

**Anglo American Woodsmith Limited  
(formerly known as York Potash Ltd)**

**Annual report and financial statements  
for the year ended 31 December 2021**

**Company number: 07251600**

**Contents**

STRATEGIC REPORT	2
DIRECTORS' REPORT	6
INDEPENDENT AUDITORS' REPORT	10
STATEMENT OF COMPREHENSIVE INCOME	13
STATEMENT OF FINANCIAL POSITION	14
STATEMENT OF CHANGES IN EQUITY	15
NOTES TO THE FINANCIAL STATEMENTS	16

## STRATEGIC REPORT for the year ended 31 December 2021

The Directors present their strategic report on Anglo American Woodsmith Ltd (formerly York Potash Ltd) (the “Company” or “AAWL”) for the year ended 31 December 2021.

### PRINCIPAL ACTIVITIES

The principal activity of the Company 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 Company is wholly owned by Anglo American plc.

#### Business review

Construction of the mine progressed throughout 2021, with excavation of the mineral transport tunnel passing 18 km by the end of the year, beyond the intermediate access shaft site at Lockwood Beck. The Lockwood Beck shaft was completed, having reached its target depth of 383 m, and shaft lining is currently under way. At the mine head itself, shaft boring started in the service shaft, while progress was made on the production shaft infrastructure.

A detailed technical review of the project continued throughout the year and confirmed that a number of elements of the project’s design would benefit from modification to bring it up to Anglo American plc’s (“Anglo American”) safety and operating integrity standards and to optimise the value of the asset for the long term.

The Woodsmith team is further developing the engineering to optimise the configuration of the project, recognising the multi-decade life of the mine. Particular attention is on those aspects identified at the outset of Anglo American’s ownership – namely, the sinking of the two main shafts, the development of the underground mining area, and the changes required to accommodate both increased production capacity and the more efficient and scalable mining method of using only continuous miners; such improvements will also require the installation of additional ventilation earlier in the development of the underground mining area.

The Company 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 POLY4, to the end users of the product – farmers.

Capital invested in the project during the financial year was \$527.0 million against a budget of \$614.0 million. The underspend of \$87.0 million was mainly due to delays in procurement against original budget assumptions and changes in workstreams to focus on the most critical areas.

The Company's total profit for the financial year was \$4.1 million (2020: loss of \$699.8 million).

As at 31 December 2021 net liabilities were \$295.6 million (2020: net liabilities of \$344.7 million).

#### s172 statement

The Board is cognisant of its legal duty to act in good faith and to promote the success of the Company for the benefit of its shareholders and with regard to the interests of stakeholders and other factors. These include the likely consequences of any decisions it makes in the long term; the need to foster the relationships the Company has with all of its stakeholders; the interests of its

## STRATEGIC REPORT for the year ended 31 December 2021 (continued)

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 take into account 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 endeavours 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 Company'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 Company's behaviour 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 Company 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 Company'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 Company does. The Company 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 Company. The Board considers workforce engagement to be a priority for every leader at Anglo American; for several years, the Company has run regular surveys to identify areas where, for example we need to do more to ensure that colleagues feel cared for and respected.

### Long Term Decision Making

The Board took a range of factors and stakeholder considerations into account when making decisions in the year. Decisions are made within the context of the long term factors that may impact the Company and its stakeholders. The Project that the Company is pursuing has unparalleled low environmental impact design and construction, agricultural sustainability enhancing product, and positive impact for the local community in the North East 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.

## STRATEGIC REPORT for the year ended 31 December 2021 (continued)

### Principal risks and uncertainties

The management of the business and the execution of the Company'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 & 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 Company'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 Anglo American 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 licences and permits, licence 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 in market disruption and adaptation likely to continue; and
- Foreign exchange fluctuations – The Company 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.

**STRATEGIC REPORT for the year ended 31 December 2021 (continued)**

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 Company'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.

The Strategic Report on pages 2 to 5 was approved by the Board on 27 June and signed on its behalf by:



**J Flynn**  
**Director**

## **DIRECTORS' REPORT for the year ended 31 December 2021**

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

### **DIRECTORS**

The Directors who served the Company during the year and up to the date of signing the financial statements are as follows:

J Flynn (appointed 14 July 2021)  
CN Fraser (resigned 4 January 2022)  
CJ Lockett (appointed 14 July 2021)  
TJ McCulley (appointed 12 January 2022)  
RJB Price  
TJ Staley (resigned 16 July 2021)  
DG Wanblad (resigned 6 May 2022)

The Company Secretaries who served the Company during the year and up to the date of signing the financial statements were:

Anglo American Corporate Secretary Limited

### **DIVIDENDS**

During the year the Directors did not recommend a final dividend (2020: \$245.5 million).

