Anglo American Woodsmith Limited

Annual report and financial statements

for the year ended 31 December 2019

Company number: 04948435

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This Annual Report contains forward-looking statements. These forward-looking statements are made in good faith, based on a number of assumptions concerning future events and information available to the Directors at the time of their approval of this report.

These forward-looking statements should be treated with caution due to the inherent uncertainties underlying any such forward looking information. The user of this document should not rely unduly on these forward-looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other events, many of which are outside of the Company's control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements.

Introduction

This Annual Report covers the activities of Anglo American Woodsmith Limited (formerly known as Sirius Minerals Plc) (the "Company" or "AAWL") for the financial year 2019. On 17 March 2020, the Company, including all its subsidiary companies and its North Yorkshire Polyhalite Project (the "Group"), became a wholly owned subsidiary of Anglo American Projects UK Limited, a wholly owned subsidiary of Anglo American Plc ("Anglo American"), following a court-sanctioned scheme of arrangement (the "Acquisition") and the Company was re-registered to a private Company. On 17 March 2020 all Non-Executive Directors of the Company (who had been Directors of the Company throughout 2019 and held a majority of seats on the Board) resigned. On 18 March 2020 the Company changed its name to Anglo American Woodsmith Limited and on this date Anglo American appointed its own Directors to take a majority of Board seats and who were in place at the approval of this Annual Report.

Throughout 2019 and up to 17 March 2020 the Company was a public limited Company and had a premium listing on the London Stock Exchange main market for listed securities.

Review of 2019

Although the year saw some significant construction progress (notably the start of tunnelling from Teesside) and some notable sales and marketing successes (with the addition of three major international sales agreements), the year was dominated by the search for additional (or "Stage 2") financing. This was ultimately not successful, and culminated in the sale of the Company to Anglo American at 5.5p per share in early 2020.

The deal secured the future of the Project, including jobs and economic opportunities for people in the region. The offer from Anglo American provided certainty to shareholders after a tumultuous year in the financial markets, in which many factors outside the Company's control, such as US and China trade disputes, political uncertainty, Brexit, perceived Project construction risks, and fertilizer market uncertainty combined to create an environment that was not conducive to the raising of finance for a single asset company like AAWL.

In early 2019 the Company was continuing to seek loan guarantees from the UK Government's Infrastructure and Projects Authority ("IPA"), which was essential to the success of the original debt raising plan. During these protracted discussions with the IPA, the Company received a conditional proposal from JP Morgan Cazenove offering a capital markets-based alternative fundraising package which would not involve the IPA (the "Alternative Proposal"). The Alternative Proposal required an equity raise and a $500 million bond issue in order to access a $2.5bn revolving credit facility. If implemented successfully, this was expected to provide enough liquidity to complete the Project. The Company believed that the Alternative Proposal potentially offered a more flexible and attractive solution to its Stage 2 financing requirements and therefore paused discussions with its existing prospective lenders to pursue it.

Despite a successful equity raise in May 2019, and placing of convertible bonds raised in escrow, the Alternative Proposal could not be finalised due to an inability to raise the $500 million of senior secured notes required by the Alternative Proposal due to market conditions. The UK government

was again asked for financial support via future guarantees in the bond market, but it declined. With no government backing and extremely challenging financial markets, the Company had no option but to withdraw from the Alternative Proposal in September 2019.

The Company then embarked on a strategic review period starting on 17 September 2019 ("Strategic Review"), slowing down construction activity in order to preserve cash while it assessed other development options and engaged with other potential finance partners. In November 2019 the decision was taken by the Company's Directors at that time to revise the development timeline to reduce up-front costs and de-risk the Project. However, the year ended with no firm offers of finance and this put the future of the Project (and ultimately the Group) in doubt.

As part of the strategic review, Anglo American had been approached (together with a wide range of potential partners) with a view to coming on board as strategic partner. However, in January 2020 the Company received an offer of 5.5p per share for the entire issued share capital from Anglo American. Given a lack of alternatives, and the likelihood of administration or liquidation if the Acquisition did not go through, the Board who was in place at that time unanimously recommended the offer. The Acquisition was effected by means of a court-sanctioned scheme of arrangement of AAWL (previously SM Plc) under Part 26 of the Companies Act 2006 (the "Scheme"). The Scheme was approved by AAWL's shareholders on 3 March and was sanctioned by the High Court on 13 March 2020. The Scheme became effective on 17 March 2020.

Since then, the Project has continued to progress. Although work has been made more challenging by the COVID 19 crisis, mitigation measures have been implemented across all construction sites, based on construction industry guidelines as a minimum standard. While these practices make work more difficult, they are essential and part of the 'new normal' to which all businesses must adapt.

Consistent with the public statements that it made when the Acquisition was announced, Anglo American intends to update the Project's development pathway and so at the date of this report has not yet approved the full development pathway through to first production. Anglo American intends to conduct a full review of the Project which may involve changes to previously announced Project development assumptions in relation to timing, production levels, product pricing and the view of other market factors. This review is expected to be finalised by the end of 2020.

Value for shareholders

The Company has always stated that financing the construction of its world-class North Yorkshire Polyhalite Project (the "Project") was how it aimed to deliver value to shareholders. While the Acquisition provided the financing required, the Board members who recommended the offer to shareholders and management understand that the returns were not what shareholders had previously hoped for. It was the Board who were in place in January 2020's strong preference that a solution would be found that allowed shareholders to participate as fully as possible in the future development of the Project, however this proved to not be possible.

The cash constraints of the Group and lack of realistic and deliverable alternative financing and development options meant that the Acquisition became the only feasible option. It provided shareholders with some financial return and left the Project in the hands of a Company committed to approaching it in the right way, and with the resources available to complete the job. If the

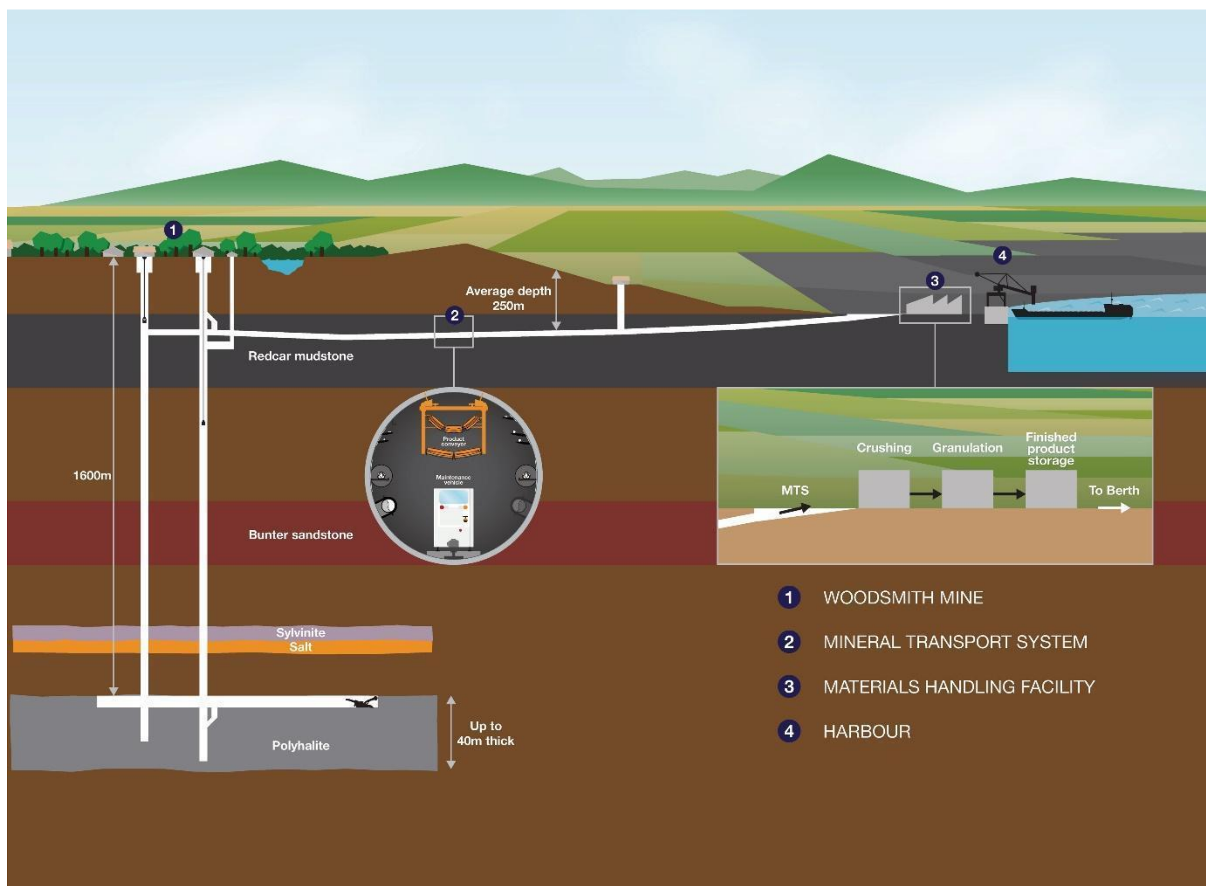
Acquisition had not been approved by shareholders and had not completed, there was a high probability that the business could have been placed into administration or liquidation within weeks thereafter.

Our Project

The North Yorkshire Polyhalite Project is constructing the Woodsmith Mine and associated infrastructure in the north east of England to access the world's largest deposit of polyhalite. The Project aims to deliver an innovative, low environmental impact polyhalite fertilizer mine. In doing so the Project can help farmers across the globe grow more food more sustainably, while leaving a positive legacy for the future of the local community.

The state-of-the-art Woodsmith Mine, under construction, is located two miles south of Whitby in the North York Moors National Park. Polyhalite ore will be extracted via two 1.6km deep mine shafts and transported to Teesside on a conveyor belt system in a 37km underground tunnel, thereby avoiding any impact on the surface above. It will then be granulated at a materials handling facility, with the majority being exported to overseas markets.

The Company aims to become the world's leading producer of polyhalite fertilizer, a natural mineral product containing potassium, sulphur, magnesium and calcium – four of the six nutrients that every plant needs to grow. Its natural balance of nutrients will allow farmers to grow healthier, stronger crops from more productive, healthier soil, and help feed a rapidly expanding world population.



Performance against milestones

Construction progress in 2019 was negatively impacted by liquidity restrictions, caused by the failure to deliver the planned Stage 2 financing during the year. This led to the launch of the Strategic Review on 17 September 2019 and consequent slowing of all construction work across the site.

Construction	**EOY 2019 Status**	**Detail**
Complete construction of main mineshafts foreshafts to enable commencement of excavation of main shafts using shaft-boring roadheaders	Incomplete	● Service shaft walls and floor completed ● Service shaft shaft boring roadheader ("SBR") and headframe arrived and in storage ● Production shaft partially excavated ● Mineral transport system ("MTS") shaft Galloway ready for fit out, hoist house partially complete ● Intermediate shaft excavation and grouting suspended
Complete mechanical tunnelling of Drive 1 of the MTS and advance tunnel excavation to 3km	Complete	● Tunnel boring machine ("TBM") ahead of schedule and at 3.6km at end of year
Complete early works and commence civil works for the mineral handling facility ("MHF")	Incomplete	● Initial ground preparation completed but further work suspended
Finalize commercial approach to port facilities	Complete	● Contract awarded and early engineering work ongoing
Sales and Marketing		
Continue to expand global agronomy programme in conjunction with our distribution partners	Complete	● Crop science programme at 489 trials in 31 countries on 54 crops
Expand our global distribution footprint into incremental key markets	Complete	● European supply and distribution agreement signed with BAYWA ● Indian supply agreement signed with IFFCO ● Africa, ME & Asia supply and distribution agreement signed with Muntajat
Corporate and Commercial		
Achieve financial close on all components of the stage 2 financing plan	Incomplete	● Alternative financing plan suspended; strategic review underway to secure further investment

Our Strategy

Our strategy throughout 2019 was unchanged from the long-term strategy adopted in the early days of the Project: to sell our high grade polyhalite as a bulk multi-nutrient fertilizer to farmers around the world. To achieve this we developed a multi-channel, global sales strategy to meet a potential market opportunity for polyhalite based multi-nutrient fertilizer products, which have a number of advantages over traditional potash fertilizers. In doing so, we aim to become a globally unique high-volume nutrient supply Company, with a low cost and high-quality product.

2019 Strategy			
Build a world-class, long-life, low-cost production facility	Developing an industry-leading product	Penetrate existing markets and drive long-term value	Execute a financing plan that delivers returns for shareholders

- Build a world-class, long-life, low-cost production facility

Summary: Utilise proven, well-understood construction techniques to build a low-impact, large-scale operation with a long operating life and low cost of production. Ensure ongoing management of health and safety, and environmental and social impacts.

The Company is building an innovative mine, capable of producing up to 20 million tonnes of polyhalite a year for in excess of 40 years. By using high-efficiency bulk mining methods, the Company expects to become a disruptive global fertilizer business by being the only Company able to produce large volumes of a unique polyhalite fertilizer that is not currently available anywhere else in the world and making it widely available in key markets. The nature of the resource means that all mine development roadways are expected to be excavated in the polyhalite seam and to result in an approximately 1:1 mining ratio, meaning that every tonne of ore mined would become approximately a tonne of POLY4. The close proximity of the deposit to the harbour facility on Teesside, and the development of the mineral transport system, are expected to enable cost and operational efficiencies.

The Company has designed its mine infrastructure to be sympathetic to its location. The low impact infrastructure ensures that no material will come to surface until it arrives at the materials handling facility.

KPIs	**2019 progress**
Complete construction of main mineshafts foreshafts to enable commencement of excavation of main shafts using shaft-boring roadheaders	● Service shaft walls and floor completed ● Service shaft SBR and headframe arrived and in storage ● Production shaft partially excavated ● MTS shaft Galloway ready for fit out, hoist house partially complete. ● Intermediate shaft excavation and grouting suspended

Complete mechanical tunnelling of Drive 1 of the MTS and advance tunnel excavation to 3km	● TBM ahead of schedule and at 3.6km at end of year
Complete early works and commence civil works for the MHF	● Initial ground preparation complete but further work suspended
Finalize commercial approach to port facilities	● Contract awarded and early engineering work ongoing

● <u>Develop an industry-leading product</u>

Summary: Articulate POLY4's four key attributes: efficiency, effectiveness, flexibility and sustainability, that benefit farmers by increasing their profits in a sustainable way through improved crop yields, reduced costs or both.

The Company's product strategy is based on the cornerstones of POLY4: efficiency, effectiveness, flexibility and sustainability. The Company intends to continue its global agronomy programme to continue to validate the performance of POLY4 in key geographical markets and for a large variety of crops. This programme is aimed at enhancing the market adoption of POLY4 as its nutrient value and benefit to customers are more widely demonstrated. The Company also plans to continue to implement an extensive product development programme in order to further explore other value enhancing uses of POLY4, such as its incorporation into high-value NPK fertilizers and new application techniques, such as seed coating.

KPI	**2019 progress**
Continue to expand global agronomy programme in conjunction with our distribution partners	● Crop science programme at 489 trials in 31 countries on 54 crops

● <u>Penetrate existing markets and drive long-term value</u>

Summary: Penetrate and disrupt the existing market via a three-phase approach of substitution, market growth and performance.

The Company intends to focus its sales strategy on the opportunities for various markets to adopt the use of POLY4 on a large scale. First, the Company expects that the multi-nutrient characteristics of POLY4 will allow it to become an economical substitute to existing sources of potassium, magnesium, calcium and sulphur for many customers. Second, the low-chloride nature of POLY4 may allow it to alleviate the global shortfall in supply of low-chloride fertilizers. Third, the growth in consumption of multi-nutrient fertilizers around the world is expected, in the longer term, to further increase the opportunity for POLY4 to enter the fertilizer market and in particular the NPK blending market.

Facilitation of the world's evolution to a more sustainable agricultural sector is an area of focus for the Company. A growing population and limited availability of arable land is placing increased

demand on food production. Through the large-scale supply of POLY4, the Company aims to make a sustainable contribution to global food security and is already working with a range of stakeholders to promote better agricultural practices across the world through the use of POLY4. The Company has made a long-term commitment to farmer education in this regard, the foundation of this effort being its ongoing research and development programme.

KPI	**2019 progress**
Expand our global distribution footprint into incremental key markets	● European supply and distribution agreement signed with BAYWA ● Indian supply agreement signed with IFFCO ● Africa, ME & Asia supply and distribution agreement signed with Muntajat

● Execute a financing plan that delivers returns for shareholders

Summary: The Company has sought to deliver a financing plan that would maximise shareholder value.

The Company aimed to deliver value to shareholders through raising external financing as outlined in this Annual Report. Through the life of our Project, we have strategically raised capital to enable progression through key Project milestones.

KPI	**2019 progress**
Achieve financial close on all components of the stage 2 financing plan	● Alternative financing plan suspended; strategic review commenced to secure further investment, which ultimately resulted in the takeover by Anglo American plc in March 2020.

Our Product

POLY4 is the trademark name of our flagship fertilizer product. Made from polyhalite, a naturally occurring evaporite mineral, it contains four of the six macro-nutrients that are essential to plant growth.

Using POLY4 as the source of potassium, sulphur, magnesium, and calcium is frequently more efficient and effective for farmers, delivering flexible and more sustainable fertilizer practices. It can allow farmers to maximise the economic potential of their land, in terms of crop yield, quality and soil structure with one simple product.

Our high-quality product will be available in granulated, powdered or chipped form to meet the needs of our customers, taking into account their crop needs, blending requirements, application method and soil conditions.

Its advantages and value to customers include:

- Delivers greater nutrient uptake
- Bigger improvements in yield and quality
- Improves soil strength, structure and nutrient legacy
- Has an ultra low CO2 emission profile
- Is low-chloride and pH neutral

Crop Science programme

Our ongoing programme, conducted in partnership with agricultural universities, research institutions and commercial associates, operates across five continents. As of the end of 2019, we have directed over 489 trials, on over 54 crops in 31 different countries.

These studies tested POLY4 on broad acre and high value crops directly against other potassium based fertilizers, both as a straight comparison and as a component in an NPK blend. Results consistently show that POLY4 has a major and competitive role to play in the world market and demonstrate the agronomic advantage provided by POLY4's multi-nutrient content.

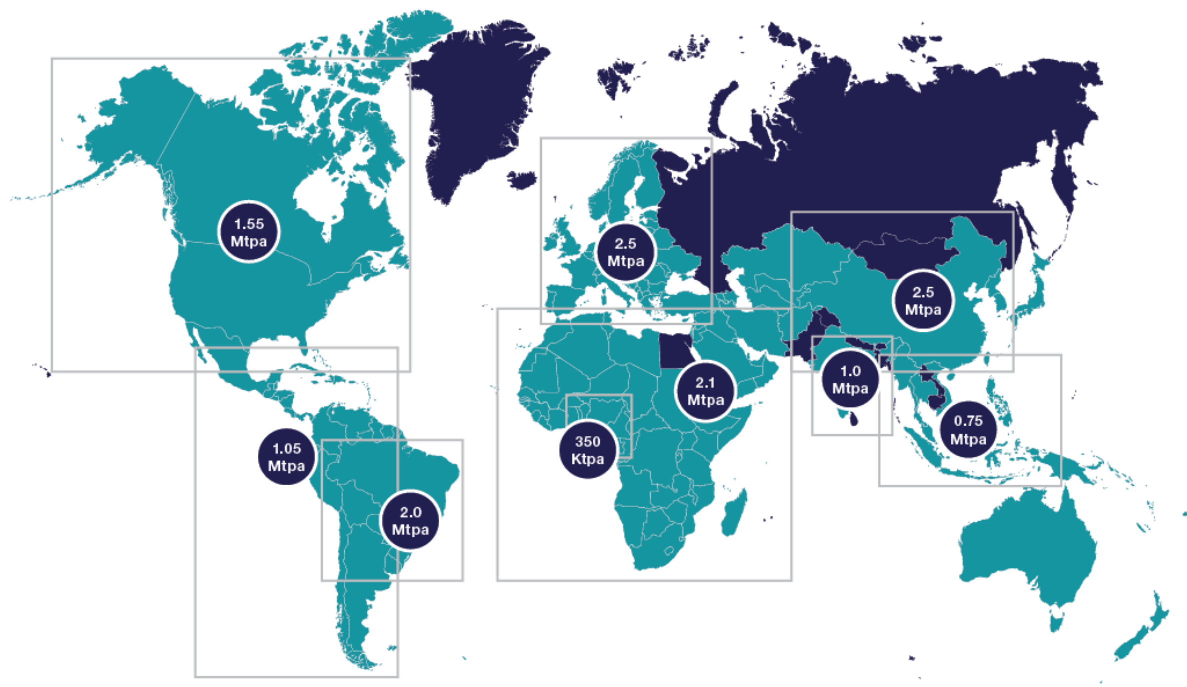
Our Market

The Company has already secured a peak supply agreement aggregate volume of 13.8 Mtpa with customers across Europe, South East Asia, China, Africa, North America and South America.
The global fertilizer market for the component nutrients in POLY4 is substantial with a value of $190 billon in 2016 and predicted to reach a value of $245 billion by 2020. At a 20 Mtpa output capacity, this means that POLY4 would only account for up to 4.5% of the potential global market.

Customers
2019 saw the addition of three important customers to the Company's portfolio:

- 10-year European supply and distribution agreement with BayWa Agri Supply and Trade B.V. ("BAST"), a wholly owned subsidiary of BayWa AG, with guaranteed minimum volumes ramping up to 2.5 Mtpa in year five.
- 11 year take-or-pay supply agreement signed with Indian Farmers Fertiliser Cooperative Limited ("IFFCO") for POLY4 supply in India, ramping up to 1 Mtpa in year eight, with a mutual agreement option for an additional 250,000 tonnes per annum.
- 10-year supply and distribution agreement with the Qatar Chemical and Petrochemical Marketing and Distribution Company Q.P.J.S.C ("Muntajat"), into Africa, Australia, New Zealand and certain Middle Eastern and Asian territories. Contracted volumes increase to c.2.0 Mtpa in year five and peak at 2.1 Mtpa in year eight.

These took the Group's aggregate peak sales volumes to 13.8 Mtpa by the end of 2019, further underpinning the large scale, international market appetite for POLY4.



Our Business Model

We aim to mine the world's largest known high-grade polyhalite mineral deposit and sell it as a bulk multi-nutrient fertilizer to farmers around the world. We are developing a multi-channel, global sales strategy to meet a high level of market opportunity for polyhalite based multi-nutrient fertilizer products, which have numerous advantages over traditional potash fertilizers. In doing so, we aim to become a globally unique high-volume nutrient supply Company, with a low cost and high-quality product.

