Registered number: 07251600

ANGLO AMERICAN WOODSMITH LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY INFORMATION

Directors	J Flynn CN Fraser (resigned 4 January 2022) CJ Lockett TJ McCulley (appointed 12 January 2022) RJB Price DG Wanblad (resigned 6 May 2022)
Company secretary	Anglo American Corporate Secretary Limited
Registered number	07251600
Registered office	17 Charterhouse Street London United Kingdom EC1N 6RA

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The Directors present their strategic report on Anglo American Woodsmith Limited (the "Company" or "AAWL") for the financial year ended 31 December 2022. The Company is an indirectly wholly owned subsidiary of Anglo American Group plc ("Anglo American").

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

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 Company expects to reach first polyhalite in 2027. As part of a strategic review of shaft sinking operations, Anglo American have 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 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, 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 $1,821.5 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.

Capital invested in the project during the financial year was $518.9 million.

As shown in the Company's statement of comprehensive income, the Company shows a loss before tax of $1,837.9m (2021 $33.3m).

The balance sheet shows that the Company is in a net liability position of $2,400.4m (2021 net liabilities of $295.6m).

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 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 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 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 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 market disruption 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.

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.

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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 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 we need to do more, for example 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.

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

J Flynn
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited 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 of the financial statements were:

J Flynn
CN Fraser (resigned 4 January 2022)
CJ Lockett
TJ McCulley (appointed 12 January 2022)
RJB Price
DG Wanblad (resigned 6 May 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 Company continues to incur significant cash outflows due to the development activity that it is undertaking of the Woodsmith Project. At the year end, the Company had net liabilities of $2,400.4m.

The Company 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 Company but ultimately funded through an intercompany financing agreement with the wider Anglo American plc group. Therefore, the Company'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 Company 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 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 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 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.

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.

DIRECTORS' REPORT (CONTINUED)
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 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 Company'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 (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 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.

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

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company's greenhouse gas emissions and energy consumption are as follows:

	2022
Scope 1 emissions (measured in Mt CO2 equivalent)	**4,147**
Scope 2 emissions (measured in Mt CO2 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**

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.

Directors' responsibilities statement

The directors are responsible for preparing 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, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for 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 also 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.

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 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.

Independent Auditors

Under section 487(2) of the Companies Act 2006, 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.

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

J Flynn
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGLO AMERICAN WOODSMITH LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Anglo American Woodsmith Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety legislation and employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting fraudulent journal entries to manipulate financial performance and management bias insignificant accounting estimates. Audit procedures performed by the engagement team included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- testing accounting estimates that we deemed to present a risk of material misstatement, including assessing the data, methods and assumptions applied by management in the development of each estimate; and
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

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. 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.

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 $m	*2021* *$m*
Operating costs	3	**(21.9)**	*(19.9)*
Share of profit from equity accounted investments	9	**0.5**	*3.4*
Impairment loss		**(1,821.5)**	*-*
Operating loss		**(1,842.9)**	*(16.5)*
Net finance costs		**0.8**	*(2.0)*
Impairment of investment in associate		**-**	*(7.0)*
Fair value movement on minority call option	9	**4.2**	*(7.8)*
Loss before tax		**(1,837.9)**	*(33.3)*
Tax (expense)/credit	6	**(67.1)**	*37.4*
(Loss)/profit for the year		**(1,905.0)**	*4.1*
Other comprehensive (expense)/income:			
Items that will or may be reclassified to income statement:			
Cash flow hedging movement	13	**(268.2)**	*82.4*
Deferred tax impact of the above		**67.1**	*(37.4)*
		(201.1)	*45.0*
Other comprehensive (expense)/income for the year, net of tax		**(201.1)**	*45.0*
Total comprehensive (expense)/income		**(2,106.1)**	*49.1*