### **GOING CONCERN**

The Board of Directors have received confirmation from Anglo American Services (UK) Ltd ("AAS") that the companies within the Anglo American Crop Nutrients Limited (formerly Anglo American Woodsmith Limited) group (the "Group") are part of the Anglo American plc group and that AAS will provide adequate financial support to the companies within the Group to meet their obligations for a period of at least 12 months from the Directors' approval of each of the company's statutory financial statements for the year ended 31 December 2021. This confirmation from AAS is not intended to provide comfort to any parties other than the Directors, and is not, and should in no way be construed to be by AAS either a guarantee of the obligations of the companies or any other form of credit support in respect of the companies and does not create any rights against AAS, or any obligations or liability at law or otherwise on the part of AAS in respect of the obligations of the companies.

Having assessed the principal risks and having regard for the above, and taking account of possible changes in trading performance, 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 Company's scale of activities will continue to increase in the coming years as the construction of the project continues. The Company 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.

**DIRECTORS' REPORT for the year ended 31 December 2021 (continued)****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.

**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 due 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 Company 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.

**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 carry out the role. The Company endeavours 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.

**POST BALANCE SHEET EVENTS**

There were no events after 31 December 2021 that affect the company.

## **DIRECTORS' REPORT for the year ended 31 December 2021 (continued)**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

### **STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS**

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 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 company's auditors are aware of that information.

### **FINANCIAL RISK MANAGEMENT**

The Company's operations expose it to a variety of financial risks. The Company's indirect parent undertaking, Anglo American Crop Nutrients Limited (formerly Anglo American Woodsmith Limited), has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company. This is disclosed within Anglo American Crop Nutrient Limited's financial statements available from Companies House.

**DIRECTORS' REPORT for the year ended 31 December 2021 (continued)****INDEPENDENT AUDITORS**

Under section 478(2) of the Companies Act 2008, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

On behalf of the Board



**J Flynn**  
**Director**  
**27 June 2022**

# Independent auditors' report to the members of Anglo American Woodsmith Limited (formerly York Potash Limited)

## Report on the audit of the financial statements

### Opinion

In our opinion, Anglo American Woodsmith Limited (formerly York Potash Limited)'s financial statements:

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

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2021; the statement of comprehensive income and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

## Reporting on other information

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

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

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

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

### Strategic report and Directors' report

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

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

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

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

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

### Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to 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

**ANGLO AMERICAN WOODSMITH LIMITED > FINANCIAL STATEMENTS 2021**

(including the risk of override of controls), and determined that the principal risks were related to management bias to manipulate financial reporting. Audit procedures performed by the engagement team included:

- Enquiries of management around 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 targeting approach for unexpected account combinations, unusual users and unusual words;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular, the royalty calculation and impairment trigger assessment; and
- Reviewing financial statement disclosures and testing to supporting documentation 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

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

## Other required reporting

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Randal Casson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
27 June 2022

## ANGLO AMERICAN WOODSMITH LIMITED &gt; FINANCIAL STATEMENTS 2021

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2021

	Note	2021 \$m	2020 \$m
Operating costs	3	(19.9)	(101.7)
Impairment loss	7 & 8	-	(620.1)
Share of profit from equity accounted investments	9	3.4	3.3
<b>Operating loss</b>	<b>3</b>	<b>(16.5)</b>	<b>(718.5)</b>
Net finance costs	5	(2.0)	(34.3)
Fair value movement on minority call option	9	(7.8)	-
Impairment of investment in associate	9	(7.0)	-
<b>Loss before taxation</b>		<b>(33.3)</b>	<b>(752.8)</b>
Taxation	6	37.4	53.0
<b>Profit/(loss) for the financial year</b>		<b>4.1</b>	<b>(699.8)</b>
<b>Other comprehensive income/(expense)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Cash flow hedging movement	13	82.4	214.6
Deferred tax impact of the above	6	(37.4)	(53.0)
<b>Other comprehensive income for the year</b>		<b>45.0</b>	<b>161.6</b>
<b>Total comprehensive income/(expense) for the year attributable to the owner of the Company</b>		<b>49.1</b>	<b>(538.2)</b>

All activities relate to continuing operations.