Our tier one asset represents the most significant opportunity for any major new development that the resources and fertilizer sector has seen for a long time. POLY4 will supply a growing global market and the core components of our strategy will position the Company as one of the world's most significant multi-nutrient fertilizer producers. Our business is based around three major competitive strengths:

UNPARALLELED RESOURCE	DISRUPTIVE, PREMIUM, PROVEN MARKET	SIMPLE AND LOW-COST
● World's largest and highest grade resource of polyhalite ● Located in UK only 37km from deep-water port ● Long life asset lasting 100+ years ● Installed production capacity of 10 Mtpa with potential for 20 Mtpa	● Growing global fertilizer demand driven by population increase and food demand ● Multi-nutrient product competes with premium fertilizers ● Proven to increase crop yield and quality in broad acre and high value crops ● Pre-sold over 13 mtpa (aggregate peak volume)	● Simple mining, transport and processing methodology ● At $30 per tonne, some of the lowest operating costs in the industry ● Lowest cost multi-nutrient potassium fertilizer ● 67–80% EBITDA margins

These advantages are underpinned by a sustainable approach to the development of the Project. In practice, this means:

- Rigorous health and safety standards in all our operations;
- Minimising our impact on the environment, both during construction and when operational;
- Taking an active and positive role in the local community.

We have also adopted a values-led approach to management and governance of the Project, ensuring that we behave appropriately towards our employees, our environment and our community.

OUR VALUES:					
Responsibility	Ownership	Belief	Urgency	Safety	Team

Working responsibly

We are located in one of the most beautiful parts of the UK and recognise that with this privilege comes responsibility: a duty to ensure that our operations enhance the area, rather than detract from it. Responsibility is something we embrace wholeheartedly – indeed, it is one of our core values. We expect everyone involved with the Company, from the Board and staff to the wider contractor team, to act with accountability and integrity.

The Company can only succeed by supporting our team and keeping them safe, protecting the environment, engaging with the community and delivering benefits to the local area. Underpinned by good governance, our three pillars of responsibility – environment, community and people.

Our Environment

From the outset, we have been committed to limiting the environmental impact of the Project as much as possible, which is reflected in our low impact design and operational philosophy. We are also conscious that, through our business, we have the opportunity to contribute to solving a problem that has a truly global scale – how to produce more food to feed the world's growing population in a way that is more sustainable.

Sustainable design and operations

To access the polyhalite deposit, we have designed our mine infrastructure to be sympathetic to its location within the North York Moors National Park. The number and size of the buildings has been reduced to a minimum, which together with extensive landscaping and planting, will ensure the site is screened and blends in with the surrounding area.

Mined ore will be transported underground, in recognition of the sensitivity of the area, to the materials handling facility in Teesside. No mineral will come to surface until after it leaves the National Park and arrives at the materials handling facility.

We continue to look for ways to improve the Project. For example, through our membership of the Industry Nature Conservation Association, we work with local authorities and voluntary organisations to minimise our environmental impact and ensure ecological improvement on Teesside.

Minimising construction impact

There are almost 100 planning conditions relating to environmental issues as part of the permission for our sites and the mineral transport system. We have a dedicated team who work with the relevant authorities to ensure we comply with the conditions to keep impacts limited across a range of environmental matters including lighting, noise, landscape, wildlife and ecology, and air quality. In many cases, we seek to go beyond what is required by our planning permission and reduce our environmental impact even further.

Funding enhancements

As part of our planning permissions for the Project we provide significant funding, through formal 'section 106 contributions', to the North York Moors National Park Authority, North Yorkshire County Council and Redcar and Cleveland Borough Council. Over £5 million of payments have already been made.

Our contributions support projects that safeguard and enhance the natural environment, improve public footpaths, restore historic monuments, and include a 7,000-hectare woodland creation scheme. As of the end of 2019, a total of 40,000 trees had been planted.

Supporting sustainable agriculture

Sustainability is the major challenge facing the fertilizer industry today. Large-scale farming systems and the over-application of fertilizers have been responsible for environmental impacts such as pollution, soil degradation, deforestation and habitat loss. The required increase in food production over the coming decades must be done in a way that safeguards the environment and protects it for future generations. The Company is committed to the promotion of better fertilizer practices and, in doing so, making a significant contribution to global food security.

The foundation of this effort is our ongoing research and development programme. The programme consistently demonstrates that POLY4 can improve crop yield and quality and has positive environmental impacts, such as improvements in soil strength, structure and nutrient legacy, and helps to reduce agriculture's impact by improving fertilizer use efficiency – ensuring more fertilizer is taken up by the plant and not lost into the environment.

Measuring 2019 performance		**2018 Performance**
GHG emissions Scope 1[1]	5,489 TCO2e	4,852 TCO2e
GHG emissions Scope 2[1]	2,241 TCO2e	639 TCO2e
Gross carbon emissions[1]	7,737 TCO2e	5,491 TCO2e
Intensity metric (per £10m spend)	171	152
Environmental compliance (target: 0)	Zero enforcement orders	Zero enforcement orders
Environmental incidents (target: 0)	Zero incidents causing significant localised harm	Zero incidents causing significant localised harm
New crop trials started (target: 80)	94	110

Note

[1] The Company's greenhouse gas (GHG) performance in 2019 is calculated in line with the government's 'Greenhouse gas reporting: conversion factors 2018'. This includes direct GHG emissions from the combustion of fuels (Scope 1) and indirect GHG emissions from the consumption of purchased electricity, steam or other sources of energy (Scope 2). In 2019, we were able to report on our use of refrigerants. Our combined total emissions were 7,737 tonnes of CO2e, an increase of 2,246 tonnes over 2018, as a direct result of the growth of our sites and the increase in construction activities taking place

Our Community
It is hugely important to us that the local communities of North Yorkshire and Teesside benefit from the Project as much as possible. We take our responsibilities to the local area very seriously and we are committed to taking an active and positive role in the local community by making a meaningful contribution to the social and economic well-being of the area.

This means not only making payments to local mineral rights holders and to the Sirius Minerals Foundation, but providing jobs, supporting local employment initiatives, working closely with local businesses, funding training schemes and developing education outreach programmes.

Jobs and Skills
Ours is the largest private sector capital investment in the north of the UK and is a project that is set to be operational for decades to come. We are committed to making jobs available for people and companies in North Yorkshire and Teesside, both during the construction phases of the Project and in long term operations. We have also developed a long-term skills and education programme in order to help develop a local workforce in the long term.

The Company has a long-term target that 80% of the workforce will be sourced from the local area when the Project is operational. During construction it was anticipated that 35% of the workforce would be local, but as of 2019 64% of the workforce is local, boosted by the efforts of Sirius and its contractors to make opportunities available to local people.

The Company aims to train 50 apprentices in the first five years following the commencement of construction and in September 2019, the first 14 were recruited. In addition, we provided £225,000 towards the East Cleveland Training and Employment Hub as well as Scarborough Construction Skills Village and Scarborough Jobmatch.

Education outreach
We believe in supporting young people to fulfil their potential and to become responsible, successful and resilient adults. Our education outreach programme, which has been active since 2012, aims to increase the skills and aspirations of young people in the local area. The three main strands of the programme are:

- Supporting careers provision in schools and colleges
- Enriching the school curriculum with a particular focus on science, technology, engineering and maths (STEM)
- Specific projects targeted at disadvantaged students.

So far, we have engaged 30,000 young people and worked with over 100 schools. In 2019 we took part in 88 activities and engaged 12,500 children, including careers presentations and workshops, projects to improve STEM skills, work placements, site visits and initiatives specifically geared towards improving the life chances of young people living in disadvantaged areas.

We also funded a wide range of education initiatives including Scarborough Science and Engineering Week, which we sponsored for the eighth consecutive year, and provided £82,000 to support STEM careers provision in 65 schools throughout the Tees Valley and North Yorkshire.

Sirius Minerals Foundation

The Sirius Minerals Foundation has been established as an independent charity led by a board of trustees to fund community projects that benefit the local area. For the construction period, Sirius has made an initial payment of £2 million to the Foundation and during operations will contribute an annual royalty of 0.5% of its revenue.

The Foundation is supporting community groups, sports clubs, schools, charities and village halls across the Project area, including Redcar, East Cleveland, the Esk Valley and Whitby. The activities funded include improving community facilities and restoration works, new equipment, supporting families and vulnerable people, environmental enhancements, and education and training.

In 2019, £300,000 was awarded to 56 amateur sports clubs to fund small grants for kit, equipment and training, and to seven projects for capital improvement initiatives.

Community engagement

Part of our commitment to the community involves keeping local residents updated on the development of the Project and responding quickly to questions and concerns. We do this in several ways:

- Liaison Group Forum – site neighbours, representatives from local authorities and from the Company that meet quarterly to discuss Project updates, raise concerns and address any issues.
- Elected Representatives – we regularly attend Parish and town council meetings, focusing on those closest to the Project sites, and regularly host local councillors to update them
- Site Neighbours – we make sure that we regularly update local residents and respond quickly to questions and concerns, investigating and resolving any issues promptly
- General Public and Local Groups – we hold regular public drop-in events, give presentations to local interest groups, distribute newsletters, and maintain a 24-hour community helpline.

Measuring 2019 performance		**2018 performance**
Direct jobs	1200 (at peak)	900
Local employment (target 35% of workforce)	64%	66%
Economic contribution to N Yorks & NE	£276m	£200m
Apprenticeships (target: 10)	14	0
Education activities (target: 20)	88	56
Community engagement (target: 20 meetings)	57	30
Responding to complaints	25 complaints received and resolved	36 complaints received and resolved

Our People
Our team is an adaptable, diverse group of individuals who come from all walks of life, recruited mainly from the local area, together with experts in their field from many different countries across the globe. We foster a culture that puts safety and teamwork at the heart of everything we do.

Great Days
To that end, at the start of the year we launched Great Days – one single measure of success for the whole Project. Great Days is about our people maintaining a daily focus on safety, the environment and on meeting our schedule obligations. Great Days looks at our daily performance against four key metrics: Project Milestones, Environment, Lost Time Injuries and High Potential Events. A day is considered a "Great Day" if we have hit our significant milestones, looked after our environment and kept our people safe. In 2019 we had 346 Great Days and a longest run record of 67 days.

For every Great Day we have, we put money into a dedicated charity pot. The donation that goes in each day increases as the current run of Great Days gets longer. In 2019, we gave over £20,000 to three local charities: Yorkshire Air Ambulance, Safe and Sound Homes and St Teresa's Hospice.

Health & Safety
Every year we aim to raise the bar when it comes to the safety, health and wellbeing of our people. We recognise that it's not enough to just keep the team out of harm's way – we need to work proactively to create a safe working environment and empower individuals to take responsibility for themselves and others.

At the end of 2019, our people had worked 2,884,282 hours on the Project. We reported two incidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. Our Project's Lost Time Injury Frequency Rate, which is a rolling 12 month average of incidents per million person hours worked, was 2.77. This was a significant improvement from the frequency rate of 3.54 from 2018.

In 2019 we continued to proactively engage with the Health and Safety Executive. As part of the ongoing major hazard intervention programme, four audits were undertaken including Fire, Explosion and two separate audits for Ground Control. All of these resulted in a score of 'compliant'.

There has been continuous development and implementation of the Mines Rescue site exercise programme, where exercises reflect credible major hazard scenarios. As of the end of 2019, the Project had 43 fully trained Mines Rescue Technicians covering all sites. We also continued to refine and adhere to our robust hazard identification process to develop and implement suitable controls for all new work scopes, with 53 hazard identification workshops held throughout the year.

Measuring 2019 performance			
Lost Time Injury Frequency Rate (2018: 3.54)	2.77	**Gender representation:** ***as at year end**	
Major health and safety incident (target: 0; 2018:1)	0	Board	3 women 5 men
Workforce participating in discretionary training (2018: 45%)	16%	Senior management (includes CEO and direct reports)	1 woman 6 men
Voluntary workforce turnover (2018: 4.3%)	6.8%	All employees	36% women 64% men

Delivering value to our stakeholders

The vision of Sirius Minerals is to be a world-class fertilizer business. During the year, and throughout the development of the Project, good communications were maintained with the Company's stakeholders, and the interests of shareholders, customers, employees and the wider community were considered in its decision making. More detail about how we engage with our stakeholders can be found throughout this report, as follows:

Stakeholder	How we deliver value	More information
Shareholders	Achieving long term financing for the Project	Page 2 – 'Value for shareholders'
Customers	Provide access to high quality fertilizer products in the future	Page 9 – 'Our Product'
Partners	Provide benefits to our industry leading construction partners, to local businesses and to our supply agreement partners	Page 14– 'Jobs and Skills' & Page 9 – 'Crop Science programme'
Local communities	Create jobs for local communities and invest in local social projects	Page 14 – 'Our Community'
Government	Make a significant contribution to GDP and be a major payer of taxes	Page 14 – 'Projected future economic impact'
Our People	Commit to health and safety and promote a culture of ownership and team	Page 16 – 'Our People' & Page 11 'Our Values'

Financial Review

The Group's 2019 financial performance and its year-end financial position reflects the slowdown of ongoing spend while the Group was in a strategic review period initiated during September 2019 while it sought an alternative financing solution.

During 2019 the Group made a total loss of £19.5 million compared to a loss of £12.5 million in 2018. The following table sets out the main drivers of the Group's loss for the year.

£million	**2019**	**2018**
Operating loss	**(43.4)**	**(24.2)**
Net interest expense/(income)	(11.7)	1.0
Fair value gains on derivative instruments	66.5	9.6
Attributable to royalty financing	*2.5*	*7.5*
Attributable to convertible loans	*64.0*	*2.1*
Losses arising from refinancing and early repayment of convertible loans	(47.7)	-
Foreign exchange gains on net debt	6.1	0.1
Taxation	10.7	1.0
Loss for the financial period	**(19.5)**	**(12.5)**

The increase in operating loss reported in 2019 compared to 2018 was mainly due to legal and other advisory fees incurred in relation to the negotiation of and attempts to meet the conditions precedent of the US$2.5 billion revolving credit facility ('RCF'), including £4.8 million of costs that were included within other receivables on the Group's balance sheet at 31 December 2018 but which were written off during 2019. Had the Group been successful in satisfying the conditions precedent to secure the RCF then these legal and other advisory costs would have instead been capitalised to the balance sheet, netting off against the carrying value of the related debt liabilities and so not impacted operating loss during 2019.

The accounting approach required by International Financial Reporting Standards for the Group's financial instruments is complex and has led to significant gross gains and losses being recognised in 2019 which largely net off against each other as shown in the table above. On a net basis the total impact of fair value gains has more than offset the financing costs that the Group recognised in relation to the issuance and subsequent repayment of its US$400 million convertible loans, mainly due to the fair value re-measurement gains recognised in relation to the convertible loans that the Group issued in 2016 which were outstanding throughout the period.

The significant increase in the taxation credit in the period is mainly due to the recognition of deferred tax assets in relation to tax losses incurred by the Group. These are only recognised to the extent that they offset deferred tax charges recognised in the year through other comprehensive income and so do not reflect the full value of potential tax losses created by the Group during the year.

In order to understand most clearly how the Group has put its capital to use during the year in furthering the development of the Project, the Group believes that the measure of total funds

deployed is most representative of this. The table below identifies the various elements of how funds were deployed during 2019 drawing from amounts presented in the Group's cash flow statement and adjustments made in that statement's preparation:

£million	**2019**	**2018**
Cashflows on capital expenditures	*430.8*	*332.3*
Incurred but unpaid capital expenditure	*4.0*	*26.6*
Less: prior year incurred but unpaid capital expenditure	*(26.6)*	*(19.9)*
Net capital expenditure	408.2	339.0
Operating costs	40.2	23.6
Local authorities' security requirements	(3.3)	9.1
Interest paid	27.6	19.5
Share and convertible loan issue costs	26.2	-
Total funds deployed	**498.9**	**391.2**

The increase in funds deployed in 2019 compared to 2018 is largely driven by the increased underlying capital expenditure cash flows which are reflective of the fact that the Group's key construction partners were operating at a steady run rate for much of the year whereas during 2018 these contractors were only in the process of initiating significant works.

In order to most appropriately understand how the Group has safeguarded its capital position throughout the year, the Group believes that it is most relevant to assess movements in and the year-end position of the Group's cash-like balances that make up total funds, as shown in the following table which is broadly consistent with the Group's consolidated cash flow statement:

£million	**Cash and cash equivalents**	**Restricted cash**	**Total funds**
On 1 January 2019	230.1	60.3	290.4
Operating costs	(40.2)	-	(40.2)
Cashflows on capital expenditures	(430.8)	-	(430.8)
Local authorities' commitments	3.3	(3.3)	-
Interest received	2.5	-	2.5
Interest paid	(15.1)	(12.5)	(27.6)
Proceeds from issue of shares	327.1	-	327.1
Share and convertible loan issue costs	(26.2)	-	(26.2)
Redemption of restricted cash	3.8	(3.8)	-
Working capital and other	5.9	-	5.9
FX revaluation	(0.5)	-	(0.5)
On 31 December 2019	**59.9**	**40.7**	**100.6**

Risk Management

Identifying and managing risks

The Group's strategy exposes it to various risks. The Board is responsible for determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives. In addition, the Board considers how risks evolve and potential emerging risks. The most significant risks arising from this assessment and information around their mitigation are set out on the subsequent pages.

The Group has a system of internal controls which is designed to manage and mitigate these risks and which the Board is responsible for with this system's key features including:

- a defined organisational structure with appropriate delegation of authority and clearly defined lines of reporting and responsibility, whereby the incurring of expenditure and assumption of contractual commitment can only be approved by specified individuals and within pre-defined limits;
- formal authorisation procedures for all banking transactions, expenditure and investment decisions;
- a comprehensive system for budgeting and planning whereby periodic budgets are prepared and approved by the Board and subsequently monitored with variances reported to the Board at regular Board meetings; and
- regular and comprehensive information provided to the board from the Group's senior management team, covering financial performance and key performance indicators, including non-financial measures.

Principal risks

The following table sets out the principal risks and uncertainties facing the Group:

Description	Mitigation plan
Project development	
The Group's ability to generate returns for shareholders is dependent on it being able to deliver operational and economically viable mine infrastructure facilities to exploit the Project's identified resource. A failure to complete successful construction of the necessary facilities would threaten the Group's ability to operate.	The geological, mining, processing and infrastructure challenges of the Project are inherent in a mining and infrastructure Project of this size, and are not of an extraordinary level or nature. As engineering progresses this risk naturally reduces. Development risks are assessed, evaluated and reduced as far as reasonably possible as part of the Project management function performed by our experienced owners team.

Description	Mitigation plan
Liquidity	
The Group does not currently generate revenues and has historically been reliant on external funding to provide it with the required liquidity to operate and to commence construction activities on the Project. If the Group is not able to obtain sufficient further amounts of funding to allow the Project to reach a point of production where the Group generates positive operating cash flows and to meet ongoing expenditures prior to that point, then there is a risk that the Group would not be able to continue to operate.	As at 31 December 2019 this risk was mitigated by the Group's ongoing work with experienced financial advisors in developing a range of potential financing options that could be attractive to investors to provide sufficient liquidity for both the Group's immediate future and long-term needs. Following the completion of the Acquisition by Anglo American during March 2020, the Group expects that its ongoing funding needs will be met by financing provided by the Anglo American Group. The Group's Directors and management team work closely with the wider Anglo American Group to ensure that cash funding continues to be extended to the Group as and when it is required to allow the Group to continue its operations.
Currency	
The Group expects its future revenues to be denominated in US Dollars while the majority of its construction and operational costs are expected to be denominated in other currencies (mainly Sterling). A strengthening of non-US Dollar currencies, without offsetting improvement in US Dollar-denominated polyhalite prices, could adversely affect the Project's profitability and Group's financial position.	The Group monitors its exposure to currency risk based on the Project expenditure forecast and the stage of development of the Project and provides this information to the wider Anglo American Group to inform the Group's future financing requirements.
Competitors	
The global fertilizer market that the Group is seeking to compete in contains numerous well-established competitors and high barriers for potential new entrants into the market. A failure to overcome pressure from competitors as well as the inherent market barriers could threaten the Group's abilities to strike deals with potential customers for its products.	The Group continues to develop its sales and marketing strategy to emphasise the unique characteristics of POLY4 and to make front-of-mind in customers our product's unique nature and how we differentiate ourselves from our closest competitors. The Group's global agronomy programme provides an independently validated dataset which demonstrates the efficacy of POLY4 on a wide range of different crops in varying geographic and climatic conditions in order to support the Group's marketing efforts.

Description	Mitigation plan
Permits and Licenses	
The Project requires a range of permits and licences to allow construction activities as well as future operations to go ahead. The Group currently has in place all material permissions to allow construction of the Project against its original plan. As the Project progresses and the construction plan continues to be refined, this is likely to necessitate changes to existing planning permissions. There is a risk that these approvals will not be forthcoming which could lead to additional costs or delays in construction activities.	The Group is in possession of the planning permissions required to commence the construction of the minehead, mineral transport system, materials handling facility and has also received a development consent order for the construction of the port facility. Any changes applied for do not affect these permissions, but instead modify or replace the existing permissions once approved. The Group is pro-active in maintaining effective working relationships with each licensing authority and is responsive to feedback from those bodies around its permit applications. The Group engages experienced consultant advisers that specialise in obtaining permits, licences and secondary approvals needed for the Project to operate.
Safety and Environmental Performance	
The scale and nature of the construction operations that the Group is undertaking in its development of the Project means there is an inherent risk to the safety of individuals who are carrying out these operations. A significant safety incident during construction operations resulting in injury to workers could impact the Group's licence to operate, affecting the delivery of the Project and the Group's reputation.	The Group continuously assesses the risk to ensure that it has the right people in the right places. Nonetheless, the Group is not complacent about the risks in this area. The Group's management team is set up to manage safety and the environment effectively. A key part of its work in this area is in ensuring that the Group engages contractors who have the right attitude and systems, and it welcomes expertise and improvement from employees, contractors and external parties. Ongoing focus areas include leadership activities, work with contractors (including onboarding processes and auditing), developing the culture of the Project team, and the identification and control of major hazards.
Unplanned Construction delays	
The Group is undertaking extensive construction activities across a range of locations and depths to deliver its Project against a defined timetable. Unforeseen issues could arise which may cause unplanned construction delays, risking the	Detailed assessment and planning is carried out continuously by the management team and external parties as part of the development to mitigate and de-risk the Project during construction.

Description	Mitigation plan
Group's ability to meet the Project's existing timetable, as well as potentially meaning that higher construction costs may be incurred as a result of the delays.	The Group works closely with its contractors to ensure that potential sources of delay are identified as early as possible to allow as much time as possible for these to be mitigated.
Contractors and Suppliers	
Due to the outsourced nature of most of the construction activities of the Project, the performance of our contractors and suppliers is critical to its success. 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.	An active and experienced management team is in place with a focus on being clear about expectations, verifying performance, and doing everything possible within the contracts to ensure the success of our contractors and suppliers. Performance is actively monitored and managed, with mitigating change instigated should performance not meet expectations.
Construction Cost Overruns	
The Group plans its financing needs based on a detailed budget of the anticipated construction cost of the Project, which includes a contingency. Unforeseen technical issues or scope changes compared to the budget may occur which could result in additional costs, should the value of total overruns exceed the budgeted contingency.	The Group's management has a strong focus on cost with much of the Project costed by contractors and suppliers within awarded contracts. Work is underway to mitigate the cost effects of the Project's development resequencing announced in November 2019. The latest detailed full Project cost estimate included a provision for escalation, and also includes a significant contingency provision in case of cost pressures. The contingency is based on a detailed assessment of a range of Project risks using Monte Carlo simulations performed by a third-party estimator.

