Group had net liabilities of \$1,434.8m and the Company had net assets of \$92.3m.

The Company and the Group do not currently anticipate generating any positive net cash flows from the project for a number of years. All cash outflows are paid through the Group but ultimately funded through an intercompany financing agreement with the wider Anglo American plc group. Therefore, the Company and the Group's ability to continue as a going concern for the time being is dependent upon it continuing to receive funding from the wider Anglo American plc group. Anglo American plc has publicly announced its intention to continue the development of the Project and accordingly is expected to make funds available to the Group to carry on the Project's development for the foreseeable future and to meet its debts as they fall due.

The Board of Directors have received confirmation from Anglo American plc ("AA plc") that AA plc will provide adequate financial support to the Company and the Group to meet their obligations for a period of at least 12 months from the Directors' approval of each of the Group's statutory financial statements for the year ended 31 December 2022.

Based on the above, the Board of Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Accounting policies (continued)
1.5 Intangible assets
POLY4 development costs

The Group incurs costs in relation to its global research and development programme which provides technical, agronomic and commercial validation for POLY4's use as an effective multi-nutrient fertiliser suitable for widespread use in farming. Historic scientific research studies carried out by the Group have shown the benefits of POLY4 and so ongoing costs incurred represent a furtherment of the development phase of the product. Accordingly, all costs incurred in the ongoing development of POLY4 (principally comprising fees paid to third party universities and research institutions as well as the labour costs of employees of the Group who work solely on the agronomy programme) are capitalised as and when they are incurred. It is expected that these costs will be amortised over the sales life of POLY4 and that amortisation will commence when first sales occur. Prior to first sales of POLY4 occurring, these costs are tested annually for impairment.

Process development costs

As part of its development of the Project, the Group incurs costs which have more general-purpose process applications than being just specific to the Project itself. Such costs include conveyor and mine ventilation, shaft designs, and granulation, materials processing and seismic testing technologies. Due to the possible future applicability of these costs beyond the Project, they are separately classified as intangible assets, rather than being included as part of 'capital works in progress' within property, plant and equipment. It is expected that these costs will be amortised over the sales life of the products to whose development they contribute and that amortisation will commence when first sales occur. Prior to first sales occurring, these costs are tested annually for impairment triggers with a full impairment assessment being performed if triggers are identified.

Impairment

On an annual basis (since amortisation of none of its significant intangible assets has commenced yet) the Group makes a formal estimate of the recoverable amount of its intangible assets to ensure that this supports their reported cost. Where the carrying amount of an asset exceeds its recoverable amount (estimated as the fair value less costs to sell of the asset using the Group's latest detailed forecasts), the asset is considered impaired and is written down to its recoverable amount.

See note 7 for details of intangible assets held by the Group.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Accounting policies (continued)

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any recognised impairment losses. Cost includes all expenditure that is directly attributable to the acquisition or construction of these items and, for assets that take a substantial period of time to get ready for their intended use, include borrowing costs. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the income statement in the year in which they are incurred.

Capital works in progress include all spend directly attributable to the development of the Project, including buildings, civil works, equipment, labour, leasing costs, direct services and professional fees. These assets are not depreciated. At the point in time in the future when the Project commences production, all assets within this category will be transferred to appropriate separate asset classes and depreciation will commence from that point.

The plant and equipment category currently represents assets used for general administrative purposes and which are not directly involved in development of the Project, including the Group's head office leasehold improvements and IT hardware. Depreciation is provided on all assets within this category over the estimated useful lives of the assets, which are generally between three and five years. Land owned on a freehold basis is not depreciated by the Group, while land held as a right-of-use asset under a lease is depreciated on a straight-line basis over the lease term, commencing from when the right-of-use asset is first available for its intended use.

See note 8 for details of property, plant and equipment held by the Group.

1.7 Restricted cash

Restricted cash represents amounts set aside by the Group in bank accounts and which are not available for general use due to contractual restrictions. Amounts are reclassified from restricted cash to cash and cash equivalents when the contractual restrictions expire. All amounts are classified as non-current except for those amounts which are expected to be released back to the Group within the next 12 months which are classified as current assets.

1.8 Associates

An associate is an entity over which the Group has significant influence but not overall control. Significant influence is presumed to exist where the Group has over 20% of the voting rights, unless it can be clearly demonstrated that this presumption is not the case. Investments in associates are accounted for using the equity-accounting method.

The total carrying values of investments in associates represent the initial cost of each investment including the carrying value of goodwill, the share of post-acquisition retained earnings and any other movements in reserves. The carrying values of associates are regularly reviewed and if there is objective evidence that an impairment in value has occurred as a result of one or more events during the year, the investment is impaired down to its estimated recoverable value.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Accounting policies (continued)

1.9 Loans and other receivables

Loans and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loan or receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

1.10 Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

1.11 Leases

Contracts in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as leases. Upon entering a lease the Group recognises a right-of-use asset and corresponding lease liability based on the net present value of all payments due under the lease contract. Lease payments are discounted using the interest rate implicit in the lease or, if this cannot be readily determined, the Group's incremental borrowing cost that it would expect to apply were it to have tried to directly borrow funds to acquire a similar right-of-use asset instead of entering the lease transaction.

The right-of-use asset is capitalised within property, plant and equipment and accounted for in line with the accounting policy, with depreciation being recognised on a straight-line basis from when the asset is first available for use to the end of the lease term. The lease liability is accounted for under the amortised cost method, with a finance charge being recognised in each year through finance costs in the income statement and all payments made under the lease being deducted from the outstanding liability.

1.12 Taxation

Deferred taxation represents temporary differences in the accounting carrying values of assets and liabilities and the tax base of those same assets and liabilities. Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. In line with IAS 12 *Income taxes*, no deferred tax is recognised on the initial recognition of an asset or liability that at the time of the transaction affects neither accounting, nor taxable profit or loss (unless the transaction is a business combination).