## ANGLO AMERICAN WOODSMITH LIMITED &gt; FINANCIAL STATEMENTS 2021

## STATEMENT OF FINANCIAL POSITION as at 31 December 2021

	Note	2021 \$m	2020 \$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	1,855.4	1,138.6
Intangible assets	8	45.0	27.5
Investments in associates	9	10.7	30.9
Restricted cash		36.6	36.9
Minority call option	9	8.8	-
		<b>1,956.5</b>	<b>1,233.9</b>
<b>Current assets</b>			
Other receivables	10	27.2	9.4
Cash and cash equivalents		3.8	1.0
		<b>31.0</b>	<b>10.4</b>
<b>TOTAL ASSETS</b>		<b>1,987.5</b>	<b>1,244.3</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Called up share capital	11	0.1	0.1
Share premium account		0.2	0.2
Capital contribution reserve		206.5	206.5
Cash flow hedge reserve		256.3	211.3
Accumulated losses		(758.7)	(762.8)
<b>TOTAL EQUITY</b>		<b>(295.6)</b>	<b>(344.7)</b>
<b>Non-current liabilities</b>			
Provisions	12	22.8	18.4
Royalty financing	13	127.3	119.4
Lease liabilities	14	11.8	12.0
Loans from group companies	15	2,039.2	1,370.2
		<b>2,201.1</b>	<b>1,520.0</b>
<b>Current liabilities</b>			
Trade and other payables	16	82.0	69.0
		<b>82.0</b>	<b>69.0</b>
<b>TOTAL LIABILITIES</b>		<b>2,283.1</b>	<b>1,589.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,987.5</b>	<b>1,244.3</b>

The financial statements on pages 13 to 30 were issued and approved by the Board of Directors on 27 June 2022 and were signed on its behalf by:



**J Flynn**  
Director

**Company Registration Number 07251600**

## ANGLO AMERICAN WOODSMITH LIMITED &gt; FINANCIAL STATEMENTS 2021

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2021

	Called up share capital \$m	Share premium account \$m	Capital contribution reserve \$m	Cash flow hedge reserve \$m	Accumulated losses \$m	Total Equity \$m
<b>At 1 January 2020</b>	<b>0.1</b>	<b>0.2</b>	<b>9.3</b>	<b>53.8</b>	<b>(76.0)</b>	<b>(12.6)</b>
Total comprehensive income/(expense)	-	-	-	161.6	(699.8)	(538.2)
Share capital reduction	(0.3)	(249.7)	-	-	250.0	-
Share issuance	0.3	249.7	-	-	-	250.0
Distribution to shareholder	-	-	-	-	(245.5)	(245.5)
Share-based payments	-	-	52.3	-	-	52.3
Capital contribution	-	-	145.0	-	-	145.0
<b>Translation adjustment</b>	-	-	(0.1)	(4.1)	8.5	4.3
<b>At 31 December 2020</b>	<b>0.1</b>	<b>0.2</b>	<b>206.5</b>	<b>211.3</b>	<b>(762.8)</b>	<b>(344.7)</b>
Profit for the financial year	-	-	-	-	4.1	4.1
Other comprehensive income for the year	-	-	-	45.0	-	45.0
<b>At 31 December 2021</b>	<b>0.1</b>	<b>0.2</b>	<b>206.5</b>	<b>256.3</b>	<b>(758.7)</b>	<b>(295.6)</b>

The called up share capital account is used to record the nominal value on the issue of shares.

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

The capital contribution reserve is used to record the fair value of both share based payments made on the Company's behalf, by an indirect parent company, in relation to employees of the Company who participate in share based payment schemes. The schemes provided employees with shares in the intermediate parent company for their services to the Company as well as liabilities forgiven by a parent of the Company.

The cash flow hedge reserve is used to accumulate unrecognised gains or losses of instruments in designated cash flow hedge relationships.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021****1. Accounting policies*****Basis of preparation***

Anglo American Woodsmith Limited (formerly York Potash Ltd) (the “Company”) is a private limited company, limited by shares, which is incorporated and domiciled in the United Kingdom. The address of its registered office is 17 Charterhouse Street, London, United Kingdom, EC1N 6RA. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (“FRS 100”) issued by the Financial Reporting Council. The Company has therefore elected to prepare these financial statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”).

These financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applicable to companies using FRS 101. The financial statements have also been prepared under the historical cost convention (except with regard to certain financial instruments which are stated at fair value) in US Dollars (rounded to the nearest million), which has been the functional currency of the Company since 17 March 2020 (see further explanation below). The principal accounting policies set out below have been consistently applied to all periods presented.

***Change in functional and presentational currency***

On 17 March 2020 the Company’s ultimate parent company became Anglo American plc following its acquisition of the Company’s previous ultimate parent company, Sirius Minerals plc (whose legal name has since changed to Anglo American Crop Nutrients Limited). The functional currency of the majority of Anglo American plc’s subsidiaries (including those that provide ongoing funding to the Company) is US Dollars. Therefore from the acquisition date of 17 March 2020 it was determined that the currency of the primary economic environment in which the Company operates had become US Dollars and so the functional currency was accordingly changed on this date from Sterling to US Dollars with prospective effect based at the prevailing exchange rate on that date of £1:\$1.23.

Due to the change in functional currency of the Company from Sterling to US Dollars, the Company has also elected to present its financial statements in US Dollars. In order to present the effect of transactions during the periods while the Company’s functional currency was Sterling (i.e. the period within 2020 from 1 January to 16 March) the Company has retrospectively applied the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates*, translating all transactions in the relevant periods at average exchange rates and period-end balances at the spot rate prevailing at the relevant period-end date. All amounts referred to as ‘translation adjustments’ in these financial statements therefore solely represent the effect of applying IAS 21’s prescribed translation method.

***Going concern***

These financial statements have been prepared on a going concern basis. The Anglo American Crop Nutrients (formerly Anglo American Woodsmith Limited) group (“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).

The Group does not currently anticipate generating any positive net cash flows from the Project for a number of years. Therefore, its 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. The Company became a member of the wider Anglo American plc group on 17 March 2020 following the acquisition of 100% shares of Anglo American Crop Nutrients Limited by means of a court-sanctioned scheme of arrangement. Anglo American has publicly announced its intention to

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)****1. Accounting policies (continued)*****Going concern (continued)***

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 Services (UK) Ltd ("AAS") that the companies within the Group are part of the Anglo American plc group and that AAS will provide adequate financial support to the companies within the Group to meet their obligations for a period of at least 12 months from the Directors' approval of each of the company's statutory accounts for the year ended 31 December 2021. This confirmation from AAS is not intended to provide comfort to any parties other than the Directors, and is not, and should in no way be construed to be by AAS either a guarantee of the obligations of the companies or any other form of credit support in respect of the companies and does not create any rights against AAS, or any obligations or liability in law or otherwise on the part of AAS in respect of the obligations of the companies.

Having assessed the principal risks and having regard for the above, and taking account of possible changes in trading performance, the Board of Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

***Financial Reporting Standard 101 – reduced disclosure exemptions***

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

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based Payment*;
- the requirements of IFRS 7 *Financial Instruments: Disclosures* on the basis that equivalent disclosures are included in the consolidated financial statements of the group in which the company is consolidated;
- the requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value* on the basis that equivalent disclosures are included in the consolidated financial statements of the group in which the company is consolidated;
- The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
  - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*;
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*;
- The requirements of IAS 7 *Statement of Cash Flows*;
- The requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures*;
- The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets* on the basis that equivalent disclosures are included in the consolidated financial statements of the group in which the company is consolidated.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)****1. Accounting policies (continued)*****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, 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 Company and the costs can be measured reliably. All other costs, including repairs and maintenance costs are charged to the income statement in the period in which they are incurred.

Depreciation is provided on all plant and equipment over the estimated useful lives of the assets, which are generally between 3 and 5 years. Land owned on a freehold basis is not depreciated by the Company, 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.

Capital works in progress are measured at cost less any recognised impairment. Depreciation commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset class.

***Intangible assets - POLY4 development costs***

The Company 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. Historical scientific research studies carried out by the Company 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 composing fees paid to third party universities and research institutions as well as the labour costs of employees of the Company 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.

***Intangible assets – Process development costs***

As part of its development of the project, the Company 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.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)****1. Accounting policies (continued)*****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 Company 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.

***Trade and other payables***

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

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of any direct issue costs.

***Foreign currencies***

The reporting and functional currency of the Company since 17 March 2020 is US Dollars. Transactions denominated in a foreign currency are translated into US Dollars at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the income statement, except for those relating to hedging instruments in designated cash flow hedge relationships which are recognised in other comprehensive expense.