The Strategic Report from pages 1 to 24 was approved by the Board on 26 June 2020 and signed on its behalf by:

TJ Staley

Director

Remuneration Committee Report
Annual Statement

Performance and incentive outturns in 2019

As outlined in the Strategic Report on pages 1 to 24, 2019 was a challenging year for our business.

Following a robust assessment of the Executive Directors' performance for the year against their 2019 objectives, the Remuneration Committee (which consisted of Non-Executive Directors who were in place prior to the completion of the Acquisition as detailed on page 26) awarded bonuses of 85.75% and 82.5% of salary to Chris Fraser and Thomas Staley respectively. Further detail in relation to the performance achieved and the associated bonuses earned in respect of 2019 is set out on pages 28 to 29.

No long-term incentive awards vested by reference to performance ending in 2019.

Implementation of the Remuneration Policy in 2020

On 17 March 2020 (the "Effective Date"), the Company became a wholly owned subsidiary of Anglo American Projects UK Limited following a court-sanctioned scheme of arrangement (the "Scheme") and the Company was re-registered to a private company.

The Committee operated executive remuneration in accordance with the remuneration policy approved by the Company's shareholders at the 2018 AGM, until the Effective Date of the Scheme.

The Committee met for the final time on 3 March 2020 ahead of the completion of the Acquisition by Anglo American and exercised their discretion and approved the vesting of all outstanding LTIP share awards granted on or after 31 May 2018 conditional on shareholder approval of the Scheme and the sanction of the Scheme by the Court. The LTIP payments were made in April 2020. More information can be found on page 29.

RJB Price
Director
26 June 2020

Annual Report on Remuneration

This report provides details on remuneration in the year and some other information required by the applicable regulations. The relevant sections of this report have been audited, as required.

Composition
Throughout 2019 and up to the completion of the Acquisition on 17 March 2020, the Remuneration Committee was made up of four members: the Chairman of the Board (Russell Scrimshaw) and three independent Non-Executive Directors (Lord Hutton, Louise Hardy and Jane Lodge). The Chair of the Remuneration Committee was Lord Hutton. On 17 March 2020 all Directors who had previously served on the Remuneration Committee resigned upon the completion of the Acquisition. Since this date, the Company has not continued to operate a separate Remuneration Committee.

Responsibilities
Prior to its dissolution on 17 March 2020, the main role of the Committee was to:

- determine and set the ongoing appropriateness and relevance of the remuneration policy;
- review and approve the remuneration policy and remuneration of the Executive Directors respectively;
- recommend and monitor the level and structure of remuneration of senior management; and
- produce the Annual Report on the Directors' Remuneration.

Advisers
Deloitte LLP (Deloitte) was appointed by the Committee and has provided advice to the Committee during the year in relation to its consideration of matters relating to general remuneration advice, share scheme advice and other tax advice. Deloitte is retained to provide objective and independent advice to the Committee as required.

Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing remuneration advice to the Committee were £14,250 for the year ended 31 December 2019.

Single figure table (subject to audit)

The following table sets out total remuneration for each Director in respect of the year ended 31 December 2019 and the prior year.

	Salary and fees £'000		Benefits £'000		Annual bonus £'000		LTIP £'000		Pension £'000		Total remuneration £'000	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Executive Directors												
C Fraser	**487**	475	**40**	13	**417**	475	**–**	–	**13**	8	**957**	971
T Staley	**338**	330	**31**	14	**279**	304	**–**	–	**9**	6	**657**	654
Non-Executive Directors												
R Scrimshaw	**188**	188									**188**	188
N Harwerth	**61**	61									**61**	61
K Clarke	**65**	57									**65**	57
L Hardy	**53**	49									**53**	49
J Hutton	**53**	53									**53**	53
J Lodge	**57**	57									**57**	57

The figures in the single figure table above are derived from the following:

Salary and fees	**The amount of salary/fees received in the year**
Benefits	The taxable value of benefits received in the year in respect of qualifying services as an Executive Director.
Annual bonus	Cash bonus approved and payable in the year based on the Committee's assessment of performance achieved during the year. (See further details below)
LTIP	2019: No long-term incentive awards held by Executive Directors vested by reference to performance ending in 2019.
	2018: No long-term incentive awards held by Executive Directors vested by reference to performance ending in 2018.
Pension	Value of the employer contribution to the defined contribution pension scheme on behalf of the Executive Director.

Additional disclosures in respect of the single figure table (subject to audit)

Base salary and fees

As disclosed in the 2018 Directors' Remuneration Report, there was a 2.4% increase to the base salary for each of the Executive Directors with effect from 1 January 2019 in line with the increase awarded to the wider employee population. Base salaries for the Executive Directors for 2019 are set out below.

	2019 base salary	2018 base salary	% increase
C Fraser	£486,400	£475,000	2.4%
T Staley	£337,920	£330,000	2.4%

Benefits
As disclosed in the Directors' Remuneration Report in the 2018 Annual Report, a car allowance of £11,000 per annum was put in place for each of the Executive Directors in line with typical market practice, with effect from 1 January 2019, due to the increased travel requirements across the various sites.

Pension
As disclosed in the Directors' Remuneration Report in the 2018 Annual Report, pension contributions for the Executive Directors continued to be provided in line with auto-enrolment minimum contribution requirements at the level of circa 2% of salary with effect from April 2018 (3% with effect from April 2019) in line with the wider workforce and auto-enrolment requirements.

Annual Short-term Incentive Plan
For the financial year ended 31 December 2019, the Executive Directors earned bonuses of £417,088 or 85.75% of salary (in the case of Chris Fraser) and £278,784 or 82.5% of salary (in the case of Thomas Staley). These bonuses were approved in 2020 by the Non-Executive Directors who previously served on the Remuneration Committee prior to the completion of the Acquisition based on the Committee's assessment of performance achieved during the year ended 31 December 2019 as set out on the next page.

In relation to the objective of securing necessary finance for the Company to continue development and execution of the Company's strategy, the Committee agreed that when the objective was set, it had been understood to relate to securing funding for the Company to continue development as an independent Company. The Committee therefore concluded that the element of the bonus for each of the Executive Directors relating to this objective should be zero. The Committee further concluded that given the 2018 Offset (as detailed on pages 66 and 67 in the Directors Remuneration Report in the 2018 Annual Report) was designed to clawback an element of the bonus that related to the objective of securing necessary finance for the Company to continue development and execution of the Company's strategy, it was not appropriate to apply that to the 2019 bonus.

C Fraser	**Weighting % of bonus maximum**	**Assessment**	**% of maximum achieved (175% of salary)**	**Bonus earned (% of salary)**
Securing necessary finance for the Company to continue development and execution of the Company's strategy	40%	Not achieved	0%	0%
Project on schedule and budget	30%	Achieved	25%	43.75%
Company safety objectives met	15%	Achieved	12%	21%
People, culture and staff engagement	10%	Achieved	8%	14%
Quality of senior leadership team and succession planning agreed	5%	Achieved	4%	7%
Overall assessment	100%		49%	85.75%
Bonus earned				£417,088

T Staley	Weighting % of bonus maximum	Assessment	% of maximum achieved (175% of salary)	Bonus earned (% of salary)
Securing necessary finance for the Company to continue development and execution of the Company's strategy	40%	Not achieved	0%	0%
Increase the percentage of share register held by institutional investors	20%	Achieved	15%	22.5%
Effective management of Company controls, reporting processes and corporate infrastructure as reinforced by internal and external audit reports	15%	Exceeded	15%	22.5%
Commence deployment of the Company's technology strategy, including successful implementation of the enterprise asset management system	15%	Exceeded	15%	22.5%
Provide timely and insightful market intelligence	10%	Exceeded	10%	15%
Overall assessment	100%		55%	82.5%
Bonus earned				£278,784

Long-term incentives

Long Term Incentive Plan vesting

On 17 March 2020 (the "Effective Date"), the Company became a wholly owned subsidiary of Anglo American Projects UK Limited following a court-sanctioned scheme of arrangement (the "Scheme"). In accordance with the share plan rules, all LTIP share awards granted before 31 May 2018 automatically vested in full on the change of control of the Company. On 3 March 2020, prior to the completion of the Acquisition, the Non-Executive Directors who served on the Remuneration Committee exercised their discretion and approved the vesting of all outstanding LTIP share awards granted on or after 31 May 2018 conditional on shareholder approval of the Scheme and the sanction of the Scheme by the Court. The LTIP payments were made in April 2020.

Awards granted during the financial year (subject to audit)

LTIP awards were granted to the Executive Directors on 28 June 2019, as set out below.
The 2019 LTIP share grant consisted of an ordinary share award of 200% of salary for Chris Fraser and 175% for Thomas Staley. No exceptional share award for Executive Directors was granted in 2019. As set out in further detail below, the vesting of the 2019 LTIP awards was based on the critical milestone of a total of five million tonnes of polyhalite being shipped to customers.

Ordinary award (up to 200% of salary for Chris Fraser and up to 175% of salary for Thomas Staley).	Vesting of the ordinary award was linked to a total of five million tonnes of polyhalite being shipped to customers by 31 December 2024 for maximum vesting of the ordinary award. Given the scale and complexities and nature of the Project, a threshold award would vest regardless of when five million tonnes of polyhalite is shipped to customers. However, the amount that would vest in this case would be modest (20% of the ordinary award).

	% of ordinary award vesting
31 December 2024	100%
31 March 2025	75%
30 June 2025	60%
30 September 2025	50%
31 December 2025	35%
Five million tonnes shipped	20%

In terms of the value of the award (as a % of salary at the date of grant) this means that the following would vest depending upon the date that a total of five million tonnes of polyhalite was shipped to customers:

	C Fraser	**T Staley**
	Ordinary	Ordinary
31 December 2024	200%	175%
31 March 2025	150%	131%
30 June 2025	120%	105%
30 September 2025	100%	88%
31 December 2025	70%	61%
Five million tonnes shipped	40%	35%

In addition, the Committee would apply a general performance underpin which means that any formulaic amount which would vest would be considered against the overall performance of the business in determining the appropriateness of that level of vesting.

A two-year holding period applied to LTIPs granted to Executive Directors in 2019, so that vested shares would not be released (other than sales to cover tax liabilities arising in relation to the award), regardless of whether or not the shareholding guidelines had been met.

	Type of award	Number of shares	Face value at grant £[2]
C Fraser	2019 Ordinary LTIP Award[1]	6,918,919	1,018,464
T Staley	2019 Ordinary LTIP Award[1]	4,205,974	619,119

Notes:
1. The threshold amount (20%) of the 2019 Ordinary LTIP Awards were granted in the form of Jointly Owned Equity (JOE) awards which give the participant an interest in the future growth in value of shares owned jointly with a trustee, along with the right to acquire the trustee's interest in the shares for nil cost, so that the participant is entitled to the full value of the shares. The remaining 80% of the 2019 Ordinary LTIP Awards were granted in the form of nil cost options
2. Based on the closing middle market share price on 28 June 2019 of 14.72 pence

Awards vesting in respect of financial year
No long-term incentive awards held by Executive Directors vested by reference to performance ending in 2019.

Summary of outstanding share awards
Following the Company becoming a wholly owned subsidiary of Anglo American Projects UK Limited on 17 March 2020 and the re-registration of the Company from a public company to a private limited company, no awards made under the Company's share plans were outstanding other than options granted under the Sirius Minerals Plc Company Share Option Plan (the "CSOP"). Under the CSOP rules, options granted under the CSOP will remain exercisable for a period of six months following the Effective Date of the Scheme and then lapse (or any shorter period where an option otherwise lapses in accordance with the terms on which it was granted). The exercise prices of these CSOP options are higher than the consideration payable for a Sirius share under the Scheme and as such these CSOP options have no value.

Payments made to former Directors during the year (subject to audit)
No payments were made in the year to any former Director of the Company.

Payments for loss of office made during the year (subject to audit)
No payments for loss of office were made in the year to any Director of the Company.

Statement of Directors' shareholdings, shareholding guidelines and share plan interests (subject to audit)
The interests of the Directors and their connected persons in the Company's ordinary shares as at 31 December 2019 are set out below.

During the period, each Executive Director was required to build a shareholding equal to 200% of his annual base salary. Under the shareholding requirement arrangement, an additional holding period applied for long-term incentive awards, such that vested LTIP awards would only be released to an Executive Director prior to the fifth anniversary of the date of grant (so they can dispose of the shares acquired) if the shareholding guideline had been achieved, although sales to cover tax would be permitted. From 2019, a two-year holding period applied to LTIPs granted to the Executive Directors irrespective of the Executive Director having met the Company's formal shareholding guidelines

Share ownership

Director	Shares owned as at 31 December 2019[1]	Shareholding guideline (% salary)	Shareholding value at 31 December 2019 (% salary)[2]	Shareholding guideline met
Executive Directors				
C Fraser	123,997,368	200%	435.93%	Yes
T Staley	1,187,139	200%	6.01%	No
Non-Executive Directors				
R Scrimshaw	45,645,005	–	–	–
N Harwerth	101,303	–	–	–
K Clarke	899,144	–	–	–
J Hutton	30,856	–	–	–
J Lodge	601,822	–	–	–
L Hardy	–	–	–	–

Notes:
1. Includes shares held by members of the Director's immediate family, shares held by trusts where the Director or members of the Director's family are beneficiaries, and related companies
2. Based on average closing middle market price for three months ending on 31 December 2019 of 3.42p and base salary as at 31 December 2019

Reflecting best practice, the Committee adopted, with effect from 1 January 2019, a post-cessation shareholding requirement. This required that for 12 months following cessation, an Executive Director must retain such of his 'relevant' shares as had a value (as at cessation) equal to 100% of base salary. If the Executive Director held less than the required number of 'relevant' shares at any time, he must retain the 'relevant' shares he held. Shares which the Executive Director had purchased or which had been acquired pursuant to LTIP awards granted before 1 January 2019 were not 'relevant' shares for these purposes. The Committee retained discretion to vary the post-cessation shareholding requirement in appropriate circumstances.

Directors – share plan interests

Director	Award	Date of grant	Number of shares at 1 January 2019	Granted during the year	Lapsed during the year	Exercised during the year	Exercise price	Number of shares at 31 December 2019	Status	Exercise period
Executive Directors										
C Fraser										
	2016 LTIP Award (JOE Award[1])	13 May 2016	413,002	–	-	–	–	413,002	Unvested, subject to performance conditions[5]	Awards vest on achievement of the relevant milestone, with a backstop date of 30 November 2021. Awards can be realised between vesting and the tenth anniversary of grant.
	2017 LTIP Award (JOE Award[1])	26 June 2017	1,479,452	–	–	–	–	1,479,452	Unvested, subject to performance conditions[6]	Awards vest on achievement of the relevant milestone. Awards can be realised between vesting and the tenth anniversary of grant.
	2018 Ordinary LTIP Award[9]	26 June 2018	2,994,767	-	–	–	–	2,994,767	Unvested, subject to performance condition[7]	Awards vest on achievement of the relevant milestone. Awards can be realised between vesting and the tenth anniversary of grant.
	2018 Exceptional LTIP Award[10]	26 June 2018	4,492,151	-	–	–	–	4,492,151	Unvested, subject to performance condition[7]	Awards vest on achievement of the relevant milestone. Awards can be realised between vesting and the tenth anniversary of grant.
	2019 Ordinary LTIP Award[11]	28 June 2019	-	6,918,919	-	-	-		Unvested, subject to performance condition[12]	Awards vest on achievement of the relevant milestone. Awards can be realised between vesting and the tenth anniversary of grant.
T Staley										
	USOP Option[2]	27 January 2015	1,233,555	–	–	–	29.2p	1,233,555	Vested	27 January 2018 to 27 January 2025
	CSOP Option[3]	27 January 2015	309,917	–	–	–	29.2p	309,917	Vested	27 January 2018 to 27 January 2025
	Milestone Award[4]	27 January 2015	1,000,000	–	–	–	–	1,000,000	Unvested, subject to performance condition[8]	Award vests on achievement of the relevant milestone.

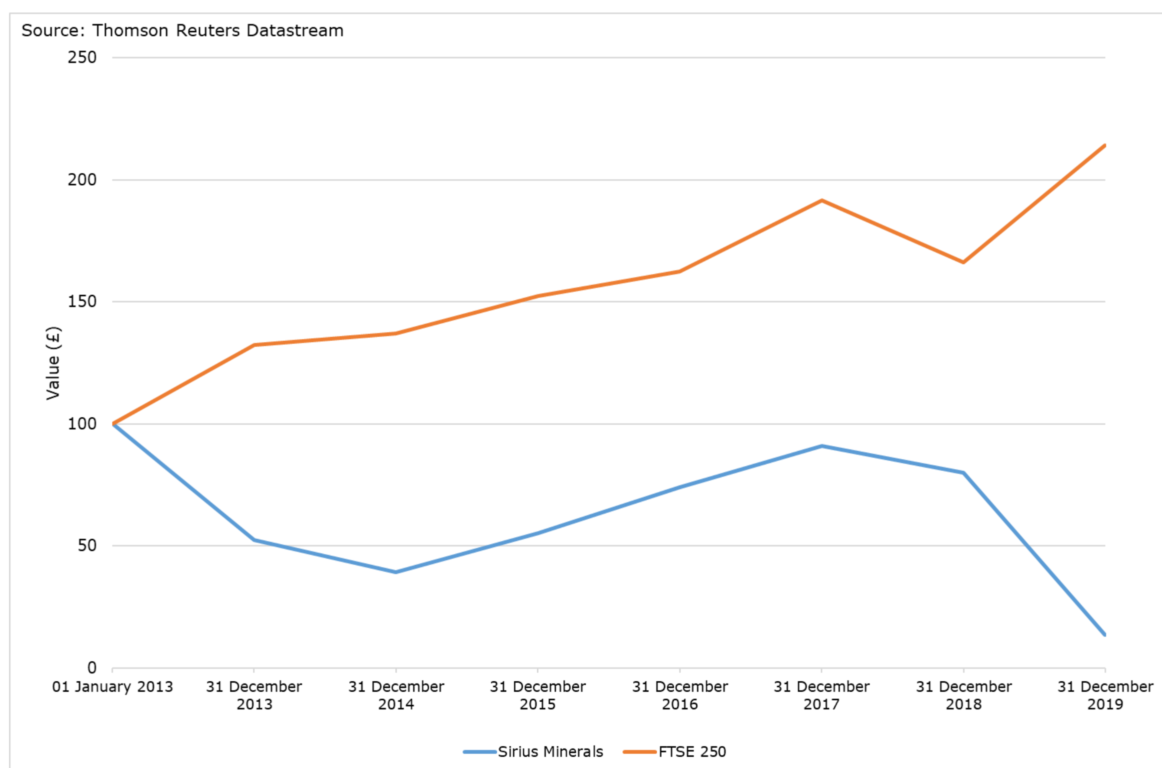
	2017 LTIP Award (JOE Award[1])	26 June 2017	602,470	–	–	–	–	602,470	Unvested, subject to performance condition[6]	Awards vest on achievement of the relevant milestone. Awards can be realised between vesting and the tenth anniversary of grant.
	2018 Ordinary LTIP Award[9]	26 June 2018	1,820,503	-	–	–	–	1,820,503	Unvested, subject to performance condition[7]	Awards vest on achievement of the relevant milestone. Awards can be realised between vesting and the tenth anniversary of grant.
	2018 Exceptional LTIP Award[10]	26 June 2018	3,120,862	-	–	–	–	3,120,862	Unvested, subject to performance condition[7]	Awards vest on achievement of the relevant milestone. Awards can be realised between vesting and the tenth anniversary of grant.
	2019 Ordinary LTIP Award[11]	28 June 2019	-	4,205,974	-	-	-	4,205,974	Unvested, subject to performance condition[12]	Awards vest on achievement of the relevant milestone. Awards can be realised between vesting and the tenth anniversary of grant.
Non-Executive Directors										
K Clarke	USOP Option[2]	23 December 2013	1,852,167	–	–	–	29.2p	1,852,167	Vested	23 December 2016 to 22 December 2023
J Hutton	USOP Option[2]	30 January 2012	1,852,167	–	–	–	29.2p	1,852,167	Vested	30 January 2015 to 29 January 2022

Notes:

1. Awards granted as Jointly Owned Equity Awards (as referred to on pages 90 and 91 in the Directors' Remuneration Report in the 2017 Annual Report) under the Company's Long-term Incentive Plan
2. USOP Options were granted under the Company's Unapproved Share Option Plan, described in the Prospectus
3. CSOP Options were granted under the Company's Company Share Option Plan, described in the Prospectus
4. The Milestone Award was the remaining part of the award referred to in Part 12, paragraph 6.1.2 of the Prospectus
5. The vesting of the 2016 LTIP Award was subject to the satisfaction of the following milestone: first commercial ore sales by ship by November 2021
6. The vesting of the 2017 LTIP Awards was subject to the performance milestones referred to on page 91 in the Directors Remuneration Report in the 2017 Annual Report
7. The vesting of the 2018 LTIP Awards was subject to the performance milestones referred to on page 68 in the Directors Remuneration Report in the 2018 Annual Report
8. The vesting of the Milestone Award was subject to completion of the subsequent major debt financing to complete the Project
9. The threshold amount (20%) of the 2018 Ordinary LTIP Awards were granted in the form of Jointly Owned Equity awards and the remaining 80% of the 2018 Ordinary LTIP Awards were granted in the form of nil cost options under the Company's Long-term Incentive Plan (as described on pages 68 and 69 in the Directors Remuneration Report in the 2018 Annual Report)
10. Awards granted as nil-cost options (as described on pages 68 and 69 in the Directors Remuneration Report in the 2018 Annual Report) under the Company's Long-term Incentive Plan
11. The threshold amount (20%) of the 2019 Ordinary LTIP Awards were granted in the form of Jointly Owned Equity awards and the remaining 80% of the 2019 Ordinary LTIP Awards were granted in the form of nil cost options under the Company's Long-term Incentive Plan (as described on pages 29 to 30)
12. The vesting of the 2019 LTIP Awards was subject to the performance milestones referred to on page 30

Performance graph and historical Chief Executive Officer Remuneration outcomes

The graph below shows the total shareholder return ("TSR") performance for the Company's shares in comparison to the FTSE 250 for the period from 1 January 2013 to 31 December 2019. The Company was a constituent of this Index and as such it was selected as an appropriate comparator group. For the purposes of the graph, TSR was calculated as the percentage change during the period in the market price of the shares, assuming that dividends were reinvested. The graph shows the value, by 31 December 2019, of £100 invested in the Group over the period compared with £100 invested in the FTSE 250.



The table below shows details of the total remuneration and annual bonus and LTIP vesting (as a percentage of the maximum opportunity) for the Chief Executive Officer over the last seven financial years.

	Total remuneration £'000	Annual bonus as a % of maximum opportunity[1]	LTIP as a % of maximum opportunity[2]
2019	957	85.75	n/a
2018	971	115.5	n/a
2017	842	40	n/a
2016	922	86	n/a
2015	597	36	n/a
2014	381	n/a	n/a
2013	640	n/a	100%

Notes:

1 The Company had not previously operated an annual bonus scheme on the basis of a maximum annual bonus opportunity. For the purposes of this disclosure, the maximum opportunity for each year was assumed to be 175% of the salary for the year, in line with the normal maximum annual bonus opportunity under the Company's Directors' Remuneration Policy.