The notes on pages 19 to 37 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 $m	*2021 $m*
Assets			
Non-current assets			
Property, plant and equipment	7	**866.2**	*1,855.4*
Intangible assets	8	**22.4**	*45.0*
Investments in equity-accounted associates	9	**11.3**	*10.7*
Restricted cash		**34.6**	*36.6*
Minority call option	9	**13.0**	*8.8*
		947.5	*1,956.5*
Current assets			
Other receivables	10	**30.6**	*27.2*
Cash and cash equivalents		**3.7**	*3.8*
		34.3	*31.0*
Total assets		**981.8**	*1,987.5*
Liabilities			
Non-current liabilities			
Loans from group companies		**2,746.1**	*2,039.2*
Royalty financing	13	**504.8**	*127.3*
Lease liabilities	14	**12.9**	*11.8*
Provisions	12	**17.5**	*22.8*
		3,281.3	*2,201.1*
Current liabilities			
Trade and other liabilities	11	**99.9**	*81.5*
Lease liabilities	14	**1.0**	*0.5*
		100.9	*82.0*
Total liabilities		**3,382.2**	*2,283.1*
Net liabilities		**(2,400.4)**	*(295.6)*

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

	Note	2022 $m	*2021* *$m*
Issued capital and reserves			
Share capital	15	**0.1**	*0.1*
Share premium		**0.2**	*0.2*
Cash flow hedging reserve		**55.2**	*256.3*
Capital contribution reserve		**206.5**	*206.5*
Accumulated losses		**(2,662.4)**	*(758.7)*
TOTAL EQUITY		**(2,400.4)**	*(295.6)*

The financial statements on pages 15 to 37 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 19 to 37 form part of these financial statements.

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

	Share capital	Share premium	Cash flow hedging reserve	Capital contribution reserve	Accumulated losses	Total equity
	$m	$m	$m	$m	$m	$m
At 1 January 2021	0.1	0.2	211.3	206.5	(762.8)	(344.7)
Profit for the year	-	-	-	-	4.1	4.1
Other comprehensive income	-	-	45.0	-	-	45.0
Total comprehensive income for the year	-	-	45.0	-	4.1	49.1
At 31 December 2021	**0.1**	**0.2**	**256.3**	**206.5**	**(758.7)**	**(295.6)**
At 1 January 2022	0.1	0.2	256.3	206.5	(758.7)	(295.6)
Loss for the year	-	-	-	-	(1,905.0)	(1,905.0)
Other comprehensive income	-	-	(201.1)	-	-	(201.1)
Total comprehensive income for the year	-	-	(201.1)	-	(1,905.0)	(2,106.1)
Share based payments	-	-	-	-	1.3	1.3
Total contributions by and distributions to owners	-	-	-	-	1.3	1.3
At 31 December 2022	**0.1**	**0.2**	**55.2**	**206.5**	**(2,662.4)**	**(2,400.4)**

The notes on pages 19 to 37 form part of these financial statements.

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

1. Accounting policies

1.1 Basis of preparation

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") and requirements of the Companies Act 2006.

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). The principal accounting policies set out below have been consistently applied to all periods presented.

1.2 Going concern

These financial statements have been prepared on a going concern basis. The Company 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 Company had net liabilities of $2,400.4m.

The Company 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 Company but ultimately funded through an intercompany financing agreement with the wider Anglo American plc group. Therefore, the Company'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 Company 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 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 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.

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 Company.

- Amendments to IAS 1 *Presentation of financial statements: disclosure of accounting policies*
- Amendments to IAS 1 *Presentation of financial statements: noncurrent 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.

1. Accounting policies (continued)

1.4 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.

1. Accounting policies (continued)

1.5 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.

At each reporting date, the Company assesses whether there is any indication that any of its property, plant and equipment may be impaired. Where an indication of impairments exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds it recoverable amount (estimated as the fair value less costs to sell of the asset) the asset is considered impaired and is written down to its recoverable amount.

1.6 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.

1.7 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.

1. Accounting policies (continued)

1.8 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.

1.9 Trade and other payables

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

1.10 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.

1.11 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.

1.12 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.

1. Accounting policies (continued)

1.13 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.

1.14 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 of $250 million received in 2018 from Hancock British Holdings Limited (Hancock). The contract commits the Company 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 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 difference between the fair value of the instrument as a whole and the fair value of the host liability. 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 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.

1. Accounting policies (continued)

1.15 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. Accounting estimates and judgments

2.1 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. 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.

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.