***Taxation***

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Research and Development tax credits are recognised within current tax when they can be reasonably estimated.

Deferred taxation represents temporary differences between 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 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.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)****1. Accounting policies (continued)*****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.

***Provisions***

The Company 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 license requirements and other commitments made to stakeholders. The costs associated with these obligations are provided for in the accounting period when the obligation arising from the related disturbance occurs. Such costs do not include any additional obligations which are expected to arise from future disturbance. 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.

***Royalty financing***

The royalty financing is a financial instrument committing the Company to make future royalty payments over the life of the project in return for an up-front payment by Hancock. The contract commits the Company to make cash payments linked to its revenues and is therefore a financial liability. In substance, the royalty agreement means that the Company receives cash up-front from the counterparty, who will be repaid 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 period, an interest charge is recognised, with the interest rate applied being the instrument's internal rate of return 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.

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 Company. 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 discounted present value of all differences in expected royalty payments between the expectation prevailing on the drawdown date and the latest period-end date. The Company 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 Company's royalty payments will then be higher (lower). On the drawdown date, the embedded derivative was designated as a hedging instrument in a cash flow hedge relationship and so any forecast changes in cash flows are accounted for through other comprehensive income rather than the income statement.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)****1. Accounting policies (continued)*****Net finance (costs)/income***

Interest income is accrued using the effective interest rate method. Interest expense 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 period in which they are incurred.

**2. Critical accounting estimates and judgements**

Critical accounting estimates or judgements are those made by the Company regarding the future or other key sources of estimation, uncertainty and judgement that may have a significant risk of giving rise to a material adjustment to the carrying values of assets and liabilities within the next financial period. The following such critical accounting estimates and judgments were made in the preparation of these financial statements.

***Accounting for the royalty financing's embedded derivative***

The embedded derivative within the royalty financing does not have an observable market price and so the Company is required to identify an appropriate valuation model to calculate its fair value. In making this estimate, priority is given to inputs based on actual market data and transactions, although this valuation nevertheless requires some level of subjective assessment and the use of different valuation assumptions could have a significant impact upon the Company's reported financial performance and position. Further information is given within note 13 around the valuation method and sources of estimation uncertainty around the derivative's valuation.

Upon initial drawdown of the royalty financing in September 2018 the Company designated the embedded derivative within the royalty financing as a hedging instrument in a cash flow hedge relationship against the variability associated with the Company's future revenues (see note 13). The ongoing appropriateness of the cash flow hedging relationship is dependent upon the Company's future revenues continuing to be assessed as 'highly probable' which is the relevant threshold set under IFRS 9. 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 this hedge being immediately recycled through the income statement.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)****2. Critical accounting estimates and judgements (continued)***Impairment of non-current assets*

On an annual basis for its intangible assets, and when there is an indicator of impairment in relation to its property, plant and equipment, the Company is required to test these assets for impairment to assess whether the historical cost reported in the financial statements remains supported by their recoverable amount. As none of the assets have directly observable market prices, the assessment has been performed by estimating the assets' fair value, calculated as the net present value of the cash flows attributable to them. As the Group has only one cash-generating-unit (the project) all assets have been tested in aggregate and any impairments are charged as necessary.

The ultimate parent, Anglo American plc, has conducted a detailed technical review of the project, which began in mid-2020, to ensure the technical and commercial integrity of the full scope of its design, and which is now complete. The scoping and design review is, however, still ongoing. The technical review confirmed that several elements of the project's design would benefit from modification to bring it up to Anglo American's safety and operating integrity standards. These are not considered indicators of impairment or impairment reversal and, as such, management's judgement is that there were no triggers for an impairment review as of 31 December 2021. The accounting for the royalty financing and the royalty financing's embedded derivative also did not identify any triggers for an impairment review as of 31 December 2021.

The estimate of future cash flows and of an appropriate discount rate is inherently subjective and there remains a risk that an impairment of these assets could be derecognised in a future year if events were to occur that significantly changed these estimates.

**3. Operating loss**

	<b>2021</b>	<b>2020</b>
Operating loss is stated after charging:	\$m	\$m
Depreciation	0.8	0.7
Amortisation	0.2	0.2
Share-based payments	-	17.5
Disposal of PPE	-	67.2

No audit fees have been charged to operating loss in the current year as such costs have been capitalised as part of additions to property, plant and equipment in the year. The total value of costs charged which have been capitalised in 2021 is \$0.2 million (2020: \$0.1 million).