Deferred tax is determined using tax rates and laws that have been enacted (or substantially enacted) by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised, or to the extent that they offset deferred tax liabilities. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

See note 20 for details of the Group's deferred taxation position.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Accounting policies (continued)

1.13 Provisions

The Group is required to rehabilitate sites and associated facilities during construction and at the end of their lives to a condition acceptable to the relevant authorities in compliance with licence requirements and other commitments made to stakeholders. The costs associated with these obligations are provided for in the year when the obligation arising from the related disturbance occurs. Such costs do not include any additional obligations which are expected to arise from disturbance expected to be caused in future years.

Costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project as soon as the obligation to incur such costs arises. These costs are recognised in the income statement over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in the income statement as extraction progresses. Any change in the net present value of provisions due to the unwinding of the discount in relation to the time value of money is recognised in finance costs within the income statement in the year in which the change in discount factor occurs.

See note 15 for details of the provisions held by the Group.

1.14 Royalty financing

Royalty financing

The royalty financing is a financial instrument committing the Group to make future royalty payments over the life of the Project in return for an up-front payment of \$250 million received in 2018 from Hancock British Holdings Limited (Hancock). The contract commits the Group to make cash payments linked to its revenues over the Project's life through royalty payments, analogous to a loan arrangement. Therefore, the royalty instrument is treated as a financial liability measured under amortised cost, with the value on initial recognition being equal to its fair value, which is the value of the cash that was received on drawdown. Each year, an interest charge is recognised, with the interest rate of 22.7% which discounts the present value of all expected cash flows over the royalty's life back to the value of the proceeds received on the drawdown date with any movements in fair value recognised as appropriate.

The exact value of royalty payments that will be made over the life of the royalty is not fixed, but will vary based on the exact level of revenues achieved by the Group. This uncertainty over future cash flows represents an embedded derivative to be measured at fair value which must be separately accounted for from the host royalty liability. This embedded derivative is valued as the difference between the fair value of the instrument as a whole and the fair value of the host liability. The revised valuation methodology used by the Group aligns with the accounting policy applied by the ultimate parent company, Anglo American plc. The Group will report a derivative liability (asset) when the present value of royalty payments due to Hancock is expected to be greater (lower) than those originally forecast because of expected revenues being higher (lower) than those originally forecast, meaning that the Group's royalty payments will consequently be higher (lower). On the drawdown date, the embedded derivative was designated as a hedging instrument in a cash flow hedge relationship. Any forecast changes in cash flows are accounted for through other comprehensive income rather than the income statement and will be recycled to revenue as the related revenue is recognised.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Accounting policies (continued)
Derivative financial instruments

Derivatives are recognised by the Group when it becomes party to contractual arrangements which include derivative features on a standalone basis or embedded within a linked host non-derivative instrument. Derivatives are measured at fair value at each reporting date with all changes in fair value being recognised within finance costs within the income statement, unless the derivatives are designated in hedge accounting relationships. The Group does not use derivative financial instruments for speculative purposes.

See note 13 for details of the royalty financing agreements held by the Group.

1.15 Net finance (costs)/income

Interest income is accrued using the effective interest rate method. Interest is expensed as incurred except where it relates to the financing of construction or development of qualifying assets.

Interest on borrowings directly relating to the financing of qualifying assets in the course of construction is added to the capitalised cost of those projects under 'capital works in progress', until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred net of all interest income earned on the temporary re-investment of those borrowings prior to utilisation. All other borrowing costs are recognised as part of interest expense in the year in which they are incurred.

1.16 Employee benefits

Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries including non-monetary benefits and annual leave obliged to be settled within nine months of the balance sheet date, are recognised within accruals.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting estimates and judgments

2.1 Significant accounting judgements

Application of hedge accounting in relation to the royalty financing

The Group designated both the host liability and the embedded derivative within the royalty financing as hedging instruments in cash flow hedge relationships against the variability associated with the Group's future revenues (see note 13). The ongoing appropriateness of the cash flow hedging relationship is dependent upon the Group's future revenues continuing to be assessed as 'highly probable' which is the relevant threshold set under IFRS 9 *Financial Instruments*. Were it to be judged that the highly probable designation was no longer appropriate, this would result in all unrecognised gains and losses accumulated in the cash flow hedge reserve in respect of both of these hedges being immediately recycled through the income statement. The directors continue to assess the Group's future revenues as highly probable.

2.2 Significant accounting estimates

The preparation of these financial statements has required the use of estimates that affect the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates. Estimates and assumptions are frequently reviewed, with revisions recognised in the year in which the estimates are revised and in any future years affected. The most significant areas of estimation uncertainty at the end of 2022 that have a significant risk of resulting in material adjustments to the carrying amount of assets or liabilities within the next financial year are as follows:

Estimation of fair value of embedded derivative (see note 13)

None of the embedded derivatives (both within the convertible loans and royalty financing) have observable market prices and so the Group is required to identify appropriate valuation models in calculating the fair values of these. In making its estimates, priority is given to inputs based on actual market data and transactions, although these valuations nevertheless require some level of subjective assessment and the use of different valuation assumptions could have a significant impact upon the Group's reported financial performance and position. Further information is given within note 21 around the valuation methods and sources of estimation uncertainty around each of the Group's derivatives. During the year, the valuation methodology for the royalty financing has been amended to value the embedded derivative as the difference between the fair value of the whole instrument and fair value of host liability, which is detailed within the section 1.14 of accounting policies.