2 LTIP awards of 857,143 shares which vested in three tranches in 2014, 2015 and 2016 were granted on 21 May 2013. These awards were subject to continued employment only. Therefore, this LTIP has been included in the single figure table at grant based on the closing middle market share price on 21 May 2013 of 25.25 pence. There were no other awards which vested in respect of a performance period ending in the six years to 31 December 2019.

CEO pay increase in relation to all employees

The table below sets out the percentage change in base salary, value of taxable benefits and bonus for the Chief Executive Officer between 2018 and 2019 compared with the average percentage change for employees representing the wider workforce between 2018 and 2019.

Percentage change	Chief Executive Officer	Wider workforce[1]
Salary	2.4%	4.4%
Taxable benefits[2]	0%	-4%
Annual bonus	-12%	66%

Notes:

1. In order for the comparisons to be meaningful, the group of employees selected for the wider workforce comprised: (1) in relation to salary, those employees who were with the business in both 2018 and 2019 and, accordingly, were eligible for a salary review in 2019; (2) in relation to taxable benefits, those employees who received taxable benefits in 2018 and those employees who received taxable benefits in 2019 (other than benefits related to JOE awards, as described below); and (3) in relation to bonuses, those employees who were eligible for a bonus in both 2018 and 2019. These groups were selected in order to provide a meaningful comparison and so that remuneration between 2018 and 2019 could be viewed on a like-for-like basis.
2. Benefits provided to the CEO and to other employees who receive JOE awards included the payment by the Company of the income tax and employee National Insurance contributions due in respect of the award of JOE awards under the LTIP. Because these benefits related to the value of the long-term incentive awards granted to the CEO and other employees, they were excluded for the purposes of this analysis as, in the opinion of the Committee, their inclusion would not result in meaningful disclosure of the increase in the benefits.

Spend on pay

The following table sets out the percentage change in dividends and the overall expenditure on pay (as a whole across the organisation).

	2019 £’000	2018 £’000	Percentage change
Dividends and share buybacks	0	0	N/A
Overall expenditure on pay	18,536	17,832	3.94%

CEO pay ratio

The table below sets out the CEO pay ratio at the median, 25th and 75th percentile for the last two years.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	1:28	1:17	1:8
2018	Option A	1:29	1:17	1:9

The Company has continued to use Option A as defined in The Companies (Miscellaneous Reporting) Regulations 2018 as the calculation methodology for the ratios as this was felt to be the most accurate method. The median, 25th and 75th percentile pay ratios were calculated using the full time equivalent total remuneration for all UK employees as at 31 December 2019, using the same methodology that is used to calculate the CEO single figure of remuneration as defined on page 27. For the purpose of calculating the total remuneration, a full-time equivalent was defined as 37.5 hours per week. No component was omitted from the calculation and this is the second year that we have published the CEO pay ratio.

Pay details for the individuals are set out below:

	CEO	25th percentile	Median	75th percentile
Salary	£486,400	£27,648	£45,000	£90,000
Total remuneration	£957,074	£34,106	£55,984	£114,372

The majority of our wider workforce were eligible to participate in both the annual bonus and the LTIP. This was in line with our ethos of recognising the importance of our strong team culture, the contribution of the wider team and ensuring that incentives for the wider employee population remain aligned to the interests of shareholders. The Group aimed to provide a competitive remuneration package which was appropriate to promote the long-term success of the Company and apply this policy fairly and consistently to attract and motivate staff. Our ratios shown above reflect fair and consistent pay for the Executive Directors and wider workforce generally.

Our CEO single figure comprised of only fixed pay, taxable benefits, pension benefits and bonus, given that no long-term incentive vested in respect of performance in 2019.

Implementation of Directors' Remuneration Policy for the financial year commencing 1 January 2020

The Committee operated executive remuneration in accordance with the approved remuneration policy until the Effective Date of the Scheme.

Statement of voting outcomes at the Annual General Meeting

The table below sets out the results from the advisory vote on the Annual Statement and Annual Report on Remuneration at the 2019 AGM and the binding vote on the Directors' Remuneration Policy at the 2018 AGM.

Resolution	Votes For	% of votes cast	Votes Against	% of votes cast	Votes Withheld
To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in the form set out in the Annual Report and Accounts for the year ended 31 December 2018 (*at the 2019 AGM*)	1,991,136,617	83.76%	386,147,045	16.24%	25,970,572
To approve the Directors' Remuneration Policy in the form set out in the Annual Report and Accounts for the year ended 31 December 2017 (*at the 2018 AGM*)	1,333,185,183	80.83%	307,851,979	18.67%	1,520,505

Directors' Remuneration Policy

The Policy was approved by shareholders at the AGM held on 31 May 2018 and became effective from the close of that meeting. The Committee operated executive remuneration in accordance with this approved remuneration policy until the Effective Date of the Scheme. The full Policy as approved by shareholders is set out below, excluding the illustrations of the application of the policy for the 2018 financial year (which is disclosed within our 2017 Annual Report, available at siriusminerals.com/investors).

Policy for Executive Directors

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	Core element of fixed remuneration reflecting the individual's role and experience.	The Remuneration Committee ordinarily reviews base salaries annually, taking into account a number of factors including (but not limited to) the value of the individual and their experience and performance. The Remuneration Committee also takes into consideration: pay increases within the Group more generally; and Group organisation, affordability and prevailing market conditions.	Whilst there is no maximum salary, increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees in the Group. However, higher increases may be awarded in appropriate circumstances, including (but not limited to): an increase in scope of the role or the individual's responsibilities; where an individual has been appointed at a lower than typical market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a typical market level as the individual gains experience; change in size and complexity of the Group; and/or significant market movement. Such increases may be implemented over such time periods as the Remuneration Committee deems appropriate.	While no formal performance conditions apply, an individual's performance in the role is taken into account in determining any salary increase.
Benefits	To provide broadly market competitive benefits.	The Company provides benefits in line with market practice and includes private medical insurance and travel insurance (for the Executive Director and his/her family), life insurance, provision of a mobile phone (or reimbursement of mobile phone costs) and laptop.	Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value of benefits is set at a level which the Remuneration Committee considers to be appropriately positioned taking into account relevant market	Not applicable.

		Other benefits may be provided based on individual circumstances, which may include relocation costs.	levels based on the nature and location of the role and individual circumstances.	
Retirement benefits	To provide a means of saving to deliver income in retirement.	The Company may make a contribution to a defined contribution pension arrangement, personal pension or pay a salary supplement.	Up to 10% of salary. At the date of the approval of this Policy, the Company makes a contribution in line with auto-enrolment requirements (2% with effect from April 2018).	Not applicable.
Bonus	The Remuneration Committee may award Executive Directors a bonus opportunity, which will be earned for performance against targets and/or objectives linked to the delivery of the Company's strategy.	Targets and objectives will be reviewed annually. Performance will typically be assessed over a period of one year. The Remuneration Committee has discretion to amend the payout should any formulaic output not reflect the Remuneration Committee's assessment of overall business performance. Any bonus earned in excess of 100% of base salary will be deferred into shares, typically for a period of two years. Recovery provisions apply, as referred to on page 78.	The overall maximum annual bonus opportunity is up to 200% of base salary. However, in normal circumstances, the maximum annual opportunity will be up to 175% of base salary for the Company's CEO and up to 150% of base salary for the Company's CFO. The additional opportunity up to the overall maximum will only be used in exceptional circumstances, linked to the achievement of a transformational strategic milestone.	Targets (which may be based on financial or strategic measures) and individual objectives are determined to reflect the Company's strategy. Where more than one measure applies, the Remuneration Committee will determine the weighting. Bonuses will vest to the extent determined by the Remuneration Committee between 0% and 100% of the opportunity based on its assessment of the extent to which the measure or objective is achieved.
Long-term incentives (the Sirius Minerals Plc Long Term Incentive Plan or LTIP)	Long-term incentive awards will be granted under the LTIP, which provides a clear link between the remuneration of the Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for the achievement of objectives aligned to shareholders' interests.	Awards may be granted in the form of conditional shares, nil-cost options or Jointly Owned Equity[1] awards, or as cash-based equivalents. The vesting of awards will be subject to the satisfaction of performance conditions. Recognising the Company's strategy and the stage of its development, performance conditions may be achieved, so that awards vest, before the third anniversary of the date of grant. However, vested shares will, ordinarily, only be released to the Executive Director so that he can dispose of them (other than sales to cover tax liabilities arising in relation to the award) before the fifth anniversary of the date of grant of the award if the Executive Director satisfies the shareholding guideline. Recovery provisions apply, as referred to below.	The overall maximum value of shares over which a participant may be granted an award in respect of any financial year of the Company is up to 500% of base salary. However, in normal circumstances, the maximum annual award will be up to 200% of base salary for the Company's CEO and up to 175% of base salary for the Company's CFO. Any additional award up to the overall maximum will only be granted where awards are subject to exceptional / aspirational stretch targets.	Performance conditions will be determined by the Remuneration Committee in advance of each grant and aligned with the Company's strategy. These conditions may be based on operational strategic milestones or financial measures. Vesting will be determined in accordance with a vesting schedule set by the Remuneration Committee as at the date of grant.

Note:

1. A Jointly Owned Equity award (JOE) gives the participant an interest in the future growth in value of shares owned jointly with a trustee. A JOE award may also include the right to acquire the trustee's interest in the shares for nil cost, so that the participant is entitled to the full value of the vested shares.

Recovery provisions (malus and clawback)
Bonus and LTIP awards are subject to the following recovery provisions:

Malus: The bonus opportunity may be cancelled or reduced before payment and an LTIP award may be cancelled or reduced before vesting in the event of material error or misstatement of results, material failure of risk management, material misconduct by the Executive Director, material health and safety failure.

Clawback: For up to two years following the vesting of a bonus or an LTIP award, the bonus paid may be recovered (and any deferred bonus award may be cancelled or reduced) and the LTIP award may be cancelled or reduced (if it has not been realised) or may be recovered in the event of material error or misstatement of results, material misconduct by the Executive Director, material health and safety failure.

Explanation of performance measures chosen
In order that incentive remuneration is appropriately linked to the delivery of the Company's strategy and taking into account the stage of the Company's development, LTIP awards will typically be subject to performance conditions based on the delivery of operational milestones linked to the delivery of the Company's North Yorkshire polyhalite project.

The Remuneration Committee may vary or substitute any performance measure if an event occurs which causes it to determine that it would be appropriate to do so (including to take account of acquisitions or divestments, a material change in strategy or a change in prevailing market conditions), provided that any such variation or substitution is fair and reasonable and (in the option of the Remuneration Committee) the change would not make the measure less demanding than the original measure would have been but for the event in question. If the Remuneration Committee were to make such a variation, an explanation would be given in the next Directors' Remuneration Report.

Shareholding guidelines
To align the interests of Executive Directors with those of shareholders, the Remuneration Committee has adopted formal shareholding guidelines in accordance with which each Executive Director is required to build a shareholding equal to 200% of his or her annual base salary. In accordance with the Policy table set out above, a post-vesting holding period applies to the LTIP awards until the holding is achieved. Shares subject to awards which have vested but have not been realised and shares subject to any deferred bonus award count towards the guidelines on a net of assumed tax basis.

Operation of share plans
The Remuneration Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of the Company's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the rules of those plans. The Remuneration Committee may operate any such plan in accordance with its rules. Share awards granted under any such plan may be settled in cash, although the Remuneration Committee

would only do so where the particular circumstances made this the appropriate course of action (for example, where a regulatory reason prevented the delivery of shares).

Total remuneration – annual cap

For the reasons referred to in the statement from the Chairman of the Remuneration Committee, there is an overall annual total remuneration cap of £20 million for each Executive Director. If the remuneration otherwise disclosable in the single figure table in the Directors' Remuneration Report for a year would exceed this limit, the Remuneration Committee shall reduce variable pay as it considers appropriate.

Policy for Non-Executive Directors

Element	Purpose and link to strategy	Operation	Opportunity
Fees and benefits[1]	To provide fees within a market-competitive range reflecting the experience of the individual, responsibilities of the role and the expected time commitment. To provide benefits, where appropriate, which are relevant to the requirements of the role.	The fees of the Chairman are determined by the Remuneration Committee and the fees of the Non-Executive Directors are determined by the Board following a recommendation from both the Chief Executive Officer and the Chairman. Non-Executive Directors may be eligible to receive benefits such as travel and other reasonable expenses.	Fees are set taking into account the responsibilities of the role and expected time commitment. Non-Executive Directors are paid a basic fee with additional fees paid for the membership and chairing of Board Committees. An additional fee may also be paid for the role of Senior Independent Director. Non-Executive Directors may be paid additional fees on a daily rate basis where the time required to fulfil their duties is significantly more than anticipated. Where benefits are provided to Non-Executive Directors they will be provided at a level considered to be appropriate taking into account the individual circumstances.

Note:

1 Non-Executive Directors are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes. However, certain Non-Executive Directors participate in share option arrangements established by the Company prior to Admission as disclosed in the Prospectus; those options shall continue and may be exercised in accordance with their terms; however, no options have been granted to Non-Executive Directors since 2013 and no further options will be granted to Non-Executive Directors.

Policy for the remuneration of employees more generally

The Group aims to provide a competitive remuneration package which is appropriate to promote the long-term success of the Company. The Company intends to apply this policy fairly and consistently and does not intend to pay more than is necessary to attract and motivate staff. In respect of the Executive Directors, a greater proportion of the remuneration package is 'at risk' and determined by reference to performance conditions. A significant number of the Company's employees participate in LTIP awards in line with the Company's ethos of ensuring that incentives for the wider employee population remain aligned to the interests of shareholders.

Recruitment remuneration policy

When hiring a new Executive Director, the Remuneration Committee will typically align the remuneration package with the above Policy.

When determining appropriate remuneration arrangements, the Remuneration Committee may include other elements of pay which it considers are appropriate. However, this discretion is capped and is subject to the principles and the limits referred to below.

- Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.
- Retirement benefits will be provided in line with the above Policy.
- The Remuneration Committee will not offer non-performance related incentive payments (for example a 'guaranteed sign-on bonus').
- Other elements may be included in the following circumstances:
    - an interim appointment being made to fill an Executive Director role on a short-term basis;
    - if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
    - if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis; and
    - if the Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Remuneration Committee.
- The Remuneration Committee may also alter the performance measures, performance period and vesting period, deferral period and holding period of the bonus or LTIP if the Remuneration Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors' Remuneration Report.
- The maximum level of variable remuneration which may be granted (excluding 'buyout' awards as referred to below) is 700% of salary, reflecting an annual bonus opportunity of up to 200% of salary and an LTIP grant of up to 500% of salary. However, awards at these levels would only be made in the event of exceptional performance targets applying.

The Remuneration Committee may make payments or awards in respect of hiring an employee to 'buyout' remuneration arrangements forfeited on leaving a previous employer. In doing so, the Remuneration Committee will take account of relevant factors including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Remuneration Committee will generally seek to structure buyout awards or payments on a comparable basis to the remuneration arrangements forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above. 'Buyout' awards will ordinarily be granted on the basis that they are subject to forfeiture or 'clawback' in the event of departure within 12 months of joining Sirius Minerals, although the Remuneration Committee will retain discretion not to apply forfeiture or clawback in appropriate circumstances.

Any share awards referred to in this section will be granted as far as possible under Sirius Minerals' existing share plans. If necessary and subject to the limits referred to above, recruitment awards may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue in accordance with their terms.

Fees payable to a newly appointed Chairman or Non-Executive Director will be in line with the policy in place at the time of appointment.

Executive Directors' service agreements and Non-Executive Directors' letters of appointment

The Company's policy is for Executive Directors to be employed on service agreements which, ordinarily, may be terminated on not more than six months' notice by the Executive Director or the Company. However, the Company reserves the right to offer a notice period of up to 12 months for any Executive Director appointed after the date on which this Policy becomes effective. Non-Executive Directors do not have service agreements but serve under letters of appointment which may be terminated on three months' notice by the Non-Executive Director or the Company.

Details of the service contracts, letters of appointment and notice periods for the current Directors are set out below.

Name	Commencement	Notice period by Company/Director
Executive Directors		
Chris Fraser	17 January 2011	Six months[1]
Thomas Staley	20 October 2014	Six months
Non-Executive Directors		
Russell Scrimshaw	19 December 2010	Three months
Noel Harweth	27 July 2015	Three months
Keith Clarke CBE	23 December 2013	Three months
Louise Hardy	12 May 2016	Three months
Lord Hutton	18 January 2012	Three months
Jane Lodge	27 July 2015	Three months

Note:

1 In the event of a change of control of the Company (or certain similar events), the notice required to be given by the Company (including in relation to any notice of termination given before the relevant event) shall increase to 12 months.

Payment for loss of office

Eligibility for the various elements of remuneration is set out below:

Executive Directors

Provision	Treatment
Fixed remuneration	Salary, benefits and pension contributions (or salary supplement) will paid to the date of termination.
Payments in lieu of notice	Where a payment in lieu of notice is made this will include salary, benefits and pension contributions (or a salary supplement) until the end of the notice period that would otherwise have applied. Alternatively, the Company may continue to provide the relevant benefits.
Bonus	This will be reviewed on an individual basis and the decision whether or not to award a bonus in full or in part will be dependent upon a number of factors including the circumstances of the Executive Director's departure and his or her contribution to the business during the bonus period in question. Any bonus payment would typically be pro-rated for time in service to termination and paid at the usual time (although the Remuneration Committee retains discretion to pay the bonus earlier in appropriate circumstances). If bonus deferral would otherwise apply to any bonus for the year of termination or previous year, the Remuneration Committee may pay the full bonus earned in cash. Any outstanding deferred bonus awards would typically continue (other than in the event of summary dismissal, where the entitlement would lapse) and vest at the originally anticipated date, although the Remuneration Committee retains discretion to release any such award at the date of cessation or some other date.
LTIP	LTIP awards will vest if the participant is a 'good leaver' to the extent determined by the Remuneration Committee taking into account their assessment of performance relative to the performance condition and such other factors as they consider relevant, which may include the length of time from grant to cessation. The Remuneration Committee shall determine whether awards vest at cessation or continue and can vest following satisfaction of the milestone, or on some other date. For these purposes, 'good leaver' reasons are death, injury, redundancy, agreed retirement and any other reason at the Remuneration Committee's discretion. If an Executive Director ceases employment with the Group after an award under the LTIP has vested but during a post-vesting holding period, the realised shares will, ordinarily, remain subject to the original holding period.
Other payments	The Remuneration Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment and/or in respect of accrued holiday entitlement. Where a 'buyout' or other award is made in connection with recruitment, the leaver provisions would be determined at the time of the award. In accordance with his service agreement entered into in January 2011, Chris Fraser is also entitled on termination by the Company to a minimum of one month's base salary for every year of employment by the Company, pro-rated for any part year of service.
Change of control	LTIP awards will vest on a change of control to the extent determined by the Remuneration Committee. In determining the extent of vesting, the Remuneration Committee would have regard to the extent to which the performance measures had been satisfied, and other factors the Remuneration Committee considers relevant. Any deferred bonus shares will vest on a change of control or other relevant event. As described on page 83, the notice to which Chris Fraser is entitled to increases to 12 months' in certain change of control situations.

Non-Executive Directors

The Non-Executive Directors are not entitled to compensation on termination of their appointment in excess of their fees for the notice period.

Approval

This Report was approved by the Board on 26 June 2020 and signed on its behalf by:

RJB Price
Director

Directors' Report

The Directors present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2019.

Additional disclosures

Other information that is relevant to this report is incorporated by reference, including information required in accordance with the Companies Act 2006 and associated regulations.

The following sets out where items to be included in this report under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 can be found:

Disclosure	Location
Indication of future developments	Pages 1 to 24
Financial risk management	Pages 19 to 20 Page 22 Pages 91 to 97
Research and development	Pages 9
Greenhouse gas emissions	Page 13
Employees	Page 16 to 17
Financial instruments	Page 95 to 96
Post balance sheet events	Pages 90 to 91

Strategic Report

The Company is required by the Companies Act to include a Strategic Report in this Annual Report, which provides an overview of the development and performance of the Company's business in the year ended 31 December 2019 and its position at the end of that year, and which covers likely future developments in the business of the Company and the Group. The information that fulfils the requirements of the Strategic Report can be found on pages 1 to 24, which are incorporated by reference.

Company status

On 17 March 2020, the Company became a wholly owned subsidiary of Anglo American Projects UK Limited following a court-sanctioned scheme of arrangement. On 17 March 2020 the Company was re-registered to a private company. On 18 March 2020 the Company changed its name to Anglo American Woodsmith Limited.

Throughout 2019 and up to 17 March 2020 the Company was a public limited company incorporated under the laws of England and Wales. It had a premium listing on the London Stock Exchange main market for listed securities (LON:SXX).

Branches outside the UK

The Company has no branches.

Directors
Throughout the year, the Directors of the Company were:

Russell Scrimshaw – Chairman

Christopher Fraser – Chief Executive Officer and Managing Director

Thomas Staley – Chief Financial Officer and Finance Director

Noel Harwerth – Senior Independent Director

Keith Clarke – Non-Executive Director; Chair of Nominations and Health and Safety Committees

Jane Lodge – Non-Executive Director; Chair of Audit Committee

John Hutton – Non-Executive Director; Chair of Remuneration Committee

Louise Hardy – Non-Executive Director

Details of the Directors' remuneration and service contracts and their interests in the shares of the Company are included in the Directors' Remuneration Report, which is set out on pages 25 to 44.

Board changes
On 17 March 2020, each of the above Directors, other than Christopher Fraser and Thomas Staley, resigned from office and on 18 March 2020 Anthony O'Neill, Stephen Pearce, Richard Price and Duncan Wanblad were appointed as Directors on the Board.

Appointment and replacement of Directors
The appointment and replacement of Directors is governed by the Company's Articles of Association (Articles), the Companies Act 2006 (Act) and related legislation. The Board may appoint a Director either to fill a casual vacancy or as an addition to the Board so long as the total number of Directors does not exceed the limit prescribed in the Articles. An appointed Director must retire and seek election to office at the next AGM of the Company. In addition to any power of removal conferred by the Act, the Company may by ordinary resolution remove any Director before the expiry of their period of office and may, subject to the Articles, by ordinary resolution appoint another person who is willing to act as a Director in their place.

Powers of the Directors
Subject to the provisions of the Articles, the Directors may exercise all the powers of the Company.

A shareholders' authority for the purchase by the Company of a maximum of 10% of its own shares was in existence during the year. However, the Company did not purchase any of its shares during that time.

Conflicts of interest
Under the Companies Act 2006 and the provisions of the Company's Articles, the Board is required to consider potential conflicts of interest. The Company has established formal procedures for the disclosure and review of any conflicts, or potential conflicts, of interest which the Directors may have and for the authorisation of such matters of conflict by the Board. To this end the Board considers and, if appropriate, authorises any conflicts, or potential conflicts, of interest as they arise and reviews any such authorisation regularly. The Board believes that the procedures established to deal with conflicts of interest are operating effectively.

Directors' indemnities and insurance
The Company has provided each Director with an indemnity to the extent permitted by law in respect of the liabilities incurred as a result of their holding office as a Director of the Company.