## ANGLO AMERICAN WOODSMITH LIMITED &gt; FINANCIAL STATEMENTS 2021

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)

## 4. Staff numbers and costs

	2021	2020
	Number	Number
Average monthly number of staff	602	245
Total staff costs during the year were:	<b>2021</b>	<b>2020</b>
	\$m	\$m
Wages and salaries	55.4	17.6
Social security costs	6.9	5.2
Other pension costs	4.7	0.7
Share-based payments	-	52.3
	<b>67.0</b>	<b>75.8</b>

Of the above total costs, \$64.1 million (2020: \$75.5 million) have been capitalised within additions to non-current assets during the year. Directors of the company are remunerated by the intermediate parent company, Anglo American Crop Nutrients Limited (formerly Anglo American Woodsmith Limited), and no charge is made to the Company for the Directors' services.

During the year, the total directors' emoluments were \$6.4m (2020: \$4.2m). The highest paid director's emoluments were \$3.3m (2020: \$2.5m).

## 5. Net finance costs

	2021	2020
	\$m	\$m
Interest income	-	0.1
Interest expense	(117.9)	(108.5)
Less: Interest expense capitalised	117.9	108.4
Foreign exchange losses	(2.0)	(34.3)
	<b>(2.0)</b>	<b>(34.3)</b>

Interest expense represents borrowings entered into by the Company to finance the development of the project. All interest expense incurred in each year in relation to the royalty financing and intercompany loans have therefore been capitalised to property, plant and equipment as part of capital works in progress.

## ANGLO AMERICAN WOODSMITH LIMITED &gt; FINANCIAL STATEMENTS 2021

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)

## 6. Tax on loss

	2021	2020
	\$m	\$m
Current tax	-	-
Deferred tax	37.4	53.0
<b>Total tax credit for the year</b>	<b>37.4</b>	<b>53.0</b>

The current tax credit is in relation to the HMRC Research and Development Expenditure Credit and enables the Company to realise tax losses on certain qualifying expenditure to be received immediately in cash rather than waiting for taxable profits to set them against in the future.

The tax credit for the year is higher (2020: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained below:

	2021	2020
	\$m	\$m
Loss before taxation	(33.3)	(752.8)
Loss multiplied by the standard rate of corporation taxation in the UK of 19% (2020: 19%)	6.3	143.0
<i>Taxation effects of:</i>		
Income exempt from tax	0.7	2.9
Expenses not deductible for tax purposes	(2.8)	(16.2)
FX on change in currency	-	16.5
Effects of group relief/ other reliefs	(24.3)	-
Amounts not utilised	57.5	(93.2)
<b>Tax credit for the year</b>	<b>37.4</b>	<b>53.0</b>

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. The March 2021 Budget announced an increase in the UK standard rate of corporation tax to 25% from 1 April 2023. This legislation was substantively enacted in May 2021 and accordingly, these rates are applicable to the measurement of deferred tax balances as at 31 December 2021. Deferred tax has been measured at 25% (2020 – 19%) as the temporary differences are not expected materially to reverse before April 2023.

## ANGLO AMERICAN WOODSMITH LIMITED &gt; FINANCIAL STATEMENTS 2021

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)

## 7. Property, plant and equipment

	Land \$m	Plant and equipment \$m	Capital works in progress \$m	Total \$m
<i>Net book value</i>				
At 1 January 2021	19.7	1.5	1,117.4	1,138.6
Additions	0.1	1.4	717.1	718.6
Depreciation for the year	-	(0.8)	-	(0.8)
Disposals	(1.0)	-	-	(1.0)
<b>At 31 December 2021</b>	<b>18.8</b>	<b>2.1</b>	<b>1,834.5</b>	<b>1,855.4</b>
- cost	29.0	6.7	2,429.4	2,465.1
- accumulated depreciation	-	(3.9)	-	(3.9)
- impairment losses	(10.2)	(0.7)	(594.9)	(605.8)
<i>At 31 December 2020</i>				
- cost	29.9	5.3	1,712.3	1,747.5
- accumulated depreciation	-	(3.1)	-	(3.1)
- impairment losses	(10.2)	(0.7)	(594.9)	(605.8)

**Impairment testing**

As of 31 December 2021, there were no impairment or impairment reversal triggers.