Impairment of non-current assets

The Company 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 wil 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 $1,821.5 million ($1,821.5 million after tax) to bring the carrying value into line with the Company's proportionate share of the Woodsmith project asset base. The impairment was allocated primarily to property, plant and equipment.

2. Accounting estimates and judgments (continued)

2.1 Critical accounting estimates and judgements (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 sensitivities are calculated with respect to the Woodsmith project in its entirety:

- 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 brigns. 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

Operating loss is stated after charging:	2022 $m	*2021* *$m*
Depreciation	1.0	*0.8*
Amortisation	0.1	*0.2*
Share-based payments	1.3	-

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 2022 is $0.2 million (2021: $0.2 million).

4. Employee benefit expenses

	2022 $m	*2021 $m*
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**51.0**	*55.4*
Other pension costs	**4.3**	*4.7*
Social security costs	**5.7**	*6.9*
Less: amounts capitalised	**(54.1)**	*(64.1)*
	6.9	*2.9*

Of the above total costs, $54.1 million (2021: $64.1 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, and no charge is made to the Company for the Directors' services.

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

Since 31 December 2022, C Lockett, a director of the Company, has announced his intention to retire in 2023.

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

	2022 No.	*2021 No.*
Staff	**449**	*602*
	449	*602*

5. Net finance costs

Recognised in statement of comprehensive income

	2022 $m	*2021 $m*
Interest receivable	(0.1)	-
Finance expense		
Loans from group undertakings	178.3	*117.9*
Less: Interest expense capitalised	(178.3)	*(117.9)*
Foreign exchange (gains)/losses	(0.7)	*2.0*
Recognised in statement of comprehensive income	**(0.8)**	*2.0*

The Company 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 Woodsmith 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 $m	*2021 $m*
Current tax charge	-	-
Deferred tax (charge)/credit	(67.1)	*37.4*
Total tax (charge)/credit for the year	**(67.1)**	*37.4*

The tax (charge)/credit for the year is higher (2021: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%). The differences are explained below:

6. Income tax (continued)

	2022 **$m**	*2021* *$m*
Loss before taxation	**(1,837.9)**	*(33.3)*
Loss before taxation multiplied by the standard rate of corporation taxation in the UK of 19% (2021: 19%)	**349.2**	*6.3*
Taxation effects of:	**-**	*-*
Income exempt from taxation	**1.4**	*0.7*
Difference in tax rates	**(16.1)**	*-*
Group relief	**(14.7)**	*(24.3)*
Expenses not deductible for tax purposes	**-**	*(2.8)*
Pre trading expenditure expired	**(0.8)**	*-*
Impairment	**(2.4)**	*-*
Amounts not utilised	**(383.7)**	*57.5*
Total tax (charge)/credit for the year	**(67.1)**	*37.4*

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.

7. Property, plant and equipment

	Land $m	Plant and equipment $m	Capital works in progress $m	Total $m
Net book value				
At 1 January 2022	18.8	2.1	1,834.5	**1,855.4**
Additions	-	2.8	784.5	**787.3**
Depreciation for the year	-	(0.9)	-	**(0.9)**
Impairment	(12.6)	(2.7)	(1,760.3)	**(1,775.6)**
At 31 December 2022	**6.2**	**1.3**	**858.7**	**866.2**
Cost	29.0	9.5	3,213.9	**3,252.4**
Accumulated depreciation	-	(4.8)	-	**(4.8)**
Impairment losses	(22.8)	(3.4)	(2,355.2)	**(2,381.4)**
At 31 December 2021				
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)**

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.

8. Intangible assets

	Patent costs $m	POLY 4 Development $m	Process Development $m	Computer Software $m	Total $m
Net book value					
At 1 January 2022	0.4	22.7	21.8	0.1	**45.0**
Additions	-	7.1	16.3	-	**23.4**
Amortisation for the year	-	-	-	(0.1)	**(0.1)**
Impairment	(0.3)	(20.0)	(25.6)	-	**(45.9)**
At 31 December 2022	**0.1**	**9.8**	**12.5**	**-**	**22.4**
Cost	0.4	37.1	45.0	0.9	**83.4**
Accumulated amortisation	-	-	-	(0.8)	**(0.8)**
Impairment losses	(0.3)	(27.3)	(32.5)	(0.1)	**(60.2)**
At 31 December 2021					
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)**

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.