The Company had in place appropriate Directors' and Officers' Liability insurance cover in respect of potential legal action against its Directors during the year and up to the date of the signing of the Annual Report.

Directors' interests in contracts
Except as stated in note 21 on page 90, no contract existed during the year in relation to the Company's business in which any Director was materially interested.

Basis of preparation of the financial statements
The consolidated financial statements have been prepared under the going concern assumption as set out in note 1 to the financial statements.

Political contributions
During the year, the Company sponsored a Northern Leaders lunch at the 2019 Conservative Party Conference and attended two political dinners, all of which totalled £4,208.

Share capital
As at 31 December 2019, the Company's issued share capital was made up of 7,020,196,560 Ordinary shares of 0.25 pence each, which each carry one vote at general meetings of the Company. No shares are held in treasury. Details of shares issued during the year are set out in note 12 on page 77.

Except as stated in the Articles or in applicable legislation, there are no restrictions on the transfer of the shares in the Company and there are no restrictions on the voting rights in the Company's shares.

The Company is not aware of any agreements entered into between any shareholders in the Company which restrict the transfer of shares or the exercise of any voting rights attached to the shares.

Share schemes

As at 31 December 2019, Sanne Fiduciary Services Limited (Sanne), as trustee of the Sirius Minerals Plc Employee Benefit Trust (Trustee), held 31,398,723 Shares, which are held jointly by Sanne as Trustee and employees as JOE Award holders under the JOE Awards (JOE Shares) and 493,996 shares in trust to satisfy future employee share awards (the Shares). The Trustee has agreed to waive rights to vote or receive dividends in respect of the JOE Shares and the Shares. The JOE Award holders have agreed to waive rights to vote or receive dividends until the exercise of the JOE Awards. More information on the JOE Awards can be found in the Directors' Remuneration Report on pages 25 to 44.

Articles of Association

Amendments to the Company's Articles can only be made by means of special resolution at a general meeting of the shareholders of the Company.

Significant agreements

The Company is not a party to any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

Disclosure of information to auditors

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

The Directors' Report was approved by the Board on 26 June 2020 and signed on its behalf by:

TJ Staley
Director

Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under Company law 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 Group and Company and of the profit or loss of the Group and 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are set out in the Directors' Report, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

TJ Staley
Director
26 June 2020

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 group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the consolidated and parent company statements of financial position as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and parent company statements 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.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

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

Independence

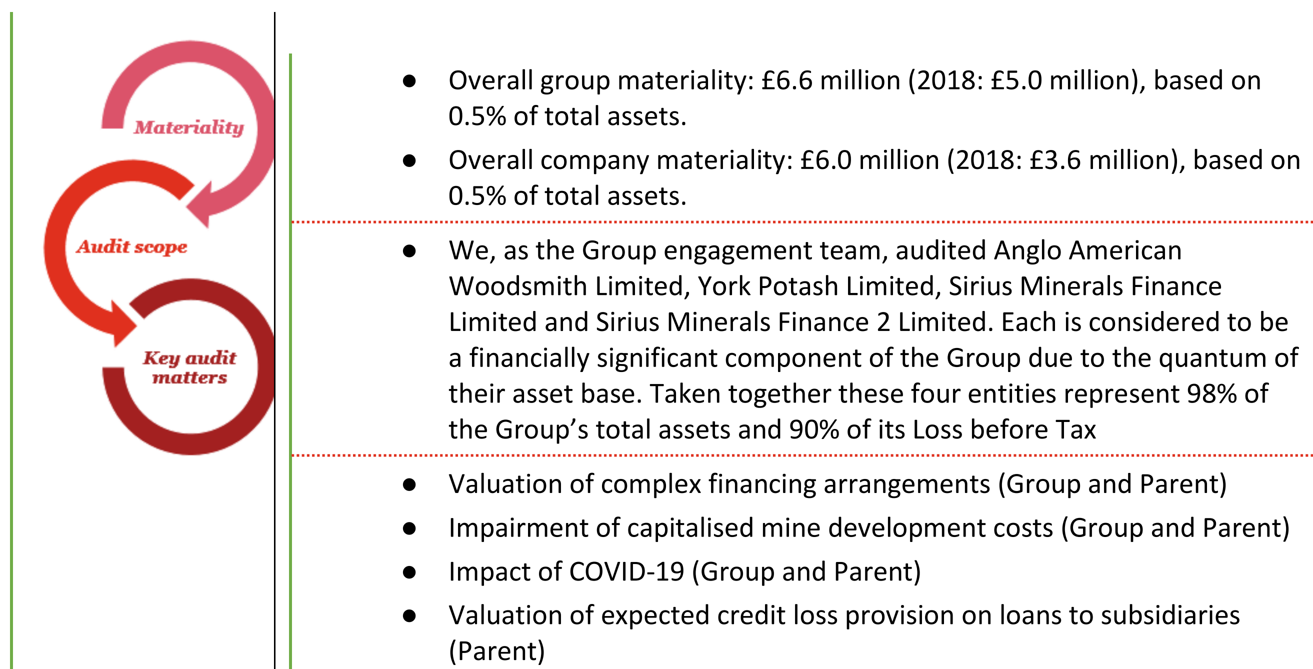
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 25 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



- Overall group materiality: £6.6 million (2018: £5.0 million), based on 0.5% of total assets.
- Overall company materiality: £6.0 million (2018: £3.6 million), based on 0.5% of total assets.

- We, as the Group engagement team, audited Anglo American Woodsmith Limited, York Potash Limited, Sirius Minerals Finance Limited and Sirius Minerals Finance 2 Limited. Each is considered to be a financially significant component of the Group due to the quantum of their asset base. Taken together these four entities represent 98% of the Group's total assets and 90% of its Loss before Tax

- Valuation of complex financing arrangements (Group and Parent)
- Impairment of capitalised mine development costs (Group and Parent)
- Impact of COVID-19 (Group and Parent)
- Valuation of expected credit loss provision on loans to subsidiaries (Parent)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risk of non-compliance with laws and regulations related to breaches of health and safety regulations, the Companies Act 2006, the Listing Rules, financial conduct & UK tax legislation, 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 preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in key accounting estimates. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with, and reports to, the regulators, review of correspondence with legal advisers, enquiries of management and review of internal audit reports in so far as they related to the financial statements. As in all of our audits we also addressed the risk of management override of internal controls, including identifying and testing journal entries, in particular those posted with unusual account combinations, and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement. We did not identify any key audit matters relating to non-compliance with laws and regulation, or fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Valuation of complex financial arrangements (Group and Parent) The Group's financing activities has resulted in a number of complex financing arrangements being entered into with third parties, specifically; ● $250 million royalty agreement with Hancock Prospecting Pty (stage 1 financing) ● $50 million equity arrangement with Hancock Prospecting Pty (stage 1 financing) ● $400 million of group issued Dollar denominated convertible bonds (stage 1 financing) ● $506 million of group issued Dollar denominated convertible bonds (stage 2 financing) ($400 million of which has subsequently been repaid following the deferral of stage 2 financing) Accounting for each of these financing instruments under IFRS is complex and, where valuation models are required, the eventual valuation is sensitive to key management estimates. Given the material nature of these instruments and the judgemental nature of these inputs we consider this to be a key audit matter.	We obtained management's valuation model for each of the financing instruments listed. To assess application we: ● read the underlying contract and assessed whether the contract terms supported the accounting treatment adopted; ● in relation to the US$50 million equity arrangement and the US$400 million of the denominated convertible bonds, we assessed whether the valuation model adopted was consistent with the model applied during the period ended December 2018; ● in relation to the US$506 million of denominated convertible bonds we assessed whether the initial accounting treatment was appropriate, and also assessed whether the model applied during the period from commencement to December 2019 was appropriate; ● evaluated discount rate assumptions made by management; ● confirmed convertible bond conversion rates to source documentation; ● in relation to the US$250 million royalty agreement, we evaluated management's future royalty payment assumptions and recalculated

	the internal rate of return and amortised cost; and ● read the disclosures made in the financial statements. We found, based on the results of our testing, that the valuation recognition and disclosures made in the financial statements in respect of these financial instruments were consistent with supporting evidence we obtained.
Impairment of capitalised mine development costs (Group and Parent) Following the failure to complete the stage 2 financing in September 2019, the share price of the Group dropped significantly. This has resulted in a market capitalisation that was less than the Group's net assets, which was considered an indicator for impairment. Where an indicator of impairment exists, IFRS requires management to perform a full assessment as to whether the carrying value of the assets are supported. Management therefore prepared a full impairment assessment to support the carrying value of the capitalised mine development costs and concluded that no impairment was required. We focused on this area because of the judgemental factors involved in testing for impairment and the significant carrying value of the capitalised development costs.	We have obtained the impairment review, the Group's approved budget and medium term financial plans (upon which the forecasts underpinning the value in use calculations are based). Our audit procedures included: ● an assessment of management's discounted cash flow model, checking the mathematical accuracy of the calculations included within the forecast model and assessed key inputs in the calculation; and ● obtaining confirmation from the new ultimate parent company director's that they will continue to support the project, to support management's projections that the assets will generate cash flows in the future. We found, based on our audit work, that the key assumptions used by management were supportable and appropriate in light of the current environment.
Impact of COVID-19 (Group and Parent) The ongoing and evolving COVID-19 pandemic is having a significant impact on the UK economy in which the Group operates. There is significant uncertainty as to the duration of the pandemic and what its lasting impact will be on the UK economy. The impact of the COVID-19 pandemic has been treated as a non-adjusting post balance sheet event for the Group and Company.	We have re-evaluated our risk assessment, including the going concern risk of the Group. We consider our original risk assessment to remain appropriate. We assessed the impact on the Group and Parent's ability to continue as a going concern. Our conclusions in respect of going concern is included in the "Going concern" section below. We concur with management that the COVID-19 outbreak is indicative of conditions that arose after the balance sheet date and therefore is a non-adjusting post balance event. As such we concluded that management's future assumptions used in determining project timelines as at 31 December 2019 should not be adjusted.

Valuation of Expected Credit Loss ('ECL') provision on loans to subsidiaries (Parent) The Parent company holds receivable balances due from its subsidiaries, amounting to £39.3 million. In accordance with IFRS 9, "Financial instruments", and having regard to the current stage of development of the Project and its current funding position, management has considered the level of ECL on these receivable balances and recorded a provision in the Parent Company financial statements of £39.3 million (2018: £44.7 million), representing 4.3% of those balances (2018: 9%). The ECL calculation requires an estimation of the various possible outcomes for the Project, including those where partial or no recovery is anticipated, and the probabilities of those outcomes. This estimation is considered a key management estimate in the context of the Parent company financial statements. The ECL has no effect on the Group financial statements as the intercompany receivables are eliminated on consolidation.	We obtained management's valuation model and calculation of the ECL provision, which is arrived at by multiplying the probability of each outcome that results in less than full recovery of the receivable balance by the amount of that under-recovery. The ECL provision is the sum of these weighted outcomes. To assess the calculation (and in the light of our knowledge of the Project) we: ● assessed whether the outcomes identified by management were appropriate; ● assessed the reasonableness of the probabilities assigned to each outcome; ● evaluated the expected recovery for those outcomes where less than full recovery was anticipated; and ● read the disclosures made in the Parent company financial statements. We also checked that the methods applied in the valuation model were in accordance with IFRS 9 and tested the calculations within the model. We found, based on the results of our testing, that the valuation and disclosure of the ECL provision in the Parent company financial statements was consistent with our knowledge of the Project and the supporting evidence we obtained.

How we tailored the audit scope

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

The Group, headed by Anglo American Woodsmith Limited, comprises fourteen wholly owned statutory entities, nine of which are registered and domiciled in England & Wales. The remaining entities are registered and domiciled in each of Jersey, Canada, Singapore, India and the USA.

The Group's activities are fully centred on its UK operations, in particular the development of the Woodsmith Mine, an asset held by York Potash Limited. The Group is financed via equity and external debt instruments held principally by Anglo American Woodsmith Limited, Sirius Minerals Finance Limited and Sirius Minerals Finance No. 2 Limited. Each of these four entities are considered to be a financially significant component due to the quantum of their asset base. Taken together these four entities represent 98% of the Group's total assets and 91% of its Loss before Tax.

The Group audit team has performed statutory audits on each of the financially significant components with the work on these entities concluded as part of the Group audit. In addition the

Group audit team has performed statutory audit on York Potash Processing & Ports Limited, York Potash Holdings Limited, SACH 1 Limited, SACH 2 Limited and Sirius Minerals Holdings Limited.

Materiality

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

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

	Group financial statements	*Company financial statements*
Overall materiality	£6.6 million (2018: £5.0 million).	£6.0 million (2018: £3.6 million).
How we determined it	0.5% of total assets.	0.5% of total assets.
Rationale for benchmark applied	The Group is in a pre-trading phase and is focused on developing the Woodsmith Mine asset. Accordingly total assets is the primary measure used by shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	The Company holds investments in wholly owned subsidiary entities focused on developing the Woodsmith Mine asset. Accordingly total assets is the primary measure used by shareholders in assessing the performance of the Company, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.5 million and £6.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.3 million (Group audit) (2018: £0.25 million) and £0.3 million (Company audit) (2018: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	***Outcome***
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is

financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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 set out on page 49, 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 group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

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

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

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

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment
We were appointed by the members on 10 October 2012 to audit the financial statements for the year ended 31 March 2013 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 March 2013 to 31 December 2019.

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds, 26 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	2019 £m	2018 £m
Revenue		**–**	–
Operating costs		(40.2)	(23.6)
Loss from equity accounted investments		(3.2)	(0.6)
Operating loss	2	**(43.4)**	**(24.2)**
Net finance income	4	13.2	10.7
Loss before taxation		**(30.2)**	**(13.5)**
Tax on loss	5	10.7	1.0
Loss for the financial year		**(19.5)**	**(12.5)**
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedging movement		57.7	(6.7)
Deferred tax impact of the above		(8.7)	–
Other comprehensive income/(expense) for the year		**49.0**	**(6.7)**
Total comprehensive income/(loss) for the year attributable to owners of the Company		**29.5**	**(19.2)**
Loss per share:			
– Basic (pence)	6	(0.32)	(0.27)
– Diluted (pence)	6	(0.47)	(0.41)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

ASSETS	Note	2019 £m	2018 £m
Non-current assets			
Intangible assets	7	31.2	24.8
Property, plant and equipment	8	1,144.6	668.8
Investments in associates	9	22.4	25.6
Restricted cash	10	40.7	43.7
Total non-current assets		**1,238.9**	**762.9**
Current assets			
Restricted cash	10	–	16.6
Other receivables	11	15.5	20.8
Cash and cash equivalents		59.9	230.1
Total current assets		**75.4**	**267.5**
TOTAL ASSETS		**1,314.3**	**1,030.4**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	17.6	12.0
Share premium account		1,100.1	789.0
Share-based payment reserve	13	7.4	6.5
Other reserves		43.9	(5.3)
Accumulated losses		(248.6)	(227.6)
Total equity		**920.4**	**574.6**
Non-current liabilities			
Provisions	14	4.1	5.1
Royalty financing	15	197.2	208.5
Lease liabilities	16	9.0	–
Total non-current liabilities		**210.3**	**213.6**
Current liabilities			
Convertible loans	17	164.5	196.2
Derivative financial instrument	18	–	2.5
Trade and other payables	19	19.1	43.5
Total current liabilities		**183.6**	**242.2**
TOTAL LIABILITIES		**393.9**	**455.8**
TOTAL EQUITY AND LIABILITIES		**1,314.3**	**1,030.4**

The financial statements on pages 59 to 105 were issued and approved by the Board of Directors on 26 June 2020 and signed on its behalf by:

TJ Staley
Finance Director and CFO
Company registration number: 04948435

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Note	Share capital £m	Share premium account £m	Share-based payment reserve £m	Other reserves £m	Accumulated losses £m	**Total equity £m**
At 1 January 2018		11.2	695.3	6.1	0.4	(207.9)	**505.1**
Loss for the year		–	–	–	–	(12.5)	**(12.5)**
Other comprehensive expense		–	–	–	(6.7)	–	**(6.7)**
Transferred to non-current assets		–	–	–	1.0	–	**1.0**
Transactions with owners:							
Shares issued to acquire investments in associates	12	0.3	25.9	–	–	–	**26.2**
Shares issued on conversion of convertible loans	12	0.5	66.6	–	–	(8.4)	**58.7**
Share-based payments	13	–	1.2	0.4	–	1.2	**2.8**
At 31 December 2018		**12.0**	**789.0**	**6.5**	**(5.3)**	**(227.6)**	**574.6**
Loss for the year		–	–	–	–	(19.5)	**(19.5)**
Other comprehensive income		–	–	–	49.0	–	**49.0**
Transferred to non-current assets		–	–	–	0.1	–	**0.1**
Transactions with owners:							
US$425 million equity issuance	12	5.5	304.5	–	–	–	**310.0**
Shares issued on conversion of convertible loans	12	0.1	6.6	–	–	(1.5)	**5.2**
Share-based payments	13	–	–	0.9	0.1	–	**1.0**
At 31 December 2019		**17.6**	**1,100.1**	**7.4**	**43.9**	**(248.6)**	**920.4**

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

The share-based payment reserve is used to record the fair value of share-based payments relating to the Company's shares which are outstanding.

Other reserves comprise the foreign exchange reserve (which arises on translation of foreign operations with a functional currency other than Sterling) of a surplus of £1.2 million (31 December 2018: £1.2 million) and the cash flow hedge reserve (which accumulates unrecognised gains or losses on instruments in designated cash flow hedge relationships) of a surplus of £51.4 million (31 December 2018: deficit of £6.5 million).

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019 £m	2018 restated £m
CASH FLOW FROM OPERATING ACTIVITIES		
Operating loss	(43.4)	(24.2)
Adjustments for:		
Depreciation and amortisation	0.8	0.6
Share-based payments	0.6	1.4
Loss from equity accounted investments	3.2	0.6
Changes in working capital	4.1	(1.3)
Cash used in operating activities	**(34.7)**	**(22.9)**
Tax credit received	1.0	0.4
Net cash used in operating activities	**(33.7)**	**(22.5)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(6.5)	(9.4)
Purchase of property, plant and equipment	(424.3)	(322.9)
Redemption of bank deposits	–	180.8
Purchase of bank deposits	–	(21.8)
Purchase of restricted cash	(0.8)	(9.1)
Redemption of restricted cash	4.1	0.6
Interest received	2.5	3.4
Net cash used in investing activities	**(425.0)**	**(178.4)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	327.1	0.6
Share issue costs	(17.2)	–
Proceeds from royalty financing	–	190.1
Proceeds from issue of convertible loans	316.3	–
Convertible loans issue costs	(9.0)	–
Redemption of convertible loans	(324.9)	–
Purchase of restricted cash	(316.3)	–
Redemption of restricted cash	341.0	23.5
Interest paid	(27.6)	(19.5)
Debt issuance costs	–	(4.3)
Lease payments	(0.4)	–
Net cash generated from financing activities	**289.0**	**190.4**
Net decrease in cash and cash equivalents	**(169.7)**	**(10.5)**
Cash and cash equivalents at the beginning of the year	230.1	235.5
(Loss)/Gain from foreign exchange	(0.5)	5.1
Cash and cash equivalents at end of the year	**59.9**	**230.1**

The 2018 cash flow statement has been restated to recognise within investing activities (instead of financing activities as was previously disclosed) movements in respect of restricted cash in relation to security amounts set aside for the benefit of local authorities. See note 1 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REFERENCE INFORMATION

Anglo American Woodsmith Limited (the Company), which was known up until 17 March 2020 as Sirius Minerals Plc, is a limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 (Registration number 04948435). The Company is registered in England and its registered address is 20 Carlton House Terrace, London, SW1Y 5AN.

Basis of Preparation

These consolidated financial statements of the Company and its subsidiaries (together, the Group) have been prepared in accordance with IFRS and the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board and endorsed by the EU for the year ended 31 December 2019.

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

Going Concern

These financial statements have been prepared on a going concern basis. The Group continues to incur significant cash outflows due to the development activity that it is undertaking of its polyhalite Project in North Yorkshire (the Project).

The Group does not currently anticipate generating any positive net cash flows from the Project until 2023. Therefore, its ability to continue as a going concern for the time being is dependent upon it securing sufficient funding from parties external to the Group to enable it to complete development of the Project.

On 17 March 2020 Anglo American Projects UK Limited, a wholly owned subsidiary of Anglo American Plc ("Anglo American") acquired 100% of the ordinary share capital of the Company by means of a court-sanctioned scheme of arrangement and became the controlling party of the Group. Anglo American has publicly announced its intention to continue the development of the Project and accordingly is expected to make funds available to the Group to carry on the Project's development for the foreseeable future and to meet its debts as they fall due.

The Board of Directors have received confirmation from Anglo American International Holdings Limited ("AAIHL") that the companies within the Group are part of the Anglo American group and it is its intention to 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 2019. This confirmation from AAIHL 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 AAIHL 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 AAIHL, or any obligations or liability at law or otherwise on the part of AAIHL 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 (including specifically the potential impact of COVID-19 on the cash flows of the Group, AAIHL and Anglo American) the Board of Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

Basis of Consolidation

The Group's consolidated financial statements incorporate the financial statements made up to 31 December each year of the Company and all of its subsidiaries over which it has control. All intra-group transactions and balances are eliminated in preparing the consolidated financial statements.

The Group's associates (being entities over which the Group has significant influence but not outright control) are not consolidated in the same way as the Group's controlled subsidiaries, but instead are accounted for using the equity method. See note 9 for further details of the accounting for associates.

Restatement of Prior Year Cash Flow Statement

The Group has restated comparative 2018 figures in relation to investing and financing activities within the cash flow statement although this has had no impact upon the net value of cash and cash equivalents reported on the statement of financial position in any prior year. During 2019 the Financial Reporting Council (FRC) performed a review of the Group's 2018 financial statements and, through subsequent correspondence with the Group, identified that cash flows in relation to movements in restricted cash linked to balances held to satisfy local authorities' security requirements (as detailed in note 10) would be more appropriately classified under IFRS as being part of investing activities rather than financing activities within the cash flow statement.

As a result, the Group has restated its 2018 cash flow statement to transfer all of the £9.1 million of purchases of restricted cash as well as £0.6 million of redemptions of restricted cash from the balance of £24.1 million previously disclosed as part of financing activities into investing activities as these cash flows related to local authorities' security requirements. The restricted cash movements that continue to be disclosed within financing activities in the cash flow statement relate solely to restricted cash movements arising in relation to convertible loans issued by the Group.

The FRC's review was based on a review of the Group's publicly available financial information and was not designed to provide assurance that the 2018 Annual report and financial statements were correct in all material respects. The FRC accepts no liability for reliance by any party on the results of its review.

Accounting Policies

Accounting policies that are material to the financial statements are generally described in the specific note in relation to the respective transactions or balances. The accounting policies set out in

the following paragraphs within note 1 are considered to be general to the financial statements and not covered by a specific subsequent note.