Impairment tests performed at 31 December 2020 in accordance with IAS 36 resulted in an impairment charge of \$605.8 million based on fair value less costs to dispose at the then current discount rate of 9.6%, with the fair value assessment based on the discounted cash flows from the latest mine life estimate and productions outputs.

## 8. Intangible assets

	Patent costs \$m	POLY 4 Development \$m	Process Development \$m	Computer Software \$m	Total \$m
<i>Net book value</i>					
At 1 January 2021	0.4	14.4	12.4	0.3	27.5
Additions	-	8.3	9.4	-	17.7
Amortisation for the year	-	-	-	(0.2)	(0.2)
<b>At 31 December 2021</b>	<b>0.4</b>	<b>22.7</b>	<b>21.8</b>	<b>0.1</b>	<b>45.0</b>
- cost	0.4	30.0	28.7	0.9	60.0
- accumulated amortisation	-	-	-	(0.7)	(0.7)
- impairment losses	-	(7.3)	(6.9)	(0.1)	(14.3)
<i>At 31 December 2020</i>					
- cost	0.4	21.7	19.3	0.9	42.3
- accumulated amortisation	-	-	-	(0.5)	(0.5)
- impairment losses	-	(7.3)	(6.9)	(0.1)	(14.3)

**Impairment testing**

As of 31 December 2021, there were no impairment or impairment reversal triggers.

Impairment tests performed at 31 December 2020 in accordance with IAS 36 resulted in an impairment charge of \$14.3 million based on fair value less costs to dispose at the then current discount rate of 9.6%, with the fair value assessment based on the discounted cash flows from the latest mine life estimate and productions outputs.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)****9. Investments in 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. The 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 was initially carried at \$16.6m before fair value adjustments totalling \$7.8m in the statement of comprehensive income, bringing the option value down to \$8.8m. The Company was carrying its shareholding at \$17.7m before recognising an impairment charge of \$7.0m in the statement of comprehensive income in relation to its shareholding, resulting in a reported value of \$10.7m; the company will continue equity accounting for these investments.

The Group's interests in Cibrafertil and Cibra Trading are individually immaterial associates that are accounted for using the equity method.

	<b>2021</b>	<b>2020</b>
	\$m	\$m
Aggregate carrying amount of individually immaterial associates	10.7	30.9
Aggregate amounts of the group's share of:		
Profit from continuing operations	3.4	3.3
<b>Total comprehensive income</b>	<b>3.4</b>	<b>3.3</b>

The following table sets out information concerning the investments in associates that is required by the Companies Act 2006.

<b>Name</b>	<b>Country of incorporation</b>	<b>Activity</b>	<b>Registered address</b>
Cibrafertil – Companhia Brasileira de Fertilizantes	Brazil	Fertilizer production and distributor	1428 Rua Alfa, Polo Petroquimico, Camacari, Bahia, Brazil
Cibra Trading Inc	Panama	Fertilizer purchasing	2nd Floor, MMG Tower, East 53rd Street, Marbella, Panama City, 0807, Panama

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)

**10. Other receivables**

	<b>2021</b>	<b>2020</b>
	\$m	\$m
Prepayments	13.7	3.0
Other receivables	13.5	6.4
<b>At 31 December</b>	<b>27.2</b>	<b>9.4</b>

**11. Called up share capital**

At 31 December 2021 the Company had in issuance 50,001 (2020: 50,001) ordinary shares of £1 each. All outstanding ordinary shares are allotted, called up and fully paid.

On 19 September 2018 the Company issued to Hancock British Holdings Ltd 1 non-voting share with a par value of £1 which has no rights associated with it, other than to receive notice of the occurrence of an insolvency event impacting the Company.

**12. Provisions**

	<b>2021</b>	<b>2020</b>
	\$m	\$m
At 1 January	18.4	5.4
Amounts capitalised as part of property, plant and equipment	4.4	3.6
Translation adjustment	-	1.0
Charged to the income statement	-	8.4
<b>At 31 December</b>	<b>22.8</b>	<b>18.4</b>

The Company'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 Company'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 Company has relied upon valuations which were undertaken for the purposes of determining the value of local security requirements that are held to meet ongoing planning permission requirements and secured by a bond provided by a financial institution to the favour of the local authorities. 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 Company's activities by the end of the year. These costs, which the Company does not plan to be incurred for in excess of 30 years, have been discounted at a real risk-free rate of 0% per annum (2020: 0% per annum), based on an estimate of the long-term, risk-free, cost of borrowing.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)****13. Royalty financing**

On 19 September 2018, Hancock British Holdings Limited (Hancock) paid the Company \$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 Company 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 Company expects to pay Hancock over the project's life. Prior to the Company's change of functional currency from Sterling to US Dollars on 16 March 2020, the host royalty liability gave rise to foreign exchange volatility in respect of foreign exchange fluctuations that arose in each period from translating the underlying liability back into the Sterling based on the Sterling/US Dollar exchange rate prevailing at the period-end date compared to the exchange rate at the start of each period.