Impairment of non-current assets (see note 7 and 8)

The Group was acquired by Anglo American plc in March 2020. Following the acquisition, the Anglo American Group has continued to fund critical construction activities while conducting a design and scoping review to ensure the project meets Anglo American's high safety and operating standards as well as optimising commercial value given the long life of the mine. The design and scoping review is ongoing but recent project team proposals, endorsed by the Board at the end of the year, indicate there will be changes to the configuration of the project that will incur higher future capital expenditure and result in a longer construction schedule with first product expected to be brought to market in 2027. These items were identified as an indicator of impairment and the carrying value of the related assets was assessed as at 31 December 2022. This resulted in an impairment of \$1,707.5 million (\$1,707.5 million after tax) to bring the carrying value into line with the recoverable amount of \$897 million. The impairment was allocated primarily to property, plant and equipment.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting estimates and judgments (continued)
2.2 Significant accounting estimates (continued)

The valuation is inherently sensitive to changes in economic and operational assumptions and there is a particularly wide range of potential outcomes given the early stage of project development:

- The model uses a long term forecast price of polyhalite of \$192/tonne (2023 real basis), which is calculated using a probabilistic average of a number of pricing methodologies (including a blended substitution approach) due to the immaturity of the existing polyhalite market and the pricing uncertainty that this brings. If prices were increased or decreased by \$10/tonne throughout the model, the valuation would change by \$0.4 billion.
- The model uses a discount rate of 9.58%, which includes a development stage premium. If the discount rate reduced by 0.5 percentage points, the valuation would increase by \$0.5 billion.

The Board has approved capital expenditure of \$780 million for 2023 and the project will come to the Board for future approvals once the design and scoping review is complete. Any changes to forecast capital expenditure have a direct impact on the recoverable amount of the asset (assuming all other inputs remain the same) given the nearer term nature of the expenditure.

3. Operating loss

Within operating costs in 2022 there are \$1,707.5 million (2021: Nil) impairment charges (as detailed further in note 2).

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. Employee benefit expenses

Group	2022 \$m	2021 \$m
Employee benefit expenses (including directors) comprise:		
Wages and salaries	53.8	66.4
Social security contributions and similar taxes	5.5	8.1
Defined contribution pension cost	4.3	5.1
Share based payment expenses	1.3	-
Short-term non-monetary benefits	0.8	-
Total	65.7	79.6
Less: expense capitalised	(58.9)	(70.8)
Total expense recognised in statement of comprehensive income	6.8	8.8

\$58.9m (2021: \$70.8 million) of the above total expense has been capitalised as part of additions to non-current assets during the year as it relates to staff costs for staff members employed directly in relation to the development of the Project.

During the year, the total directors' emoluments were \$1.7 million (2021: \$6.4 million). The highest paid director's emoluments were \$0.9 million (2021: \$3.3 million).

Since 31 December 2022, C Lockett, a director of the principal Group subsidiary (Anglo American Woodsmith Limited) has announced his intention to retire in 2023.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed on page 1.

	2022 \$m	2021 \$m
Salary	2.7	8.2
Defined contribution scheme costs	0.6	0.3
Compensation for loss of office	0.2	1.3
Share based payment expense	0.2	0.1
	3.7	9.9

The monthly average number of persons, including the directors, employed by the Group during the year was as follows:

	2022 No.	2021 No.
Staff	473	609
	473	609

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Finance income and expense

	2022	<i>2021</i>
	\$m	<i>\$m</i>
Interest receivable	(0.1)	-
Finance expense		
Interest expense	203.4	125.8
Interest capitalised	(203.4)	(125.8)
Foreign exchange losses	0.9	2.1
Net finance expense	<u>0.8</u>	<u>2.1</u>

The Group was carrying out significant development work on the Project in each year presented. As a result, all interest expense incurred in relations to borrowings where the funds have been used to develop the Project (net of interest income earned on the temporary investment of these same borrowings) has been capitalised as part of capital works in progress within property, plant and equipment as part of the additions to capital works in progress in each year presented.

6. Income Tax

	2022	<i>2021</i>
	\$m	<i>\$m</i>
Current tax (charge)	(0.1)	(0.1)
Deferred tax (charge)/credit	(67.1)	37.4
Total tax (charge)/credit for the year	<u>(67.2)</u>	<u>37.3</u>

The tax (charge)/credit for the year is higher (2021: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2021: 19%). The differences are explained below:

	2022	<i>2021</i>
	\$m	<i>\$m</i>
Loss on ordinary activities before taxation	(1,726.4)	(33.9)
Loss on ordinary activities multiplied by the standard rate of corporation taxation in the UK of 19% (2021: 19%)	328.0	6.4
<i>Taxation effects of:</i>	-	-
Income exempt from taxation	0.9	1.4
Group relief	(19.0)	(15.0)
Expenses not deductible for tax purposes	(315.0)	(1.4)
Amortised cost basis	2.4	-
Deferred tax assets not recognised	(64.4)	45.9
Total tax (charge)/credit for the year	<u>(67.1)</u>	<u>37.3</u>

The Finance Act 2021 included measures to increase the standard rate of UK corporation tax to 25% with effect from 1 April 2023. The Finance Act 2021 was enacted in June 2021 and accordingly, these rates are applicable to the measurements of deferred tax balances at 31 December 2022.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Intangible assets

	Goodwill \$m	POLY4 developme nt costs \$m	Process developme nt costs \$m	Computer software \$m	Total \$m
Net book value					
At 1 January 2022	-	23.4	22.2	-	45.6
Additions	-	7.0	16.3	-	23.3
Impairment	-	(20.3)	(25.7)	-	(46.0)
Disposals					
At 31 December 2022	<u>-</u>	<u>10.1</u>	<u>12.8</u>	<u>-</u>	<u>22.9</u>
 Cost	8.2	37.7	45.2	0.8	92.2
Accumulated amortisation	-	-	-	(0.8)	(0.8)
Impairment losses	<u>(8.2)</u>	<u>(27.6)</u>	<u>(32.6)</u>	<u>(0.1)</u>	<u>(68.5)</u>
 At 31 December 2021					
Cost	8.2	30.7	29.1	0.8	68.8
Accumulated amortisation	-	-	-	(0.7)	(0.7)
Impairment losses	<u>(8.2)</u>	<u>(7.3)</u>	<u>(6.9)</u>	<u>(0.1)</u>	<u>(22.5)</u>

As of 31 December 2022, an impairment trigger was identified following the communication of project team proposals to the Board arising from the ongoing design and scoping review, see note 2 for further details.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Property, plant and equipment