Segment reporting

IFRS 8 *Operating Segments* requires information to be disclosed about each business activity and economic environment in which the Group operates. Management has determined the operating segments by considering the business from both a geographic and activity perspective. The Group is currently organised into one business division (the UK segment) which consists of Project-related activities and the corporate operations. This division is the segment for which the Group reports information internally to the Board of Directors.

The Group's only material non-UK operations are in its investments in associates in South America. Note 9 provides detailed disclosures over the performance of these investments during the year as well as their carrying value at year-end. These investments in associates are the only non-current assets that the Group holds in any country other than the UK. Therefore, all disclosures required under IFRS 8 are already included elsewhere in these financial statements and so no further segment information requires disclosure.

Foreign currencies

The presentation currency of the Group and functional currency of the majority of the Group's subsidiaries is Sterling. Transactions denominated in a foreign currency are translated into Sterling at the rate of exchange prevailing at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate prevailing at that date. All exchange differences that are not designated within effective cash flow hedges at the end of the period are reported as part of net finance costs in the income statement.

On consolidation, the assets and liabilities of foreign operations which have a functional currency other than Sterling are translated into Sterling at foreign exchange rates prevailing at the balance sheet date. The expenses of these subsidiary undertakings are translated at average exchange rates applicable in the year. All resulting exchange differences are recognised through other comprehensive income and expense and accumulated within other reserves. Upon the disposal or dissolution of foreign subsidiaries, all historic exchange differences associated with that subsidiary are recycled from other reserves through the income statement.

The year-end rate which was applied in translating balances denominated in US Dollars into Sterling in the financial statements at 31 December 2019 was £1=$1.32 (2018: £1=$1.27). The average exchange rate which was applied to US Dollar transactions occurring during 2019 was £1=$1.27 (2018: £1=$1.34).

Cash and cash equivalents

Cash and cash equivalents include various instant-access deposits and short-term fixed deposits with maturities of three months or less from the date in which they were entered into.

Bank deposits

Amounts reported as bank deposits represent short-term investments held by the Group with maturities on deposit date in excess of three months, which the Group intends to hold until maturity, at which point it will receive cash from the counterparty. These amounts are recorded at amortised cost using the effective interest method.

New and Amended Standards Adopted by The Group

All accounting policies applied by the Group in the preparation of these financial statements are consistent with those applied and disclosed in the financial statements for the year ended 31 December 2018, other than in respect of the accounting for leases as set out below.

On 1 January 2019 IFRS 16 *Leases* became mandatory for adoption and the Group adopted it on this date. Transition to this accounting standard from the prior equivalent accounting standard, IAS 17 *Leases*, has not had a material impact upon these financial statements due to the relatively low level of leases which would fall within the scope of IFRS 16 which the Group was party to on 1 January 2019. Although the Group is party to a large number of mineral leases covering the Project's area of interest, these leases are not in the scope of IFRS 16 (nor were they in the scope of IAS 17) because leases for use of minerals are not within the scope of either lease accounting standard. While the Project remains under construction, the Group continues to account for these leases by capitalising the full cost of these as part of its capital works in progress within property, plant and equipment as and when these costs are incurred.

Significant accounting judgements

In the preparation of these financial statements, the Group's management was required to exercise significant judgement in applying the Group's accounting policies in accounting for the following matters:

<u>Application of hedge accounting in relation to the royalty financing</u>

Upon initial drawdown of the royalty financing in September 2018 the Group designated both the host liability and the embedded derivative within the royalty financing as hedging instruments in cash flow hedge relationships against, respectively, the foreign exchange risk and the variability associated with the Group's future revenues (see note 15). The ongoing appropriateness of the cash flow hedging relationship is dependent upon the Group's future revenues continuing to be assessed as 'highly probable' which is the relevant threshold set under IFRS 9 *Financial Instruments*. Were it to be judged that the highly probable designation was no longer appropriate, this would result in all unrecognised gains and losses accumulated in the cash flow hedge reserve in respect of both of these hedges being immediately recycled through the income statement.

Significant accounting estimates

The preparation of these financial statements has required the use of estimates that affect the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates. Estimates and assumptions are frequently reviewed, with revisions recognised in the year in which the estimates are revised and in any future years affected. The most significant areas of estimation uncertainty at the end of 2019 that have a significant risk of resulting in material adjustments to the carrying amount of assets or liabilities within the next financial year are as follows:

Estimation of fair value of embedded derivatives

None of the embedded derivatives (both within the convertible loans and royalty financing) have observable market prices and so the Group is required to identify appropriate valuation models in calculating the fair values of these. In making its estimates, priority is given to inputs based on actual market data and transactions, although these valuations nevertheless require some level of subjective assessment and the use of different valuation assumptions could have a significant impact upon the Group's reported financial performance and position. Further information is given within note 24 around the valuation methods and sources of estimation uncertainty around each of the Group's derivatives.

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 Group is required to test these assets for impairment to assess as to whether the historic 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' value-in-use, 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.

IAS 36 Impairment of Assets requires that value-in-use calculations use the forecasts most recently approved by management. Consistent with the public statements that it made when the Acquisition was announced, Anglo American intends to update the Project's development pathway and so at the date of this report has not yet approved the full development pathway through to first production. The estimation of the Project's value-in-use for the purpose of these accounts has been performed by taking the Group's most recently approved life-of-Project business plan which is consistent with the revised base case that it publicly announced on 11 November 2019 (prior to the announcement of the Acquisition and therefore any changes in assumptions which may be made in future as a result). This Plan assumes that the Project's production capacity is increases to 20mtpa over time, that first polyhalite will be achieved in 2022, that ramp-up to 10mtpa capacity is achieved in 2025 and full ramp-up to 20 mtpa capacity is achieved in 2029. The pricing assumptions are in line with the Group's base case forecast which is consistent with the methodology and disclosures it has made in its public filings in recent years. The resulting estimated cash flows have been discounted back to their present value at 31 December 2019 using an annual risk-adjusted discount rate of 22.7% which is consistent with the royalty financing's internal rate of return.

It is the Group's view that no reasonably possible changes in the key inputs to this estimate would cause an impairment to be recognised as at 31 December 2019. 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 recognised in a future year if events were to occur that significantly changed these estimates. Consistent with disclosures made by Anglo American at the time of the acquisition, it intends to conduct a full review of the Project which may involve changes to some or all of the assumptions and key inputs in relation to timing, production levels, product pricing and the view of other market factors such as discount rates and other inputs. This review is expected to be finalised by the end of 2020 and any updates to key inputs will be applied in future accounting periods.

2. OPERATING LOSS

Within operating costs in 2019 are approximately £18.5 million of costs incurred in relation to activities directly connected with the Group's efforts to first secure (on 30 April 2019) and then subsequently satisfy the conditions precedent to the revolving credit facility (RCF) conditionally offered to it by J.P. Morgan (including the planned issuance of a $500 million high yield bond (HYB) targeted for August 2019). This £18.5 million charge includes the impairment of £4.8 million of costs capitalised within other receivables at 31 December 2018 principally composing prospective lenders' legal costs, technical advisors and independent market consultants. Had the Group been successful in securing the RCF and issuing the HYB then materially all of this cost would have not been expensed within operating costs in 2019 but instead would have been capitalised net against the carrying value of the debt issued and amortised to the income statements over the debt's life through the effective interest rate method and recognised through as part of finance costs.

3. STAFF NUMBERS AND COSTS

	2019 Number	2018 Number
Average monthly number of staff (including Directors)	155	143
	£m	£m
Wages and salaries	15.4	15.4
Social security costs	1.8	2.2
Pension costs	0.3	0.2
Share-based payments	1.1	2.2
Total staff costs	**18.6**	**20.0**

£11.1 million (2018: £8.7 million) of the above total expense has been capitalised as part of additions to non-current assets during the year as it relates to staff costs for staff members employed directly in relation to the development of the Project. Total Directors' emoluments and emoluments of the highest-paid Director, together with full details of Directors' remuneration, pensions and benefits in kind are given in the Remuneration Committee Report.

4. NET FINANCE INCOME

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

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

	2019 £m	2018 £m
Interest income	2.3	3.2
Interest income capitalised on qualifying assets	(0.6)	(2.1)
Interest expense	(79.6)	(32.2)
Interest expense capitalised on qualifying assets	66.2	32.1
Loss on refinancing of a portion of existing 2016 convertible loans	(3.8)	–
Loss arising due to early repayment of Escrow loans	(43.9)	–
Fair value gain on convertible loans embedded derivative	64.0	2.1
Fair value gain on royalty financing derivative	2.5	7.5
Foreign exchange gains	6.1	0.1
Total net finance income	**13.2**	**10.7**

The Group was carrying out significant development work on the Project in each year presented. As a result, all interest expense incurred in relations to borrowings where the funds have been used to develop the Project (net of interest income earned on the temporary investment of these same borrowings) has been capitalised as part of capital works in progress within property, plant and equipment as part of the additions to capital works in progress in each year presented. During 2019 the interest expense arising on the Escrow loans has not been capitalised as the funds raised in respect of these loans were never available for use in developing the Project and accordingly these do not form part of the interest expense capitalised in the year.

5. 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 in the year in which they can be reasonably estimated.

	2019 £m	2018 £m
Current tax credit	2.0	1.0
Deferred tax credit	8.7	–
Total tax credit for the year	**10.7**	**1.0**

The tax credit for the year is higher (2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	2019 £m	2018 £m
Loss on ordinary activities before taxation	(30.2)	(13.5)
Loss on ordinary activities multiplied by the standard rate of corporation taxation in the UK of 19% (2018: 19%)	5.7	2.6
Taxation effects of:		
Income exempt from taxation	13.8	–
Expenses not deductible for tax purposes	(4.1)	(2.5)
Deferred tax assets not recognised (see note 20)	(6.7)	(0.1)
Research and development tax credit	2.0	1.0
Total tax credit for the year	**10.7**	**1.0**

The standard rate of corporation tax prevailing in the UK in each year presented was 19% and so the Group's loss for the year is taxed at this effective rate. In the 2020 Budget, the UK government announced that the planned reduction of the UK corporation tax rate to 17% (from 1 April 2020) would not take place. Instead the UK rate of corporation tax remains at 19%. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements.

The research and development tax credit is in relation to the HMRC Research and Development Relief Scheme for SMEs and enables the Group 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.

6. LOSS PER SHARE

Basic loss per share is calculated by dividing the total loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share is calculated by adjusting the total loss for the year to reverse any recognised dilutive gains recognised in the total loss for the year, as well as by adjusting the weighted average number of ordinary shares as if all classes of dilutive potential ordinary shares had been issued at the beginning of the year.

Due to the volatility in the charges and credits arising from the Group's potentially dilutive financial instruments across the years presented, the instruments that have been included in the calculation of diluted loss per share have varied based on whether they are dilutive or antidilutive in each given year. In addition to the dilutive Hancock US$50 million equity derivative (in both 2018 and 2019) and the 2016 loans and non-Escrow loans (whose impact in each year includes related foreign exchange as well as fair value gains and losses), the Group's various employee share awards as detailed in note 13 could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are antidilutive for all years presented.

	2019	2018
	£m	£m
Loss for the purpose of basic earnings per share	**19.5**	**12.5**
Less: impact of dilutive Hancock US$50 million equity investment derivative	2.5	7.5
Less: impact of dilutive convertible loans	11.1	–
Loss for the purpose of diluted earnings per share	**33.1**	**20.0**

	millions	millions
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,122.9**	**4,623.3**
Less: impact of dilutive Hancock US$50 million equity investment derivative	200.1	200.1
Less: impact of dilutive convertible loans	779.9	–
Weighted average number of shares for the purpose of diluted earnings per share	**7,102.9**	**4,823.4**

	pence	pence
– Basic loss per share	0.32	0.27
– Diluted loss per share	0.47	0.41

7. INTANGIBLE ASSETS

Business combinations and goodwill
On the Group's acquisition of York Potash Limited (the legal entity developing the Project) in January 2011 its assets and liabilities were measured at their fair values at that date. The excess of the cost of acquisition over the fair value of identifiable net assets acquired was recognised as goodwill. Goodwill is stated at cost less accumulated impairment and any impairment recognised would be immediately expensed in the income statement and not subsequently reversed.

Poly4 development costs
The Group incurs costs in relation to its global research and development programme which provides technical, agronomic and commercial validation for POLY4's use as an effective multi-nutrient fertilizer suitable for widespread use in farming. Historic scientific research studies carried out by the Group have shown the benefits of POLY4 and so ongoing costs incurred represent a furtherment of the development phase of the product. Accordingly, all costs incurred in the ongoing development of POLY4 (principally comprising fees paid to third party universities and research institutions as well as the labour costs of employees of the Group who work solely on the agronomy programme) are capitalised as and when they are incurred. It is expected that these costs will be amortised over the sales life of POLY4 and that amortisation will commence when first sales occur. Prior to first sales of POLY4 occurring, these costs are tested annually for impairment.

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

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

Year ended 31 December 2019	Goodwill £m	POLY4 development costs £m	Process development costs £m	Computer software £m	**Total £m**
Net book value					
At 1 January 2019	6.6	9.6	8.4	0.2	**24.8**
Additions	–	4.1	2.1	0.3	**6.5**
Amortisation for the year	–	–	–	(0.1)	**(0.1)**
At 31 December 2019	**6.6**	**13.7**	**10.5**	**0.4**	**31.2**
– cost	6.6	13.7	10.5	0.6	**31.4**
– accumulated amortisation	–	–	–	(0.2)	**(0.2)**
Year ended 31 December 2018					
Net book value					
At 1 January 2018	6.6	6.3	1.5	0.3	**14.7**
Additions	–	3.3	6.9	–	**10.2**
Amortisation for the year	–	–	–	(0.1)	**(0.1)**
At 31 December 2018	**6.6**	**9.6**	**8.4**	**0.2**	**24.8**
– cost	6.6	9.6	8.4	0.3	**24.9**
– accumulated amortisation	–	–	–	(0.1)	**(0.1)**

Each category of intangible asset was tested for impairment at the end of 2019 and no impairments were found to be necessary. See the summary of significant accounting estimates within note 1 for further details.

8. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Year ended 31 December 2019	Land £m	Plant and equipment £m	Capital works in progress £m	**Total £m**
Net book value				
At 1 January 2019	29.4	2.5	636.9	**668.8**
Additions	11.8	0.6	466.0	**478.4**
Disposals	(1.9)	–	–	**(1.9)**
Depreciation for the year	–	(0.7)	–	**(0.7)**
At 31 December 2019	**39.3**	**2.4**	**1,102.9**	**1,144.6**
– cost	39.3	4.3	1,102.9	**1,146.5**
– accumulated depreciation	–	(1.9)	–	**(1.9)**
Year ended 31 December 2018				
Net book value				
At 1 January 2018	29.7	2.9	274.0	**306.6**
Additions	–	0.1	362.9	**363.0**
Disposals	(0.3)	–	–	**(0.3)**
Depreciation for the year	–	(0.5)	–	**(0.5)**
At 31 December 2018	**29.4**	**2.5**	**636.9**	**668.8**
– cost	29.4	3.7	636.9	**670.0**
– accumulated depreciation	–	(1.2)	–	**(1.2)**

Property, plant and equipment were tested for impairment in 2019 as further described in the significant accounting estimates section of note 1 and it was concluded that the full value of reported property, plant and equipment at 31 December 2019 was supported by their estimated recoverable value.

9. INVESTMENTS IN ASSOCIATES

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

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

On 26 November 2018 the Group acquired 30% of the ordinary share capital of each of Cibrafertil – Companhia Brasileira de Fertilizantes (Cibrafertil) and Cibra Trading Inc (Cibra Trading) from the Omimex Group. On this date it was judged that the Group 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 Group's interest in either associate.

Set out below is summarised financial information covering the period over which the Group had significant influence over the associates (with the comparative 2018 period just showing the period from 26 November to 31 December 2018). All of Cibra Trading's revenues are in respect of sales made to Cibrafertil.

			2019			2018
	Cibrafertil £m	Cibra Trading £m	**Total £m**	Cibrafertil £m	Cibra Trading £m	**Total £m**
Revenue – 100%	400.8	273.6	**674.4**	36.5	11.9	**48.4**
Loss after tax – 100%	(9.9)	(0.6)	**(10.5)**	(1.7)	(0.2)	**(1.9)**
Loss from equity-accounted investments – 30% share	**(3.0)**	**(0.2)**	**(3.2)**	**(0.5)**	**(0.1)**	**(0.6)**
Current assets	145.9	168.0	**313.9**	123.1	146.1	**269.2**
Non-current assets	142.8	–	**142.8**	150.8	–	**150.8**
Current liabilities	(51.4)	(72.9)	**(124.3)**	(40.3)	(46.1)	**(86.4)**
Non-current liabilities	(177.0)	(82.9)	**(259.9)**	(160.9)	(86.9)	**(247.8)**
Net assets – 100%	**60.3**	**12.2**	**72.5**	**72.7**	**13.1**	**85.8**
Carrying amounts of investments in associates – 30% share	**19.0**	**3.4**	**22.4**	**22.0**	**3.6**	**25.6**

10. RESTRICTED CASH

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

			2019			2018
	GBP amounts £m	USD amounts £m	**Total £m**	GBP amounts £m	USD amounts £m	**Total £m**
At 1 January	43.8	16.5	**60.3**	35.3	39.2	**74.5**
New purchases	0.8	316.3	**317.1**	9.1	–	**9.1**
Redemptions	(4.1)	(341.0)	**(345.1)**	(0.6)	(23.5)	**(24.1)**
Foreign exchange and interest	0.2	8.2	**8.4**	–	0.8	**0.8**
At 31 December	**40.7**	**–**	**40.7**	**43.8**	**16.5**	**60.3**

USD amounts reflect amounts held for security purposes in relations to the group’s 2016 convertible loans and Escrow loans.

GBP amounts are in respect of local authorities’ security requirements which reflect a combination of providing environmental remediation for construction works and the security requirements of the Section 106 planning agreements. As they arise, underlying costs are funded from unrestricted cash with the restricted amounts being used only if the Group were unable to make payment from its unrestricted cash reserves. All amounts are expected to be released back to the Group after first revenues have been achieved by the Project and alternative security arrangements in respect of the obligations are agreed with the counterparties.

11. OTHER RECEIVABLES

Other receivables are recognised and carried at the lower of their original invoiced value or recoverable amount. Costs relating to future debt issuances will be reclassified against the carrying value of the related debt upon its future issuance.

	2019 £m	2018 £m
Incurred costs relating to future debt issuance	–	4.8
Prepayments	10.1	7.1
VAT recoverable	3.4	7.9
Income tax credit receivable	2.0	1.0
Total other receivables	**15.5**	**20.8**

Incurred costs relating to future debt issuance outstanding at the end of 2018 were written off to the income statement during 2019 as the debt issuance towards which the costs had been incurred in the negotiation of was not entered into.

12. SHARE CAPITAL

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments (generally ordinary shares) issued by the Group are recorded at the proceeds received, with the par value of shares issued being recorded within ordinary share capital and any surplus, net of any direct issue costs, being recorded in the share premium account.

The Company has only one class of share capital, being ordinary shares with a par value of 0.25p each. Shares included in the table below are all allotted, issued and fully paid up.

	Number of shares millions	Ordinary share capital £m
At 1 January 2018	4,463.1	11.2
Allotted on conversion of convertible loans	225.9	0.5
Allotted as consideration for investments in associates	95.0	0.3
Allotted in respect of vested share incentives	3.7	–
Allotted to employee benefit trust	9.4	–
At 31 December 2018	**4,797.1**	**12.0**
Allotted as part of US$425 million new equity issuance during May 2019	2,180.5	5.5
Allotted on conversion of convertible loans	31.1	0.1
Allotted to employee benefit trust	11.5	–
At 31 December 2019	**7,020.2**	**17.6**

At 31 December the following number of ordinary shares were contingently issuable depending on the achievement of conditions or exercise of options by the counterparties:

	2019 millions	2018 millions
Convertible loans	898.4	793.9
Hancock US$50 million equity investment derivative	200.1	200.1
Employee share options	24.0	24.9
Employee senior awards	7.0	8.0
Employee exceptional target awards	307.7	91.9
Total contingently issuable shares	**1,437.2**	**1,118.8**

13. SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain Directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed to the income statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. For employees employed directly in relation to the Project, any charge in relation to options or awards held by them is capitalised as part of additions to property, plant and equipment.

At each reporting date, the Group revises its estimates of the number of options and awards that are expected to vest and immediately recognises any impact of the revision to original estimates. The accumulated expense recorded prior to vesting in respect of each share-based payment is recognised within the share-based payment reserve and reclassified to share capital upon the issuance of the underlying shares. If fully vested share options are not exercised and expire then the accumulated expense in respect of these is reclassified to accumulated losses.

The Group operates four equity-settled share-based payment arrangements as part of its employee remuneration strategy, which are detailed below. All shares to be issued under each of the schemes are ordinary shares in the Company. The total expense recognised within the income statement in relation to equity-settled share-based payment transactions in the year is £0.6 million (2018: £1.4 million). Further amounts of £0.5 million (2018: £0.8 million) have been capitalised within property, plant and equipment in relation to the fair value of share-based payments earned by employees who are employed solely on direct development work on the Project.

Share options

The Group's share option scheme historically provided for the grant of share options to certain parties at stipulated exercise prices. The options are generally conditional upon the completion of a set service period (between one and three years) and typically expire ten years after grant date. The Group used the Black-Scholes model to value the share options that it awarded under the scheme. The options outstanding at 31 December 2019 had a weighted average remaining contractual life of 3.2 years (2018: 4.3 years) and exercise prices between 10.1p and 33.8p (2018: 10.2p and 34.0p). For the options exercised during 2018, the weighted average share price at the date of exercise was 30.3p.

	Number of options millions	2019 Weighted average exercise price pence	Number of options millions	2018 Weighted average exercise price pence
Outstanding at 1 January	24.9	26.8	40.4	31.3
Forfeited/lapsed	(0.9)	34.0	(13.1)	41.0
Exercised	–	–	(2.4)	25.2
Outstanding at 31 December	**24.0**	**26.3**	**24.9**	**26.8**
– Exercisable at 31 December	24.0	26.3	22.3	26.0

Senior awards

The senior awards scheme provides for grants of awards in the form of conditional free shares or nil cost options to certain senior employees. Shares in relation to the awards vest to participants upon the Group's achievement of strategic milestones to which the employees directly contribute. The fair value of awards granted is equal to the share price on the grant date of the awards. Movements in the number of shares awarded under the scheme are as follows:

Number of ordinary share awards (millions)	2019	2018
Outstanding at 1 January	8.0	10.8
Granted	–	0.2
Vested	–	(1.3)
Forfeited	(1.0)	(1.7)
Outstanding at 31 December	**7.0**	**8.0**

Exceptional target awards

During 2018 the Group issued exceptional target awards to incentivise employees to achieve first polyhalite materially earlier than planned in the form of nil cost options or conditional shares granted to employees. Additional awards were issued in 2019 only to employees who had joined the scheme following its creation in 2018. The fair value of awards granted is equal to the share price on the grant date of the awards. As set out in the table below, the vesting of the awards is linked to the delivery of first polyhalite significantly ahead of schedule. If polyhalite is not delivered by 30 September 2021 then none of the awards will vest.