On the drawdown date, the Company designated the royalty's embedded derivative as a hedging instrument in a cash flow hedge relationship against the Company's future revenues which are deemed to be highly probable (see the significant accounting judgments section of note 1 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 Company'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 Company 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 periods as differences occur between royalty payments anticipated on the drawdown date and royalty payments actually due.

The royalty financing has moved as follows in each year:

			<b>2021</b>			<b>2020</b>	
	<b>Host instrument</b>	<b>Embedded derivative</b>	<b>Total</b>	<b>Host instrument</b>	<b>Embedded derivative</b>	<b>Total</b>	
	\$m	\$m	\$m	\$m	\$m	\$m	
At 1 January	398.6	(279.2)	119.4	324.8	(64.8)	260.0	
Interest charge	90.3	-	90.3	73.8	-	73.8	
Fair value remeasurement	-	(82.4)	(82.4)	-	(214.6)	(214.6)	
Foreign exchange movements	-	-	-	23.9	(4.7)	19.2	
Translation adjustment	-	-	-	(23.9)	4.9	(19.0)	
<b>At 31 December</b>	<b>488.9</b>	<b>(361.6)</b>	<b>127.3</b>	<b>398.6</b>	<b>(279.2)</b>	<b>119.4</b>	

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)

**14. Lease liabilities**

Balances arising from the Company's lease transactions have moved as follows during the year:

	<b>2021</b>	<b>2020</b>
	\$m	\$m
<b>Assets</b>		
On 1 January	11.4	12.2
Translation adjustment	-	(0.8)
<b>At 31 December</b>	<b>11.4</b>	<b>11.4</b>
<b>Liabilities</b>		
On 1 January	12.5	12.1
Interest	0.5	0.5
Payments made	(0.5)	(0.5)
Foreign exchange losses	(0.2)	1.2
Translation Adjustment	-	(0.8)
<b>At 31 December</b>	<b>12.3</b>	<b>12.5</b>
- classified as non-current liabilities	11.8	12.0
- classified as current liabilities (included within trade and other payables)	0.5	0.5

During 2019 the Company 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. Depreciation will not commence on it until the storage facilities planned to be constructed on it are ready for use.

The future aggregate minimum lease payments under lease agreements are:

	<b>2021</b>	<b>2020</b>
	\$m	\$m
No later than 1 year	0.5	0.5
Later than 1 year and no later than 5 years	2.8	2.5
Later than 5 years	17.1	18.1
<b>At 31 December</b>	<b>20.4</b>	<b>21.1</b>

**15. Loans from group companies**

Loans from group companies are repayable in 2025, carry a variable market rate of interest and are unsecured.

**16. Trade and other payables**

	<b>2021</b>	<b>2020</b>
	\$m	\$m
Trade payables	23.4	11.9
Accruals and other payables	58.6	57.1
<b>At 31 December</b>	<b>82.0</b>	<b>69.0</b>

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021 (continued)****17. Ultimate parent undertaking and controlling party**

The immediate parent company is Sirius Minerals Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales. The ultimate parent company and controlling entity is Anglo American plc, a company incorporated in the United Kingdom and registered in England and Wales. Anglo American plc is the parent undertaking of the largest group which includes the Company and for which group financial statements are prepared. Anglo American Crop Nutrients Limited (formerly Anglo American Woodsmith Limited) is the parent undertaking of the smallest group which includes the Company and for which group financial statements are prepared. The financial statements of Anglo American plc, Anglo American Crop Nutrients Limited and Sirius Minerals Holdings Limited may be obtained from the Company Secretary at its registered office of 17 Charterhouse Street, London, EC1N 6RA.

**18. Subsequent events**

There have been no other subsequent events impacting the Company since 31 December 2021 which require disclosure in these financial statements.