	Land \$m	Plant and equipment \$m	Capital works in progress \$m	Total \$m
Net book value				
At 1 January 2022	31.4	1.8	1,789.9	1,823.1
Additions	-	2.8	710.5	713.3
Depreciation for the year	-	(0.8)	-	(0.8)
Impairment	(21.1)	(2.7)	(1,637.7)	(1,661.5)
At 31 December 2022	<u>10.3</u>	<u>1.1</u>	<u>862.7</u>	<u>874.1</u>
 Cost	 49.2	 6.8	 3,199.4	 3,255.4
Accumulated depreciation and impairment losses	<u>(38.9)</u>	<u>(5.7)</u>	<u>(2,336.7)</u>	<u>(2,381.3)</u>
At 31 December 2021				
Cost	49.2	4.0	2,488.9	2,542.1
Accumulated depreciation and impairment losses	<u>(17.8)</u>	<u>(2.2)</u>	<u>(699.0)</u>	<u>(719.0)</u>

All eligible borrowing costs in the period have been capitalised during the year.

As of 31 December 2022, an impairment trigger was identified following the communication of project team proposals to the Board arising from the ongoing design and scoping review, see note 2 for further details.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9. Restricted Cash

Restricted cash represents amounts set aside by the Group in bank accounts and which are not available for general use due to contractual restrictions. Amounts are reclassified from restricted cash to cash and cash equivalents when the contractual restrictions expire. All amounts are classified as non-current except for those amounts which are expected to be released back to the Group within the next 12 months which are classified as current assets.

	2022	2021
	\$m	\$m
At 1 January	36.6	37.0
New purchases	1.8	0.1
Foreign exchange and interest	(3.8)	(0.5)
At 31 December	<u>34.6</u>	<u>36.6</u>

10. Associates

On 26 June 2019, the Company acquired 30% of the ordinary share capital of each of Cibrafertil – Companhia Brasileira de Fertilizantes (Cibrafertil) and Cibra Trading Inc (Cibra Trading) from a fellow group company. On this date it was judged that the Company had gained significant influence over the two companies and that they should be accounted for as associates under the equity method. Both associates are private companies for which there are no quoted market prices available for their shares. There are no contingent liabilities relating to the Company's interest in either associate.

On 1 April 2021, the Company restructured its shareholding arrangements in relation to Cibrafertil and Cibra Trading, reducing its shareholding from 30% down to 10% in return for receiving 2 option agreements to acquire additional shareholdings in the future one being a minority call option and the other being a majority call option, which has been assessed to have a fair value of \$nil. The minority option was originally valued at 2/3rds of the investment value and requires regular revaluation to fair value with movements recorded in the statement of comprehensive income. The minority call option would allow the Group to repurchase a 20% shareholding at any time. The majority call option would allow the purchase of a majority interest in 2024. During the year ended 31 December 2022, the option was revalued at \$13.0m (2021: \$8.8m) with a fair value gain of \$4.2 million (2021: loss of \$7.8 million) was recognised in the statement of comprehensive income.

	2022	2021
	\$m	\$m
Aggregate carrying amount of associates	<u>11.3</u>	<u>10.7</u>
Aggregate amounts of the group's share of:	-	-
Profit from continuing operations	0.5	3.4
Total comprehensive income	<u>0.5</u>	<u>3.4</u>

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. Other receivables

	2022	<i>2021</i>
	\$m	<i>\$m</i>
Prepayments	15.4	13.8
VAT recoverable	13.7	13.5
Other receivables	0.8	1.3
Total other receivables	<u>29.9</u>	<u>28.6</u>

12. Trade and other liabilities

	2022	<i>2021</i>
	\$m	<i>\$m</i>
Trade payables	6.5	23.4
Accruals and other payables	86.5	59.0
Taxation and social security	2.0	2.0
Total trade and other payables	<u>95.0</u>	<u>84.4</u>

ANGLO AMERICAN CROP NUTRIENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. Royalty financing

During 2018, Hancock paid the Group \$250 million in return for future royalty payments amounting to 5% of gross revenues on the first 13 million tonnes of product sold in each calendar year and a further 1% of gross revenues on sales in excess of 13 million tonnes, for the life of the Project. There is no minimum or maximum limit for future royalty payments, although if the Group were to go into administration before the completion of the Project's construction then Hancock could request immediate repayment of the \$250 million that was originally paid.

On receipt of the \$250 million cash, a corresponding host US Dollar-denominated royalty liability of the same amount was recognised in respect of the present value of future royalty payments that the Group expects to pay Hancock over the Project's life. Prior to the Group's change of functional currency on 17 March 2020, as a US Dollar-denominated liability, the host royalty liability gave rise to foreign exchange volatility in respect of foreign exchange fluctuations that arose from translating the underlying liability back into the Company's functional currency of Sterling based on the Sterling /US Dollar exchange rate prevailing at the year-end date compared to the exchange rate at the start of each year.

On the drawdown date, the Group designated the host liability as a hedging instrument in a cash flow hedge relationship against the Group's future US Dollar-denominated revenues on the basis that these future revenues were judged to be highly probable, as required by IFRS 9 (see the significant accounting judgments section of note 2 for further details). Previously, all foreign exchange gains and losses arising on the periodic retranslation into Sterling of the royalty financing's host instrument were recognised through the statement of comprehensive income (instead of finance costs within the income statement) and accumulated within the cash flow hedge reserve within equity. Since the acquisition of the group by the parent and the subsequent change in functional currency for the group from GBP to USD on 16 March 2020 the embedded derivative is no longer in a hedging relationship against the foreign exchange risk as the functional currency of the group now matches that of the instrument itself.