First polyhalite by:	**Percentage of award that will vest**
15 March 2021	100%
31 May 2021	80%
30 June 2021	40%
30 September 2021	10%

On 28 June 2019 the Group created an additional exceptional target award scheme to incentivise employees to complete the commissioning of the Project's mineral transport system (MTS) materially earlier than planned, also in the form of nil cost options or conditional shares granted to employees. The fair value of awards granted is equal to the share price on the grant date of the awards. As set out in the table below, the vesting of the awards is linked to the date of the MTS commissioning being significantly ahead of schedule. If the MTS is not commissioned resulting in first commercial ore not being on the conveyor by 31 July 2023 then none of the awards will vest.

MTS commissioned and first commercial ore on the conveyor by:	**Percentage of award that will vest**
31 December 2022	100%
31 March 2023	70%
31 May 2023	30%
31 July 2023	10%

Movements in the maximum number of shares awarded under each scheme are as follows:

			2019			2018
Number of ordinary share awards (millions)	First polyhalite	MTS comm-issioning	**Total**	First polyhalite	MTS comm-issioning	**Total**
Outstanding at 1 January	91.9	–	**91.9**	–	–	**–**
Granted	18.5	209.1	**227.6**	94.3	–	**94.3**
Forfeited	(3.5)	(8.3)	**(11.8)**	(2.4)	–	**(2.4)**
Outstanding at 31 December	**106.9**	**200.8**	**307.7**	**91.9**	**–**	**91.9**

EBT awards

The Group's employee benefit trust (EBT) grants awards in the form of jointly owned shares or conditional share awards or nil cost options to employees. The vesting of the shares to employees is conditional upon employees' continued employment with the Group and the achievement of key Group-level strategic milestones (principally: the commencement of shaft-sinking, the securement and then completion of senior debt financing, commencement of tunnelling from Woodsmith, first production and first commercial ore sale). The fair value of awards granted is equal to the share price on the grant date of the awards. Movements in the number of shares awarded under the scheme are as follows:

Number of ordinary share awards (millions)	2019	2018
Outstanding at 1 January	19.0	10.2
Granted	15.7	11.1
Forfeited	(0.3)	(2.3)
Outstanding at 31 December	**34.4**	**19.0**

14. PROVISIONS

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

Provisions are initially recognised at the net present value of the future cash flows associated with them. When provisions are initially recognised, the corresponding cost is capitalised as an asset within property, plant and equipment, representing part of the cost of acquiring the future economic benefits of the operation. 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.

	2019 £m	2018 £m
At 1 January	5.1	2.8
Amounts (released)/capitalised as part of property, plant and equipment	(1.0)	2.2
Charged to the income statement	–	0.1
At 31 December	**4.1**	**5.1**

The Group's development work on the Project gives rise to the future need to undertake restoration activities in order to maintain compliance with relevant planning consents. The Group's obligation is to undertake restoration activities at the end of the Project's life in order to restore sites to their previous character.

In order to estimate the value of the provision, the Group has relied upon valuations which were undertaken for the purposes of determining the value of local security requirements that are held in restricted cash at the end of the year. These amounts were valued by third parties based on the estimated present-day cost that would be required to remediate the disruption caused by the Group's activities by the end of the year. These costs, which the Group does not plan to be incurred for in excess of 50 years, have been discounted at a real risk-free rate of 2% per annum, based on an estimate of the long-term, risk-free, cost of borrowing.

In 2019 the value of the gross restoration cost estimated by third party surveyors reduced compared to the level estimated in 2018. As such, the present value of the amounts previously over-provided for in 2018 have been released during 2019, with a corresponding deduction made to the value of property, plant and equipment reported as part of additions during 2019.

15. ROYALTY FINANCING

The royalty financing is a financial instrument committing the Group to make future royalty payments over the life of the Project in return for an up-front payment of US$250 million received from Hancock in September 2018. The contract commits the Group to make cash payments linked to its revenues over the Project's life through royalty payments, analogous to a loan arrangement. Therefore, the royalty instrument is treated as a financial liability measured under amortised cost, with the value on initial recognition being equal to its fair value, which is the value of the cash that was received on drawdown. Each year, an interest charge is recognised, with the interest rate 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 Group. This uncertainty over future cash flows represents an embedded derivative to be measured at fair value which must be separately accounted for from the host royalty liability. This embedded derivative is valued as the discounted present value of all differences in expected royalty payments between the expectation prevailing on the drawdown date and the latest year-end date. The Group will report a derivative liability (asset) when the present value of royalty payments due to Hancock is expected to be greater (lower) than those originally forecast because of expected revenues being higher (lower) than those originally forecast, meaning that the Group's royalty payments will consequently be higher (lower). On the drawdown date, the embedded derivative was designated as a hedging instrument in a cash flow hedge relationship and so any forecast changes in cash flows are accounted for through other comprehensive income rather than the income statement.

On 19 September 2018, Hancock British Holdings Limited (Hancock) paid the Group US$250 million in return for future royalty payments amounting to 5% of gross revenues on the first 13 million tonnes of product sold in each calendar year and a further 1% of gross revenues on sales in excess of 13 million tonnes, for the life of the Project. There is no minimum or maximum limit for future royalty payments, although if the Group were to go into administration before the completion of the Project's construction then Hancock could request immediate repayment of the US$250 million that was originally paid.

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

On the drawdown date, the Group designated the host liability as a hedging instrument in a cash flow hedge relationship against the Group's future US Dollar-denominated revenues on the basis that these future revenues were judged to be sufficiently highly probable, as required by IFRS 9 (see

the significant accounting judgments section of note 1 for further details). Therefore all foreign exchange gains and losses arising on the periodic retranslation into Sterling of the royalty financing's host instrument will be recognised through the statement of comprehensive income (instead of finance costs within the income statement) and accumulated within the cash flow hedge reserve within equity. The accumulated foreign exchange differences will subsequently be recycled out of the cash flow hedge reserve through the income statement in the years in which the underlying revenue transactions are expected to occur.

On the drawdown date, the Group designated the royalty's embedded derivative as a hedging instrument in a cash flow hedge relationship against the Group's future revenues which are deemed to be highly probable (see the significant accounting judgments section of note 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 Group's revenues compared to the original drawdown-date expectation. As such, it is expected that a perfect hedge should be maintained across the life of the royalty financing, with the Group only being exposed to the risk of bad debts. Therefore all fair value gains or losses upon periodic re-measurement of the derivative will be recorded through the statement of comprehensive income (instead of finance costs within the income statement) and accumulated within the cash flow hedge reserve within equity. The accumulated fair value differences will subsequently be recycled out of the cash flow hedge reserve through the income statement in the same years as differences occur between royalty payments anticipated on the drawdown date and royalty payments actually due. Further details about the estimation of the fair value of the embedded derivative are provided in note 24. The royalty financing has moved as follows in each year:

			2019			2018
	Host instrument £m	Embedded derivative £m	**Total £m**	Host instrument £m	Embedded derivative £m	**Total £m**
Outstanding at 1 January	208.5	–	**208.5**	–	–	**–**
Drawdown in the year	–	–	**–**	190.1	–	**190.1**
Interest charged	46.5	–	**46.5**	12.0	–	**12.0**
Fair value re-measurements	–	(49.2)	**(49.2)**	–	–	**–**
Foreign exchange movements	(8.6)	–	**(8.6)**	6.4	–	**6.4**
Outstanding at 31 December	**246.4**	**(49.2)**	**197.2**	**208.5**	**–**	**208.5**

16. LEASE LIABILITIES

Leases

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

The right-of-use asset is capitalised within property, plant and equipment and accounted for in line with the accounting policy set out in note 8, with depreciation being recognised on a straight-line basis from when the asset is first available for use to the end of the lease term. The lease liability is accounted for under the amortised cost method, with a finance charge being recognised in each year through finance costs in the income statement and all payments made under the lease being deducted from the outstanding liability.

As explained in note 1, 2019 was the first year that the Group applied the new lease standard, IFRS 16, in its accounting for leases. On transition to this new standard on 1 January 2019 the Group took advantage of the practical expedient available in IFRS 16 to not restate any information relating to leases which ended during 2019, as virtually all of the lease commitments which it disclosed as outstanding at 31 December 2018 were released as the Group exercised certain purchase options over the underlying assets.

During 2019 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 2019 and depreciation will not commence on it until the storage facilities planned to be constructed on it are ready for use. Balances arising from the Group's lease transactions have moved as follows during the year:

Right-of-use leased assets (all classified as land within property, plant and equipment)	**2019 £m**	2018 £m
On 1 January	–	–
Additions	9.6	–
Depreciation	–	–
At 31 December	**9.6**	**–**
Lease liabilities		
On 1 January	–	–
Additions	9.6	–
Interest expense (capitalised)	0.3	–
Payments made	(0.4)	–
At 31 December	**9.5**	**–**
– classified as non-current liabilities	9.0	–
– classified as current liabilities (included within trade and other payables)	0.5	–

The future aggregate minimum lease payments outstanding at 31 December under lease agreements are as follows:

	2019 £m	2018 £m
No later than 1 year	0.5	0.4
Later than 1 year and no later than 2 years	0.5	0.4
Later than 2 years and no later than 5 years	1.4	1.5
Later than 5 years	13.8	1.4
Total payments due under lease contracts	**16.2**	**3.7**

17. CONVERTIBLE LOANS

Convertible loans represent liabilities entered into by the Group which are principally loans that require repayment, but which may ultimately be settled by conversion into shares at the option of the Group and/or counterparty based on the terms of a conversion element which is written into the terms of the loan contract.

Convertible loans are assessed according to the substance of the contractual arrangements. The conversion element of each agreement is split out of the host loan and is classified as a liability or equity on the basis of the contractual characteristics of the conversion features. Conversion features of convertible loans denominated a currency other than the Group's functional currency of Sterling are classified as derivative financial instruments.

At inception, the conversion element is separated from the host loan and is assigned a fair value based on an appropriate fair-valuation technique. The initial carrying amount of the host loan is equal to the gross value of the funds raised less the fair value attributable to the conversion option at inception and less transaction costs. The host loan is held at amortised cost and measured using the effective interest rate method, with all interest being charged to finance costs. All transaction costs that are directly attributable to the issuance of the convertible loans are deducted from the initial carrying value of the host loan. These transaction costs are amortised in line with the host loan and recognised as part of finance costs.

Conversion elements that are derivative instruments are re-measured to fair value at each balance sheet and conversion date with any movement in fair value being recorded in finance costs.

Upon conversion, the carrying value of the host loan and conversion derivative is extinguished from liabilities and reclassified into equity as share capital and share premium.

2016 loans

On 28 November 2016 the Group issued US$400 million of seven year, 8.5% quarterly coupon US Dollar-denominated convertible loans at par (the 2016 loans). Loanholders may at any time convert their loans into ordinary shares in the Company at a conversion price of US$0.28 per share (2018: US$0.31 per share), with the adjustment to the conversion price having occurred in May 2019 due to a contractual trigger that protected loanholders against the dilution caused by the US$425 million

equity issuance. If a loanholder elected to convert prior to 28 November 2018 then, as well as receiving ordinary shares in the Company, they would also have received a make-whole cash payment equal to the total value of coupon payments that they would have been owed had they held their loans until 28 November 2018. The Group also has a call option to redeem all loans at par should the Company's share price consistently exceed US$0.49. Loanholders may not request early repayment of their loans except under certain protective clauses relating to changes of ownership in the Group.

Under the terms of the 2016 loans, the Group was also required to set aside an amount in an escrow bank account in respect of all coupon payments due until 28 November 2019, which was disclosed as part of restricted cash. The Group was not able to use this restricted cash for any purpose other than the payment of quarterly coupons and make-whole payments.

Due to the conversion terms of the 2016 loans leading to the issuance of a fixed number of ordinary shares in the Company in return for the extinguishment of the bonds whose value is variable in terms of the Company's functional currency of Sterling, the Group has accounted for the 2016 loans as a host loan instrument containing an embedded derivative liability in respect of the conversion features. See note 24 for further information around the estimation of the embedded derivative. The 2016 loans have moved as follows across the year:

	Host loan £m	Derivative £m	**2019 Total £m**	Host loan £m	Derivative £m	**2018 Total £m**
Opening balance on 1 January	170.6	25.6	**196.2**	200.9	48.4	**249.3**
Interest expense	14.6	–	**14.6**	20.1	–	**20.1**
Interest and make-whole payments	(12.5)	–	**(12.5)**	(19.5)	–	**(19.5)**
Fair value re-measurement	–	(20.0)	**(20.0)**	–	(2.1)	**(2.1)**
Redeemed on issuance of Non-Escrow loans	(74.9)	(5.6)	**(80.5)**	–	–	**–**
Conversions	–	–	**–**	(38.0)	(20.7)	**(58.7)**
Foreign exchange revaluation	(3.0)	–	**(3.0)**	7.1	–	**7.1**
Closing balance on 31 December	**94.8**	**–**	**94.8**	**170.6**	**25.6**	**196.2**

2019 loans

On 23 May 2019 the Group issued new convertible loans with a face value of US$400 million (the Escrow loans), with the proceeds received being immediately deposited in an Escrow account to the benefit of the loanholders. The proceeds of the Escrow loans were only to be released to the Group upon the achievement of the conditions precedent to the US$2.5 billion revolving credit facility (the RCF) that the Group had negotiated with J.P. Morgan in April 2019, or would be repaid back to loanholders should these conditions precedent not be met.

The terms of the Escrow loans provided loanholders with a 10% annual yield, comprising an annual cash coupon of 5% of principal value and redemption at maturity (on 23 May 2027) at 160% of par value. At any point in time a loanholder may choose to convert their loans into shares in the Company at a conversion price of US$0.24 as well as receiving a make-whole payment equal to the value of all coupon payments that they would have received had they held their loans for an additional 3 years. As well as containing standard anti-dilutive protections, if the Company's average

share price during the 30 business days prior to 25 May 2020 is on average less than US$0.20 per share, then the conversion price on the Escrow loans will reset on 25 May 2020 to the higher of 25% above this average and US$0.20. The Group also has a call option to redeem all loans at their accreted principal amount should the Company's share price consistently exceed US$0.37 from June 2021 onwards. Loanholders may not request early repayment of their loans except under certain protective clauses relating to changes of ownership in the Group.

On 23 May 2019 the Group also offered all loanholders of its 2016 loans the opportunity to exchange their loans for new convertible loans with terms equivalent to those of the Escrow loans other than in relation to the Escrow security in relation to the loans' principal value prior to the achievement of the conditions precedent of the RCF (the Non-Escrow loans and, together with the Escrow loans, the 2019 loans). This led to the de-recognition of 2016 loans with a principal value of US$106.6 million and a charge to finance costs of £3.8 million in respect of the shortfall between the carrying value of the 2016 loans that were de-recognised and the fair value of the Non-Escrow loans recognised.

On 17 September 2019 the Group concluded that it no longer expected that it would be able to meet the conditions precedent of the RCF and thus elected to repay the proceeds of the Escrow loans at the start of October 2019. Therefore as at 31 December 2019 the only 2019 loans outstanding were the Non-Escrow loans.

Due to the conversion terms of the 2019 loans leading to the issuance of a fixed number of ordinary shares in the Company in return for the extinguishment of the loans whose value is variable in terms of the Company's functional currency of Sterling, the Group has accounted for the 2019 loans as a host loan instrument containing an embedded derivative liability in respect of the conversion features. See note 24 for further information around the estimation of the embedded derivative. The 2019 loans have moved as follows across the year:

	Escrow loans Host loan £m	**Escrow loans Derivative £m**	**Non-Escrow loans Host loan £m**	**Non-Escrow loans Derivative £m**	**2019 Total £m**
Opening balance on 1 January 2019	–	–	–	–	**–**
New loan issuance	280.9	35.3	74.9	9.4	**400.5**
Loan issuance costs capitalised	(9.0)	–	–	–	**(9.0)**
Interest expense	13.4	–	5.2	–	**18.6**
Interest and make-whole payments	(12.2)	–	(2.9)	–	**(15.1)**
Fair value re-measurement	43.9	(35.3)	–	(8.7)	**(0.1)**
Repayment of loans	(324.9)	–	–	–	**(324.9)**
Conversions	–	–	(4.5)	(0.7)	**(5.2)**
Foreign exchange revaluation	7.9	–	(3.0)	–	**4.9**
Closing balance on 31 December 2019	**–**	**–**	**69.7**	**–**	**69.7**

18. DERIVATIVE FINANCIAL INSTRUMENT

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

Loan commitments
Loan commitments are a financial instrument, to be accounted for in accordance with IFRS 9. IFRS 9 specifically excludes loan commitments from recognition and measurement prior to drawdown. Once drawdown of the loan commitment occurs, the loan will be initially recognised at fair value (generally the value of loan proceeds received) and will be subsequently measured at amortised cost using the effective interest rate method.

In 2016 the Group entered into a US$250 million royalty financing agreement with Hancock. As a loan commitment, no amounts were recognised in the financial statements in respect of it prior to drawdown. Drawdown of the US$250 million occurred in September 2018 at which point it became recognised in the financial statements as disclosed further in note 15.

As part of the royalty financing agreement, Hancock is committed to subscribe for 200 million new ordinary shares in the Company for an additional consideration of US$50 million. Hancock is required to subscribe for these shares upon the Group's securement of sufficient financing which would enable the Project to reach an annual production capacity of 10Mtpa. A derivative liability is recognised in respect of this commitment and its fair value is measured as the difference between the fair value of the US$50 million that will be received and the fair value of 200 million new ordinary shares that will be issued on the future drawdown date. Further information about the fair value estimation of this equity investment derivative is provided in note 24.

19. TRADE AND OTHER PAYABLES

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

	2019 £m	2018 £m
Trade payables	2.6	13.9
Taxation and social security	1.4	0.4
Lease payments due in the next 12 months	0.5	–
Accruals	14.6	29.2
Total trade and other payables	**19.1**	**43.5**

20. DEFERRED TAXATION

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

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

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

The following table shows the nature of deferred tax assets/(liabilities) recognised by the Group:

	Non-current assets £m	Convertible Loans £m	Royalty financing £m	Tax losses £m	Net Total £m
At 1 January 2018	(10.8)	(3.8)	–	14.6	–
(Charged)/credited to income statement	(3.4)	–	–	3.4	–
At 31 December 2018	**(14.2)**	**(3.8)**	**–**	**18.0**	**–**
(Charged)/credited to income statement	(3.8)	1.8	8.7	2.0	8.7
Charged to other comprehensive income	–	–	(8.7)	–	(8.7)
At 31 December 2019	**(18.0)**	**(2.0)**	**–**	**20.0**	**–**

All deferred tax balances arise from temporary differences in relation to UK corporation taxes and are expected to be able to be offset between UK Group companies. Deferred tax assets in respect of tax losses are only recognised to the extent that they offset deferred tax liabilities.

In addition to those tax losses recognised above, the Group has further unused UK tax losses which would represent a deferred tax asset of £16.4 million (2018: £8.8 million) i.e. the gross outstanding value of tax losses at 31 December 2019 was £96.3 million (2018: £26.8 million). The excess losses have not been recognised due to uncertainty over the availability of future taxable profits against which to offset them. For the same reason, a potential deferred tax asset of £1.3 million in respect of gross temporary differences of £7.6 million in relation to the host element of the royalty financing arising from accrued interest which is disallowable for tax purposes has also not been recognised.

In the UK tax losses generally have no expiry. However, for companies which have not yet begun formal trading (including the Group's main subsidiary), only expenditure from the seven years prior to the date of commencement of trade are available for future use. Consequently tax losses of £8.8 million (2018: £6.5 million) representing, £1.5 million (2018: £1.1 million) of the potential deferred tax asset in respect of unrecognised losses noted above are expected to expire before the estimated commencement of trading and therefore will likely not be available for use by the Group.

21. RELATED PARTY TRANSACTIONS

There have been no material related party transactions in the year ended 31 December 2019 (2018: nil), except for key management compensation. The key management compensation below includes eight (2018: eight) Company Directors and three (2018: three) further executive management employees who are not Directors of the Company. Key management personnel received the following compensation in the year:

	2019 £m	2018 £m
Salaries and short-term benefits	2.3	3.4
Share-based payments	0.5	0.8
Total key management compensation	**2.8**	**4.2**

Total Directors' emoluments and emoluments of the highest-paid Director, together with full details of Directors' remuneration, pensions and benefits in kind are given in the Remuneration Committee Report.

22. COMMITMENTS AND CONTINGENCIES

At 31 December 2019 the Group had contracted but unrecognised capital expenditure commitments in respect of property, plant and equipment of £24.3 million (2018: £100.8 million). The Group has no other material commitments or contingent liabilities at 31 December 2019 (2018: none, other than the commitment to enter into the 30 year lease of land adjacent to the Redcar Bulk Terminal port facility as described in note 17, which was fully entered into during 2019).

23. POST BALANCE SHEET EVENTS AND CONTROLLING PARTY

On 13 March 2020 outstanding share award schemes described in note 13 that were unvested at 31 December 2019 vested leading to the issuance of 345.5 million ordinary shares. 31.9 million were issued by the Group's employee benefit trust from shares historically granted to it by the Company, while the remaining 313.6 million shares were newly created and issued by the Company on this date.

As noted within note 1, on 17 March 2020 100% of the ordinary shares of the Company were acquired by means of a court-sanctioned scheme of arrangement by a subsidiary of Anglo American Plc, which is now the ultimate controlling party of the Group. Prior to 17 March 2020 there was no single controlling party of the Group.

Upon the completion of the Acquisition by Anglo American, agreement was reached with Hancock to terminate the US$50m equity subscription that is described in note 18. The termination of this

agreement will have no impact on the 2020 financial statements as it is already stated at a fair value of £nil at 31 December in these financial statements.

In May 2020, holders of a majority amount of the 2016 loans exercised their put option that had become available following the change of control in order to entitle them to repayment of the principal value of their loans plus accrued interest. This repayment occurred in June 2020. Following this repayment, the Group exercised its clean-up call option in relation to the remaining 2016 loans and will fully repay these at principal value plus accrued interest during July 2020.

24. FINANCIAL RISK MANAGEMENT

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

a. LIQUIDITY RISK AND CAPITAL MANAGEMENT

Liquidity risk

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

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

31 December 2019	Non-current lease liabilities £m	Trade and other payables £m	Convertible loans £m	**Total £m**
Amount due within 1 year or less	0.5	19.1	12.6	**32.2**
Amount due within 1-2 years	0.5	–	12.6	**13.1**
Amount due within 2-5 years	1.4	–	133.4	**134.8**
Amount due after 5 years	13.8	–	171.0	**184.8**
Total contractual cash flows	**16.2**	**19.1**	**329.6**	**364.9**

31 December 2018	Trade and other payables £m	Convertible loans £m	**Total £m**
Amount due within 1 year or less	43.1	16.5	**59.6**
Amount due within 1-2 years	–	16.5	**16.5**
Amount due within 2-5 years	–	241.3	**241.3**
Total contractual cash flows	**43.1**	**274.3**	**317.4**

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

Capital management
The Group's objectives when managing capital are to ensure that it is best placed to further its development of the Project, whilst also safeguarding the Group's ability to continue as a going concern. The Group defines capital as being cash and cash equivalents plus bank deposits. The Board of Directors monitors the level of capital as compared to the Group's commitments and approves plans to adjust the level of capital accordingly in the best interests of shareholders. The Group is not subject to any externally imposed capital requirements.