9. 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. The fair value of the minority call option has been calculated at $13.0m (2021: $8.8m). During the year ended 31 December 2022, a fair value gain of $4.2 million (2021: loss of $7.8 million) was recognised in the statement of comprehensive income.

	2022 $m	*2021 $m*
Aggregate carrying amount of associates	**11.3**	*10.7*
Aggregate amounts of the group's share of:		
Aggregate amounts of the group's share of:		
Profit from continuing operations	**0.5**	*3.4*
Total comprehensive income	**0.5**	*3.4*

10. Other receivables

	2022 $m	*2021 $m*
Prepayments	**17.2**	*13.7*
Other receivables	**13.4**	*13.5*
	30.6	*27.2*

11. Trade and other payables

	2022 $m	2021 $m
Trade payables	(8.4)	(23.4)
Accruals and other payables	(91.5)	(58.1)
	(99.9)	(81.5)

12. Provisions

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

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 0.5% per annum (2021: 0.5% per annum), based on an estimate of the long-term, risk-free, cost of borrowing.

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.

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 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 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. 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	**Embedded derivative**	**Total**	*Host instrument*	*Embedded derivative*	*Total*
	$m	**$m**	**$m**	*$m*	*$m*	*$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*

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:

	2022 $m	*2021* *$m*
Right-of-use leased assets (principally classified as land within property, plant and equipment)		
On 1 January	**11.4**	*11.4*
Additions	**2.8**	-
Impairment	**(9.4)**	-
At 31 December	**4.6**	*11.4*
On 1 January	**(12.3)**	*(12.5)*
Additions	**(2.8)**	-
Interest expense	**(0.5)**	*(0.5)*
Payments made	**0.9**	*0.5*
Foreign exchange gains	**0.8**	*0.2*
At 31 December	**(13.9)**	*(12.3)*
- classified as non-current liabilities	**(12.9)**	*(11.8)*
- classified as current liabilities	**(1.0)**	*(0.5)*

The future aggregate minimum lease payments under lease agreements are:

	2022 $m	*2021* *$m*
No later than 1 year	**1.1**	*0.5*
Later than 1 year and no later than 5 years	**4.6**	*2.8*
Later than 5 years	**16.1**	*17.1*
At 31 December	**21.8**	*20.4*

15. Share capital

Authorised

	2022 Number	2022 $m	*2021 Number*	*2021 $m*
Shares treated as equity				
Ordinary shares shares of £1 each	**50,001.0**	**0.1**	*50,001.0*	*0.1*
	50,001.0	**0.1**	*50,001.0*	*0.1*

Issued and fully paid

	2022 Number	2022 $m	*2021 Number*	*2021 $m*
Ordinary shares shares of £1 each				
At 1 January	**50,001.0**	**0.1**	*50,001.0*	*0.1*
At 31 December	**50,001.0**	**0.1**	*50,001.0*	*0.1*

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.

16. Deferred taxation

	Non-current assets $m	Royalty financing $m	Hancock embedded derivative $m	Net Total $m
At 1 January 2021	(24.8)	53.0	(28.2)	-
Credited to income statement	(24.0)	-	(13.4)	(37.4)
Charged to other comprehensive income	-	37.4	-	37.4
At 31 December 2021	(48.8)	90.4	(41.6)	-
Charged to income statement	48.8	-	18.3	67.1
Credited to other comprehensive income	-	(67.1)	-	(67.1)
At 31 December 2022	(24.8)	53.0	(28.2)	-

The Company has $2,082.7m of temporary differences on which a potential deferred tax asset of $632.9m has not been recognised. Of this, $438.5m relates to fixed assets, $82.1m relates to other temporary differences and $112.3m relates to losses and pre-trading expenditure.

At 31 December 2022, the company has tax losses of $271.7m (2021: $100.4m) that are available indefinitely for offset against certain future taxable profits of the company. In addition, the company has $177.3m (2021: $155.7m) 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 other temporary differences as there is uncertainty whether suitable profits will arise in future periods against which the deferred tax asset would reverse.

17. Loans from Group companies

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

18. 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 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.

19. 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.