On the drawdown date, the Group designated the royalty's embedded derivative as a hedging instrument in a cash flow hedge relationship against the Group's future revenues which are deemed to be highly probable (see the significant accounting judgments section of note 2 for further details). This is on the basis that any changes in the value of expected future royalty payments will be wholly offset by changes in the Group's revenues compared to the original drawdown-date expectation. As such, it is expected that a perfect hedge should be maintained across the life of the royalty financing, with the Group only being exposed to the risk of bad debts. Therefore, all fair value gains or losses upon periodic re-measurement of the derivative will be recorded through the statement of comprehensive income (instead of finance costs within the income statement) and accumulated within the cash flow hedge reserve within equity. The accumulated fair value differences will subsequently be recycled out of the cash flow hedge reserve through the income statement in the same years as differences occur between royalty payments anticipated on the drawdown date and royalty payments actually due. During the year the Group has revised the royalty valuation which is detailed in accounting policy 1.14. The valuation has increased in the year reflecting changes to the production profile arising from the revised development schedule. The royalty financing has moved as follows in each year:

	2022			2021		
	Host instrument \$m	Embedded derivative \$m	Total \$m	Host instrument \$m	Embedded derivative \$m	Total \$m
At 1 January	488.9	(361.6)	127.3	398.6	(279.2)	119.4
Interest charge	109.3	-	109.3	90.3	-	90.3
Fair value remeasurement	-	268.2	268.2	-	(82.4)	(82.4)
At 31 December	598.2	(93.4)	504.8	488.9	(361.6)	127.3

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. Lease liabilities

The Group entered into a 30 year lease of land which it plans to use for storage of finished product adjacent to the Redcar Bulk Terminal port facility. This lease represents the majority of the balance of reported lease liabilities outstanding as at 31 December 2022 and depreciation will not commence on it until the storage facilities planned to be constructed on it are ready for use. Balances arising from the Group's lease transactions have moved as follows during the year:

Right-of-use leased assets (principally classified as land within property, plant and equipment)	2022 \$m	2021 \$m
On 1 January	11.4	11.6
Additions	2.8	-
Disposal	-	(0.2)
Impairment	(9.6)	-
At 31 December	4.6	11.4
Lease liabilities		
On 1 January	(12.3)	(12.8)
Additions	(2.8)	-
Interest expense	(0.5)	(0.5)
Payments made	0.9	0.5
Foreign exchange gains	0.8	0.5
At 31 December	(13.9)	(12.3)
- classified as non-current liabilities	(12.9)	(11.8)
- classified as current liabilities	(1.0)	(0.5)

15. Provisions

	2022 \$m	2021 \$m
At 1 January	22.8	18.4
Amounts capitalised/(released) as part of property, plant and equipment	(2.8)	4.4
Foreign exchange losses	(2.5)	-
At 31 December	17.5	22.8

The Group's development work on the Project gives rise to the future need to undertake restoration activities in order to maintain compliance with relevant planning consents. The Group's obligation is to undertake restoration activities at the end of the Project's life in order to restore sites to their previous character. In order to estimate the value of the provision, the Group has relied upon valuations which were undertaken for the purposes of determining the value of local security requirements. These amounts were valued by third parties based on the estimated present-day cost that would be required to remediate the disruption caused by the Group's activities by the end of the year. These costs, which the Group does not plan to be incurred for in excess of 30 years, have been discounted at a real risk-free rate of 0.5% (2021: 0.5% per annum), based on an estimate of the long-term, risk-free, cost of borrowing.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

16. Loans from parent company

Subsequent to the takeover of the Company by Anglo American plc during 2020 the Group's day-to-day financing needs have been met through funding provided by an indirect parent company, Anglo American International Holdings Limited. This loan is USD-denominated, unsecured, incurs a rate of interest linked to LIBOR plus an appropriate arms length lending margin with all interest being rolled up and only repayable upon expiry of the loan during 2027.

17. Bonds

The Group issued convertible bonds with a face value of \$400 million, prior to the takeover by Anglo American plc which provided loanholders the option to convert their loans into shares in the Company. Following the completion of the takeover of the Company by Anglo American plc, the equity conversion terms previously available to loanholders are no longer available. Instead, should a loanholder elect to convert their Non-Escrow loans, they would receive £45,027 in respect of each \$200,000 bond converted, being the proceeds from the shares that would have been converted into and acquired by Anglo American plc had the loanholder converted their shares prior to the takeover occurring which no loanholder is reasonably expected to do.

The 2019 bonds have moved as follows across the year:

	Non-Escrow loans Host loan 2022 \$m	<i>Non-Escrow loans Host loan 2021 \$m</i>
Opening balance on 1 January	104.8	98.0
Interest expense	12.7	11.8
Interest and make-whole payments	(5.0)	(5.0)
Closing balance at 31 December	<u>112.5</u>	<u>104.8</u>

18. Commitments and contingencies

At 31 December 2022, the Group had contracted but unrecognised capital expenditure commitments in respect of property, plant and equipment of \$2,460.2 million (2021: \$1,154.9 million). The Group has no other material commitments or contingent liabilities at 31 December 2022 (2021: none).

ANGLO AMERICAN CROP NUTRIENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

19. Related party transactions

The Group holds loans from a connected company, Anglo American International Holdings Limited (as further detailed in note 16) and have been entered into which has seen the Group drawdown \$553.0 million (2021: \$577.7 million) of cash funding and accrue \$86.7 million (2021: \$35.4 million) of interest during 2022.

20. Deferred taxation

	Non-current assets \$m	Royalty financing \$m	Hancock embedded derivative \$m	Net Total \$m
At 1 January 2021	24.9	28.1	(53.0)	-
Credited to income statement	5.8	31.6	-	37.4
Charged to other comprehensive income	-	-	(37.4)	(37.4)
At 31 December 2021	30.7	59.7	(90.4)	
(Charged)/credited to income statement	(30.7)	(36.4)	-	(67.1)
Credited to other comprehensive income	-	-	67.1	67.1
At 31 December 2022	-	23.3	(23.3)	-

The Group has \$2,710.2m of temporary differences on which a potential deferred tax asset of \$677.5m has not been recognised. Of this, \$437.9m relates to fixed assets, \$84.4m relates to other temporary differences and \$155.2m relates to tax losses and pre-trading expenditure.

At 31 December 2022, the Group has tax losses of \$420.1m that are available indefinitely for offset against certain future taxable profits of the Group. In addition, the main trading entity has \$200.6m of pre-trading expenses for which tax relief will only be available if the company commences trading within seven years of the expenditure being incurred. Deferred tax assets have not been recognised in respect of these losses and pre trading expenses as there is uncertainty whether suitable profits will arise in future periods against which the deferred tax asset would reverse.

The Finance Act 2021 included measures to increase the standard rate of UK corporation tax to 25% with effect from 1 April 2023. The Finance Act 2021 was enacted in June 2021 and accordingly, these rates are applicable to the measurements of deferred tax balances at 31 December 2021. The deferred tax has been measured at 25%.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21. Financial risk management

The main financial risks faced by the Group relate to the availability of funds to meet business needs (liquidity risk) and fluctuations in foreign exchange rates (market risk).

a. Liquidity risk

The Group's policy on overall liquidity is to ensure that it can call on sufficient funds to facilitate all ongoing operations and planned expansion of the Project on its optimal production timetable.

The Group monitors its levels of working capital and financial investments to ensure that it can meet its payments as they fall due. The following table shows the gross contractual maturities of the Group's recognised financial liabilities, including unrecognised future interest payments:

	Trade and other payables \$m	Loans from parent company \$m	Lease liabilities \$m	Convertible loans \$m	Total \$m
31 December 2022					
Amount due within 1 year or less	95.0	-	1.1	5.0	101.1
Amount due within 1-2 years	-	-	1.3	5.0	6.3
Amount due within 2-5 years	-	-	3.3	170.9	174.2
Amount due after 5 years	-	1,687.6	16.1	-	1,703.7
Total contractual cash flows	<u>95.0</u>	<u>1,687.6</u>	<u>21.8</u>	<u>180.9</u>	<u>1,985.3</u>
	Trade and other payables \$m	Loans from parent company \$m	Lease liabilities \$m	Convertible loans \$m	Total \$m
31 December 2021					
Amount due within 1 year or less	84.4	-	1.0	5.0	90.4
Amount due within 1-2 years	-	-	1.2	5.0	6.2
Amount due within 2-5 years	-	-	1.6	14.9	16.5
Amount due after 5 years	-	1,047.8	17.1	161.0	1,225.9
Total contractual cash flows	<u>84.4</u>	<u>1,047.8</u>	<u>20.9</u>	<u>185.9</u>	<u>1,339.0</u>

The above table does not include cash flows in relation to the royalty financing on the basis that cash flows under this arrangement are not contractually defined, but instead are wholly dependent upon the Group's revenue in future years. However, should the Group's primary subsidiary, Anglo American Woodsmith Limited, enter insolvency, then it would be required to repay Hancock the principal value of \$250 million upon its request.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

21. Financial risk management (continued)

b. Foreign currency exchange rate risk

The Group's operations are essentially based in the United Kingdom and it is expected that future revenues will be denominated in US dollars. The majority of the Group's operating and capital expansion costs are denominated in Sterling although a significant portion of capital expansion costs are expected to be denominated in Euros. The Group's existing debt financing is denominated in US Dollars.

The table below shows the currency denomination of the Group's recognised financial assets/(liabilities):

31 December 2022	Cash and cash equivalents \$m	Restricted cash \$m	Trade and other payables \$m	Convertible loans \$m	Loans from parent company \$m	Lease liabilities \$m	Royalty financing \$m	Provisi- ons \$m	Total \$m
US Dollars	0.8	-	(30.5)	(112.5)	(1,687.6)	-	(598.2)	-	(2,428.0)
Sterling	8.2	34.6	(45.2)	-	-	(13.9)	-	(17.5)	(33.8)
Other	1.7	-	(18.4)	-	-	-	-	-	(16.7)
Total	10.7	34.6	(94.1)	(112.5)	(1,687.6)	(13.9)	(598.2)	(17.5)	(2,478.5)

31 December 2021	Cash and cash equivalents \$m	Restricted cash \$m	Trade and other payables \$m	Convertible loans \$m	Loans from parent company \$m	Lease liabilities \$m	Royalty financing \$m	Provisi- ons \$m	Total \$m
US Dollars	0.3	-	(0.8)	(104.8)	(1,047.8)	-	(488.9)	-	(1,642.0)
Sterling	0.5	36.6	(76.9)	-	-	(12.3)	-	(22.8)	(74.9)
Other	3.8	-	(6.7)	-	-	-	-	-	(2.9)
	-	-	-	-	-	-	-	-	-
Total	4.6	36.6	(84.4)	(104.8)	(1,047.8)	(12.3)	(488.9)	(22.8)	(1,719.8)

Foreign exchange differences on retranslation of monetary items upon settlement and at year-end is recognised as part of finance costs in the income statement, except for financial assets in a designated cash flow hedge relationship where these differences are recognised as part of other comprehensive income.

The Group is exposed to foreign currency transaction risk on transactions that are denominated in currencies other than its presentational currency of US Dollars. The Group does not currently hedge foreign currency exposures associated with committed or probable expenditures in order to mitigate potential transaction risk.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

21. Financial risk management (continued)

c. Interest rate risk

The Group's loans from parent company has a contractual rate of interest that is benchmarked against USD LIBOR and so the Group is exposed to risks arising from movements in this benchmark rate. The Group is not however required to make any cash interest payments under its loan arrangement (as all such interest is capitalised as part of the loan's carrying value) and so fluctuations in USD LIBOR will not cause any potential liquidity issues until the loans require repayment in 2027.

The Group's bonds have fixed rates of interest and so interest payments due under these bonds are not exposed to any cash flow risk arising from fluctuations in market interest rates. The Group has no other interest-bearing liabilities.

d. Credit risk

Following the takeover of the Group by Anglo American during 2020, the Group maintains a very low level of exposure to financial assets. The only relevant credit risk that the Group faces is in relation to its restricted cash balance, although this is held with Barclays Bank who are deemed to pose a suitably low credit risk in safeguarding this balance.

e. Market risk

The Group's expected future revenues will fluctuate depending upon market conditions and so these may be different from those currently anticipated. The royalty financing mitigates a portion of this risk as the arrangement means that the Group has passed over an element of market risk to Hancock in return for an up-front fixed cash payment in 2018. Accordingly, the Group has designated the arrangement as part of a cash flow hedge relationship to faithfully reflect the risk transfer that the royalty achieves. See note 14 for further details.

f. Financial instruments

All financial assets and liabilities held by the Group at both 31 December 2022 and 31 December 2021 are measured at amortised cost, other than the Royalty financing which is designated within a cash flow hedge relationship.

The carrying value of all the Group's financial assets and liabilities is equivalent to their fair value except for the 2019 convertible bonds where the fair value (as measured by the traded market price of the loans) was \$132.6 million at 31 December 2022 (2021: \$152.9 million) as compared to their carrying value of \$112.5 million at 31 December 2022 (2021: \$104.8 million).

g. Fair value

At 31 December 2022 the only financial instrument measured at fair value in the Group's financial statements is the embedded derivative within the royalty financing which is treated as a level 3 measurement based on the framework set out in IFRS 13 Fair Value. The fair value of the derivative is based on the latest projections of expected royalty payments, (which is dependent upon expectations over the Project's future revenues), compared to the equivalent expectation which prevailed at the drawdown date.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

21. Financial risk management (continued)
Fair valuation sensitivities

The inputs used in the fair valuation estimates of this derivative reflects the Group's exposure to various market risks. Movements in these inputs cause the fair valuation of the derivative to fluctuate and affect reported net finance costs. Increases in expected future revenues (and consequently, royalty payments) compared to the expectation on drawdown date would cause the royalty embedded derivative to become a liability, although would have no impact on total loss as the derivative has been designated in a cash flow hedge relationship.

The sensitivity of each of the derivatives' valuation in respect of changes in the most significant input variables are as follows:

	2022	<i>2021</i>
	\$m	<i>\$m</i>
Impact on total equity (as impact on total loss in each case is \$nil as the derivative is in a cash flow hedge relationship)		
Estimate of future revenues price per tonne (increase)/decrease by 10%	(50.5)/50.5	<i>(12.7)/12.7</i>
Delay of 1 year in completion of the Project's construction and ramp up	47.9	<i>21.6</i>

ANGLO AMERICAN CROP NUTRIENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

22. Subsidiary undertakings

The following table lists all of the Group's subsidiary undertakings. The Group owns 100% of the ordinary share capital directly and indirectly and consolidates the full results of each of these entities. The registered office of these subsidiaries is 17 Charterhouse Street, London, EC1N 6RA ('17 CS') unless otherwise stated.

Name	Country of incorporation	Principal activity	Registered address
Anglo American Woodsmith Limited	England	Project development	17 CS
Anglo American Woodsmith (Teesside) Limited	England	Project development	17 CS
York Potash Holdings Limited	England	Holding company (In liquidation)	17 CS
York Potash Intermediate Holdings Limited	England	Holding company (In liquidation)	17 CS
Sirius Minerals Holdings Limited ¹	England	Holding company	17 CS
YPF Limited	England	Dormant	17 CS
SACH 1 Limited ¹	England	Intercompany financing	17 CS
SACH 2 Limited ¹	England	Intercompany financing	17 CS
Sirius Minerals Finance Limited	Jersey	Fundraising	47 Esplanade, St Helier, Jersey JE1 0BD
Sirius Minerals Finance No.2 Limited	Jersey	Fundraising	47 Esplanade, St Helier, Jersey JE1 0BD
Auspotash Corporation Limited ¹	Canada	Dormant	333 Bay Street, Suite 2400, Toronto, Ontario, M5H 2T6
Anglo American Crop Nutrients (USA) LLC	USA	Employee payroll	120 W Sweet Ave, Bismarck, ND 58504-5566
Anglo American Crop Nutrients (Singapore)	Singapore	Employee payroll	80 Robinson Road, Singapore, 068898
Sirius Minerals India Private Limited ²	India	Employee payroll	Level 2, Elegance Tower, Old Mathura Road, Jasola District Centre, New Delhi, 110025, India

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The following table lists all of the Group's investments in associates which it does not consolidate in full the results of but instead accounts for these investments using the equity method as further disclosed in note 10.

Name	Country of incorporation	Principal activity	Registered address
Cibrafertil – Companhia Brasileira de Fertilizantes	Brazil	Fertiliser production and distributor	1428 Rua Alfa, Polo Petroquímico, Camacari, Bahia, Brazil
Cibra Trading Inc	Panama	Fertiliser purchasing	2nd Floor, MMG Tower, East 53rd Street, Marbella, Panama City, 0807, Panama

Notes:

¹: Represents those companies where 100% of the company's shares are directly held by Anglo American Crop Nutrients Limited.

²: Represents those companies where 50% of the company's shares are directly held by Anglo American Crop Nutrients Limited (with the other 50% being held by Sirius Minerals Holdings Limited).

23. Share based payments

During the year ended 31 December 2022, the Group had 4 share-based payment arrangements with employees. All of the Group's schemes are equity settled, either by award of options to acquire Anglo American plc ordinary 54 86/91 US cents (the "Ordinary Shares") (SAYE) or award of Ordinary Shares (BSP, LTIP and SIP).

The fair values of options granted under the SAYE schemes were calculated using a Black Scholes model.

The fair value of Ordinary Shares awarded under the BSP and LTIP - ROCE was calculated using a Black Scholes model. The fair value of Ordinary Shares awarded under the LTIP - TSR scheme was calculated using a Monte Carlo model.

All options outstanding at 31 December 2022 with an exercise date on or prior to 31 December 2022 are deemed exercisable. No options were exercised during the year (2021: no options exercised).

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Granted during the year	2,230.0	110,992.0	-	-
Outstanding at the end of the year	2,230.0	110,992.0	-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

23. Share based payments (continued)

	2022 \$m	2021 \$m
Equity-settled schemes	1.3	-
	<u>1.3</u>	<u>-</u>

\$1.3m (2021: nil) of the above total expense has been capitalised as part of additions to non-current assets during the year as it relates to staff costs for staff members employed directly in relation to the development of the Project.

24. Auditors' remuneration

Fees payable to the Group's auditors and its associates included in operating costs are as follows:

	2022 \$000	2021 \$000
Audit fees		
Fees payable for the audit of the Group's consolidated financial statements	156.7	197.0
Fees payable for the audit of the Company's subsidiaries	32.9	22.0
Fees payable for review of the half-year financial information	20.0	21.0
Total audit-related fees	209.6	240.0
Other non-audit assurance services	-	-
Total non-audit fees	-	-
Total auditors' remuneration	<u>209.6</u>	<u>240.0</u>

25. Events after the reporting date

Since 31 December 2022, a new entity (Anglo American Europe B.V.) has been incorporated in the Netherlands to commence the sale of sample product in Europe and is a subsidiary of Anglo American Crop Nutrients Limited.

26. Controlling party

The immediate parent company is Anglo American International Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The ultimate parent company and controlling party of the Group is Anglo American plc. The financial statements of both the immediate and ultimate parent companies may be obtained from the Company Secretary, 17 Charterhouse Street, London, United Kingdom, EC1N 6RA, the registered office of both companies.

ANGLO AMERICAN CROP NUTRIENTS LIMITED

**NOTES TO THE COMPANY FINANCIAL STATEMENTS
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27. Parent Company accounting policies

The accounting policies which have been applied by the Company when preparing the financial statements are in accordance with FRS 101. FRS 101 is based on the recognition and measurement requirements of UK-adopted International Accounting Standards under which the consolidated Group financial statements have been prepared. As a result, the accounting policies of the Company are consistent with those used and disclosed in the consolidated Group financial statements, except for the policy relating to investments in subsidiaries.

Investments

Investments are initially stated at cost. Investments are tested for impairment when an indication of impairment becomes apparent. An impairment loss is recognised in the income statement to the extent that the carrying amount cannot be recovered either by selling the asset or is not supported by the discounted future cash flows from the investment.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Company is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiary undertakings, with a corresponding credit to the share-based payment reserve within equity.

Basis of preparation

These financial statements relate to the Company, which is a private limited company incorporated and domiciled in England under the Companies Act 2006 (Registration number 04948435). The registered address is 17 Charterhouse Street, London, EC1N 6RA.

These financial statements present the results of the Company as an individual entity and are prepared on the going concern basis, in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. These financial statements have been prepared on the going concern basis as detailed in note 1 of the consolidated Group financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under the standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of share capital, presentation of a cash flow statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are provided in the consolidated Group financial statements within this Annual Report.

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (principally loans from subsidiaries) stated at fair value through profit or loss. The principal accounting policies set out below have been consistently applied to all years presented.

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NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

28. Significant accounting judgements and estimates

The most significant estimates and judgement is the estimation of the value of the expected credit loss (ECL) provisions required by IFRS 9 recognised in respect of loans to certain subsidiaries as detailed in note 30 represents a significant estimate. Identifying the appropriate value of the provision requires significant estimation as it is based on the Company's subjective assessment of hypothetical credit outcomes of the loans. A one percentage point increase (decrease) in the estimated chance of a full impairment of the loans would result in an increase (decrease) in the provision and expense recorded during the year of \$3.6 million (2021: \$11.4 million).

29. Investments

	2022 \$m	2021 \$m
At 1 January	273.1	273.1
Impairments recognised	(273.1)	-
At 31 December	-	273.1

Disclosure of the Company's subsidiaries is given in note 25 of the consolidated financial statements. The value of the investments is assessed using the projected discounted cash flows of the subsidiaries which are based on the Group's most recent financial projections.

Impairments in subsidiaries have arisen in 2022 largely due to the relevant subsidiaries having recognised impairments to operations which mean that the residual balance sheets of these subsidiaries no longer support the carrying value which they are reported at on the Company's balance sheet.

30. Loans to subsidiaries

	2022 \$m	2021 \$m
Gross non-current loans to subsidiaries	1,286.1	1,217.4
Gross current loans to subsidiaries	1.7	2.8
Less: ECL provisions recognised	(857.9)	(0.7)
Total loans to subsidiaries	430.0	1,219.5

The Company's non-current loans to subsidiaries are repayable in 2025. Current loans are repayable on demand.

Due to impairments to property, plant and equipment and intangible assets being recognised in the principal subsidiaries of the Group, as disclosed in note 2.2, an ECL provision has been recognised.

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**NOTES TO THE COMPANY FINANCIAL STATEMENTS
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31. Loans from subsidiaries

	2022	2021
	\$m	\$m
Loans from Sirius Minerals Finance No.2 Limited	132.6	152.8
Other loans from subsidiaries	-	37.7
Total loans from subsidiaries	<u>132.6</u>	<u>190.5</u>

Intercompany loans are in place from SMF2 to the Company for the gross proceeds of the 2019 bonds. The terms of the intercompany loans mirror the terms of the external bonds as detailed in note 17 to the consolidated Group financial statements.

All loans from subsidiaries other than the loan from SMF2 are accounted for at amortised cost. The loan from SMF2 is accounted for at fair value, with the calculation of fair value being based on the underlying contractual terms of the loan taking into account the traded price of the loans as at 31 December 2022. All other loans from subsidiaries do not bear interest, are unsecured and repayable on demand.

32. Loans from parent company

	2022	2021
	\$m	\$m
Loans from parent company	211.2	183.2
Total loans from parent company	<u>211.2</u>	<u>183.2</u>

Intercompany loans are in place from the Company's immediate parent company and bear interest at an appropriate arms length lending margin with all interest being rolled up and repayable upon expiry of the loan in 2027.