As part of the annual budgeting and long-term planning process, the Group's cash flow forecast is reviewed and approved by the Board. The cash flow forecast is updated on a monthly basis, taking account of the latest expenditure forecasts. Based on the size and timing of the forecast expenditures, the Group adjusts the mix of holdings of its cash and cash equivalents and bank deposits in order to ensure that it has sufficient liquidity to meet its expenditures, whilst maximising the return on its funds, within the bounds of the Group's Board-approved treasury policy.

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

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

31 December 2019	Cash & cash equivalents £m	Restricted cash £m	Trade and other payables £m	Derivatives £m	Convertible loans £m	Non-current liabilities £m	**Total £m**
Sterling	58.3	40.7	(16.2)	–	–	(13.1)	**69.7**
US Dollars	0.9	–	(1.8)	–	(164.5)	(197.2)	**(362.6)**
Euros	0.4	–	(1.0)	–	–	–	**(0.6)**
Other	0.3	–	(0.1)	–	–	–	**0.2**
Total	**59.9**	**40.7**	**(19.1)**	**–**	**(164.5)**	**(210.3)**	**(293.3)**

31 December 2018	Cash & cash equivalents £m	Restricted cash £m	Trade and other payables £m	Derivatives £m	Convertible loans £m	Non-current liabilities £m	**Total £m**
Sterling	196.9	43.8	(37.7)	–	–	(5.1)	**197.9**
US Dollars	10.7	16.5	(0.2)	(2.5)	(196.2)	(208.5)	**(380.2)**
Euros	16.6	–	(5.2)	–	–	–	**11.4**
Canadian Dollars	5.8	–	–	–	–	–	**5.8**
Other	0.1	–	–	–	–	–	**0.1**
Total	**230.1**	**60.3**	**(43.1)**	**(2.5)**	**(196.2)**	**(213.6)**	**(165.0)**

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

The Group is exposed to foreign currency transaction risk on transactions that are denominated in currencies other than its presentational currency of Sterling. It is the Group's policy to hedge foreign currency exposures associated with committed or probable expenditures in order to mitigate potential transaction risk. The Group achieves this by purchasing cash and bank deposits in the relevant foreign currencies ahead of the occurrence of the transactions and simultaneously designating these foreign cash and bank deposits as hedging instruments in cash flow hedge relationships. As a result the Group is able to significantly mitigate its exposures to movements in the Sterling/Euro and Sterling/Canadian dollar exchange rates, both in its expected cash flows and upon its income statement.

The Group is also exposed to foreign currency translation risk since its convertible loan debt financing is denominated in US Dollars. It is the Group's policy to not hedge this risk. As a result, movements in the Sterling/US Dollar exchange rate will impact upon the Group's reported financial position and performance. A strengthening of the US dollar against Sterling would have an adverse impact on reported losses and the Group's financial position. It is expected that this exposure will reduce over time by conversion of the convertible loans (which will crystallise all currency fluctuations in equity without requiring any cash settlement by the Group), meaning that this is not expected to give rise to a material cash flow risk.

The Group is also exposed to foreign currency translation risk in relation to the royalty financing, however it has designated this as the hedging instrument in a cash flow hedge relationship as detailed further in note 15.

The impact of a 10% weakening in the Sterling/US dollar exchange rate compared to the rate prevailing at 31 December 2019 would be an increase in reported loss of £18.4 million (2018: £19.1 million) and a reduction of £40.3 million (2018: £40.9 million) to the Group's reported equity.

The Group has put in place a foreign exchange risk management system within its intercompany borrowing structure to minimise the risk that any adverse fluctuations in the Sterling/US Dollar exchange rate indicated by the sensitivities in the paragraph above could give rise to any material cash tax exposures.

c. INTEREST RATE RISK

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

Cash and cash equivalents, bank deposits and restricted cash held by the Group all earn interest which is either floating or fixed for no longer than one year. The Group seeks to invest its interest-bearing financial assets in such a way so as to maximise the interest earned based on prevailing

market rates, within the bounds of first minimising credit risk associated with the investments and then ensuring that the investments are sufficiently liquid to allow the Group to service its day-to-day operating and expected capital expenditures.

d. CREDIT RISK

The Group's credit risk is primarily attributable to its cash and cash equivalents, bank deposits and restricted cash. The Group's maximum credit exposure is equal to the carrying value of its financial assets as reported in the statement of financial position.

This risk is mitigated by placing cash and cash equivalents, bank deposits and restricted cash only with approved institutions that have an S&P credit rating of at least A-. Furthermore, to prevent concentration risk, the Group's treasury policy mandates that no more than 20% of the Group's surplus funds can be placed with any single institution (other than the Group's primary relationship bank). Due to the level of the Group's unrestricted cash at 31 December 2019, it was not practical to adhere to these limits and at this date 38% of the Group's restricted cash was held with a single counterparty (who was not the Group's relationship bank) although by 3 January 2020 this had fallen to 13%. As at 31 December 2019 the Group's relationship bank held 20% (2018: 9%) of the Group's surplus funds as well as 100% (2018: 73%) of its restricted cash.

e. MARKET RISK

The Group's expected future revenues will fluctuate depending upon market conditions and so these may be different from those currently anticipated. The royalty financing mitigates a portion of this risk as the arrangement means that the Group has passed over an element of market risk to Hancock in return for an up-front fixed cash payment in 2018. Accordingly, the Group has designated the arrangement as part of a cash flow hedge relationship to faithfully reflect the risk transfer that the royalty achieves. See note 15 for further details.

f. FINANCIAL INSTRUMENTS

The carrying value of each class of the Group's financial instruments is detailed below:

31 December 2019	Designated as cash flow hedges £m	At fair value through profit and loss £m	Financial assets/(liabilities) at amortised cost £m	**Total £m**
Financial assets				
Restricted cash	–	–	40.7	**40.7**
Cash and cash equivalents	0.5	–	59.4	**59.9**
	0.5	**–**	**100.1**	**100.6**
Financial liabilities				
Provisions	–	–	(4.1)	**(4.1)**
Royalty financing	(197.2)	–	–	**(197.2)**
Lease liabilities	–	–	(9.0)	**(9.0)**
Convertible loans	–	–	(164.5)	**(164.5)**
Trade and other payables	–	–	(19.1)	**(19.1)**
	(197.2)	**–**	**(196.7)**	**(393.9)**
Net financial liabilities	**(196.7)**	**–**	**(96.6)**	**(293.3)**

31 December 2018	Designated as cash flow hedges £m	At fair value through profit and loss £m	Financial assets/(liabilities) at amortised cost £m	**Total £m**
Financial assets				
Restricted cash	–	–	60.3	**60.3**
Cash and cash equivalents	22.4	–	207.7	**230.1**
	22.4	**–**	**268.0**	**290.4**
Financial liabilities				
Provisions	–	–	(5.1)	**(5.1)**
Royalty financing	(208.5)	–	–	**(208.5)**
Convertible loans	–	(25.6)	(170.6)	**(196.2)**
Derivative financial instrument	–	(2.5)	–	**(2.5)**
Trade and other payables	–	–	(43.1)	**(43.1)**
	(208.5)	**(28.1)**	**(218.8)**	**(455.4)**
Net financial (liabilities)/assets	**(186.1)**	**(28.1)**	**49.2**	**(165.0)**

The carrying value of all the Group's financial assets and liabilities is equivalent to their fair value except for the convertible loans (where the host elements are measured at amortised cost). The fair value of the convertible loans at 31 December 2019 was £53.1 million (2018: £208.8 million) compared to the stated carrying value of £164.5 million (2018: £196.2 million). The traded market price of the Group's 2016 convertible loans at 31 December 2019 was 23.5 (2018: 108.9) while the traded market price of the 2019 loans at 31 December 2019 was 38.0. It is the Group's view that as at 31 December 2019 and 31 December 2018 the fair value of the royalty financing was equivalent

to its carrying value as the discount rate that was appropriate in calculating its fair value had not changed since drawdown date.

g. FAIR VALUE

Financial instruments measured at fair value are grouped into one of three levels as set out by IFRS 13 *Fair Value* based on the lowest level input that is significant to the fair value measurement. These levels are as follows:

Level 1 – Quoted prices (unadjusted) based on active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The only assets or liabilities that the Group has which are measured at fair value are the derivatives associated with the convertible loans and the royalty financing.

Convertible loans' embedded derivatives

These have been assessed as being a level 2 financial instruments. In order to estimate the fair value of the convertible loans' embedded derivatives at any point in time, the Group estimates the fair value of the cash flows due under the host loan at an assumed discount rate that would likely apply to any debt issued by the Group which was not convertible and subtracting this from the market value of the convertible loans (based on the quoted trading price) at the measurement date. In estimating this assumed discount rate, the Group considers publicly quoted bond yield data of comparable entities with similar credit profiles and their prevailing bond yields at the measurement date.

Hancock equity investment derivative liability

This has been assessed as being a level 2 financial instrument. The fair value of the Hancock equity investment derivative is estimated as the net present value of the difference between the US$50 million receivable (in Sterling terms, based on the forward exchange rate estimated for the drawdown date) and the 200 million shares to be issued on the royalty drawdown date (whose value is based on the Group's share price at the measurement date).

Royalty financing embedded derivative

This has been assessed as being a level 3 financial instrument. The fair value of the derivative is based on the latest projections of expected royalty payments, (which is dependent upon expectations over the Project's future revenues), compared to the equivalent expectation which prevailed at the drawdown date.

Fair valuation sensitivities

The inputs used in the fair valuation estimates of these derivatives reflect the Group's exposure to various market risks. Movements in these inputs cause the fair valuation of the derivatives (but not the cash flows, except for the royalty financing embedded derivative) to fluctuate and affect

reported net finance costs. Correlated increases in the convertible loans' price and share price would cause an increase in the loss reported from the convertibles loans' embedded derivative and Hancock equity investment derivatives while an increase in the discount rate assumed would cause an increase in the loss reported from the convertible loans' embedded derivative. Increases in expected future revenues (and consequently, royalty payments) compared to the expectation on drawdown date would cause the royalty embedded derivative to become a liability, although would have no impact on total loss as the derivative has been designated in a cash flow hedge relationship.

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

		2019		2018
	Impact on total loss £m	Impact on equity £m	Impact on total loss £m	Impact on equity £m
Convertible loans and share price (increase)/decrease by 10%	(–)/–	(–)/–	(24.9)/24.9	(24.9)/24.9
Discount rate (increase)/decrease by 10%	(–)/–	(5.3)/6.3	(6.6)/6.9	(6.6)/6.9
Estimate of future revenues price per tonne (increase)/decrease by 10%	(–)/–	(16.4)/16.4	(–)/–	(26.5)/26.5
Delay of 1 year in completion of the Project's construction and ramp up	(–)	(30.2)	(–)	(31.9)

25. AUDITORS' REMUNERATION

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

	2019 £000s	2018 £000s
Audit fees		
Fees payable for the audit of the Group's consolidated financial statements	110	109
Fees payable for the audit of the Company's subsidiaries	50	50
Fees payable for review of the Group's half-year financial statements	29	11
Total audit-related fees	**189**	**170**
Other non-audit assurance services	778	–
Total non-audit fees	**778**	**–**
Total auditors' remuneration	**967**	**170**

Other non-audit assurance services in 2019 mainly related to reporting required to support the US$425 million equity issuance carried out by the Group in May 2019, as well as procedures related to the planned issuance of the high-yield bond in August 2019 and other due diligence procedures that the Audit Committee deemed appropriate for the Group's auditors to perform.

26. SUBSIDIARY UNDERTAKINGS

The following table lists all of the Group's subsidiary undertakings. The Group owns 100% of the ordinary share capital and consolidates the full results of each of these entities. The registered office of these subsidiaries is 20 Carlton House Terrace, London, SW1Y 5AN ("20 CHT") unless otherwise stated.

Name	Country of incorporation	Activity	Registered address
York Potash Limited	England	Project development	20 CHT
York Potash Processing & Ports Limited	England	Project development	20 CHT
York Potash Holdings Limited	England	Holding Company	20 CHT
York Potash Intermediate Holdings Plc	England	Holding Company	20 CHT
Sirius Minerals Holdings Limited[1]	England	Holding Company	20 CHT
Sirius Exploration Limited	England	Dormant	20 CHT
Sirius Resources Limited	England	Dormant	20 CHT
Sirius Potash Limited	England	Dormant	20 CHT
YPF Limited	England	Dormant	20 CHT
SACH 1 Limited[1]	England	Intercompany financing	20 CHT
SACH 2 Limited[1]	England	Intercompany financing	20 CHT
Sirius Minerals Finance Limited	Jersey	Fundraising	47 Esplanade, St Helier, Jersey JE1 0BD
Sirius Minerals Finance No.2 Limited	Jersey	Fundraising	47 Esplanade, St Helier, Jersey JE1 0BD
Auspotash Corporation Limited[1]	Canada	Dormant	102A-1075 Bay Street, Suite 414, Toronto, Ontario, M5S 2B2, Canada
Dakota Salts LLC	USA	Employee payroll	314 E. Thayer Avenue #300, Bismarck, North Dakota, 58501, USA
Sirius Minerals (Singapore) Pte Ltd	Singapore	Employee payroll	80 Robinson Road, Singapore, 068898
Sirius Minerals India Private Limited[2]	India	Employee payroll	Level 2, Elegance Tower, Old Mathura Road, Jasola District Centre, New Delhi, 110025, India

Notes:

1. Represents those companies where 100% of the Company's shares are directly held by Sirius Minerals Plc.
2. Represents those companies where 50% of the Company's shares are directly held by Sirius Minerals Plc (with the other 50% being held by Sirius Minerals Holdings Limited).

The following table lists all of the Group's investments in associates. The Group owns 30% of the ordinary share capital of each of these entities and does not consolidate the results of these entities in full, but instead accounts for these investments using the equity method as further disclosed in note 9.

Name	Country of incorporation	Activity	Registered address
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

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

ASSETS	Note	2019 £m	2018 £m
Non-current assets			
Investments	D	394.2	318.2
Property, plant and equipment		0.4	–
Total non-current assets		**394.6**	**318.2**
Current assets			
Restricted cash		–	16.5
Other debtors		0.8	0.3
Loans to subsidiaries	E	885.8	811.7
Cash and cash equivalents		20.0	50.8
Total current assets		**906.6**	**879.3**
TOTAL ASSETS		**1,301.2**	**1,197.5**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	17.6	12.0
Share premium account		1,100.1	789.0
Share-based payment reserve	13	7.4	6.5
Accumulated losses		(411.1)	(302.6)
Total equity		**714.0**	**504.9**
Current liabilities			
Derivative financial instruments	F	–	28.1
Loans from subsidiaries	G	584.1	660.9
Trade and other payables		3.1	3.6
Total liabilities		**587.2**	**692.6**
TOTAL EQUITY AND LIABILITIES		**1,301.2**	**1,197.5**

Included within accumulated losses is a loss for the year of £108.6 million (2018: loss for the year of £23.0 million).

TJ Staley
Finance Director and CFO
Company registration number: 04948435

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Note	Share capital £m	Share premium account £m	Share-based payment reserve £m	Accumulated losses £m	**Total equity £m**
At 1 January 2018		11.2	695.3	6.1	(280.8)	**431.8**
Loss for the year		–	–	–	(23.0)	**(23.0)**
Transactions with owners:						
Shares issued for a subsidiary to acquire investments in associates		0.3	25.9	–	–	**26.2**
Shares issued on conversion of convertible loans	12	0.5	66.6	–	–	**67.1**
Share-based payments	13	–	1.2	0.4	1.2	**2.8**
At 31 December 2018		**12.0**	**789.0**	**6.5**	**(302.6)**	**504.9**
Loss for the year		–	–	–	(108.6)	**(108.6)**
Transactions with owners:						
US$425 million equity issuance		5.5	304.5	–	–	**310.0**
Shares issued on conversion of convertible loans	12	0.1	6.6	–	–	**6.7**
Share-based payments	13	–	–	0.9	0.1	**1.0**
At 31 December 2019		**17.6**	**1,100.1**	**7.4**	**(411.1)**	**714.0**

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

The share-based payment reserve is used to record the fair value of share-based payments relating to the Company's shares which are outstanding.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

A. REFERENCE INFORMATION

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements relate to Anglo American Woodsmith Limited (the "Company"), which was known up until 17 March 2020 as Sirius Minerals Plc, is a limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 (Registration number 04948435). The registered address is 20 Carlton House Terrace, London, SW1Y 5AN.

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

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

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (principally derivatives) stated at fair value through profit or loss. The principal accounting policies set out below have been consistently applied to all years presented. The financial statements are presented in Sterling (rounded to the nearest million), which is the functional currency of the Company.

The going concern assumption has been adopted in the preparation of the Company's financial statements for the reasons explained within note 1 to the consolidated financial statements.

Principal accounting policies

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

New and amended accounting policies adopted by the Company

All accounting policies applied by the Company in the preparation of these financial statements are consistent with those applied and disclosed in the financial statements for the year ended 31 December 2018 other than in relation to the introduction of IFRS 16 in accounting for leases, as discussed within note 1 of the consolidated financial statements. The introduction of IFRS 16 has had no material impact upon the Company's financial statements in any year presented.

Significant accounting judgements and estimates

The most significant estimates and judgements relevant to the Company's financial statements are broadly the same as those for the consolidated Group financial statements as detailed in note 1. In addition, the estimation of the value of the expected credit loss ("ECL") provisions required by IFRS 9 recognised in respect of loans to certain subsidiaries as detailed in note F represents a significant estimate. Identifying the appropriate value of the provision requires significant estimation as it is based on the Company's subjective assessment of hypothetical credit outcomes of the loans. A one percentage point increase (decrease) in the estimated chance of a full impairment of the loans would result in an increase (decrease) in the provision and expense recorded during the year of £9.1 million (2018: £5 million).

B. PROFIT AND LOSS ACCOUNT

The Company has not presented its own income statement or statement of comprehensive income as permitted by section 408 of the Companies Act 2006. The loss for the Company for the year was £86.1 million (2018: loss of £23.0 million). Included in the Company's profit and loss account is a charge of £110,000 (2018: £109,000) in respect of the Company's audit fee.

C. STAFF NUMBERS AND COSTS

	2019 Number	2018 Number
Average monthly number of staff (including Directors)	39	32
	£m	£m
Wages and salaries	2.9	4.6
Social security costs	0.1	0.7
Share-based payments	0.4	0.9
Total staff costs	**3.4**	**6.2**

Detailed information concerning Directors' remuneration, interests and options is shown in the table within the Directors' Remuneration Report. Details on key management compensation is contained within note 21 of the consolidated financial statements.

D. INVESTMENTS

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

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

Net book value of investments in subsidiaries	2019 £m	2018 £m
At 1 January	318.2	249.6
Additions	271.3	73.8
Impairments recognised	(203.8)	(8.5)
Impairments reversed	8.5	3.3
At 31 December	**394.2**	**318.2**

Disclosure of the Company's subsidiaries is given in note 26 of the consolidated financial statements. The value of the investments is supported by the projected discounted cash flows of the subsidiaries which are based on the Group's most recent financial projections.

Impairments in subsidiaries have arisen due to losses recognised in the relevant subsidiaries (SACH 1 Limited, SACH 2 Limited and Sirius Minerals Finance No.2 Limited ("SMF2")) in each year which have reduced the recoverable amount of the subsidiaries to below their previous carrying values. Adverse foreign exchange movements (due to the existence of material US Dollar-denominated loans in both subsidiaries) as well as ECL provisions and future interest payments anticipated on intercompany loans to which the Company is a counterparty have been the cause of losses recognised in SACH 1 Limited and SMF2 which have been the trigger for the impairments recognised as set out above. The reversal of impairments recognised above has been caused by favourable movements in the US Dollar / Sterling foreign exchange rates across the relevant years. As the impairments have arisen solely as a result of intercompany lending, mandatory ECL provision requirements and foreign exchange exposures held by the relevant subsidiaries, no equivalent impairments have been recognised within the consolidated Group financial statements in any year as the value of the Project supports the carrying value of all assets reported at the consolidated Group level.

Due to the ability of the Company to control the timing of the payment of distributions by its subsidiaries (due to its 100% shareholdings in each of them), the value in use of each investment has been based upon the undiscounted carrying value of the net assets of each subsidiary as at the year-end date once account of all contractual future liabilities has been taken into account. At 31 December 2019 the recoverable amount of SACH 1 Limited was estimated as being £66.7 million (2018: £122.3 million), the

recoverable amount of SACH 2 Limited was estimated as being £217.8 million (2018: £91.5 million) and the recoverable value of SMF2 was estimated as £nil.

E. LOANS TO SUBSIDIARIES

	2019 £m	2018 £m
Gross loans to subsidiaries	925.1	856.4
Less: ECL provisions recognised	(39.3)	(44.7)
Total loans to subsidiaries	**885.8**	**811.7**

The majority of loans to subsidiaries are recognised at amortised cost, do not bear interest, are unsecured and are repayable on demand. The only loans for which this is not the case are loans receivable from SACH1 Limited whose terms broadly mirror those of the loans from Sirius Minerals Finance Limited ("SMF") and SMF2 as described in note G, with the loan to SACH 1 in respect of the Company's borrowings SMF being measured at amortised cost (and is repayable upon demand) and the loan to SACH1 in respect of the Company's borrowings from SMF2 being measured at fair value and only repayable in the same amounts and on the same timing as the external non-Escrow loans to which the Group is party. The decrease (2018: increase) in the ECL provision during 2019 of £5.4 million (2018: £23.3 million) has been credited (2018: charged) to the income statement of the Company, with the decrease in the provision being principally due to a reduction in the expected likelihood of default as compared to the position estimated as prevailing at 31 December 2018.

F. DERIVATIVE FINANCIAL INSTRUMENTS

Carrying value of derivative liability	2019 £m	2018 £m
Hancock equity investment derivative	–	2.5
Convertible loans conversion derivatives	–	25.6
Total derivative financial liabilities	**–**	**28.1**

The Hancock equity investment derivative is the same as that disclosed in note 18 of the consolidated financial statements. The convertible loans conversion derivatives are effectively identical to those disclosed in note 16 of the consolidated financial statements. Further disclosures in relation to these derivatives are included within note 24 of the consolidated financial statements.

G. LOANS FROM SUBSIDIARIES

	2019 £m	2018 £m
Loan from Sirius Minerals Finance Limited	105.2	193.2
Loan from Sirius Minerals Finance No.2 Limited	11.3	–
Other loans from subsidiaries	467.6	467.7
Total loans from subsidiaries	**584.1**	**660.9**

Intercompany loans are in place from SMF and SMF2 to the Company for the gross proceeds of the 2016 and 2019 convertible loans respectively. The terms of the intercompany loans mirror the terms of the external convertible loans as detailed in note 16 to the consolidated Group financial statements. Upon any conversion of the underlying convertible loans, the Company will receive a

redeemable preference share in SMF or SMF2 from external loanholders in exchange for issuing those loanholders ordinary shares in the Company. These redeemable preference shares are generally redeemed on the day of issuance against the intercompany loan, meaning that the gross intercompany liability faced by the Company continues to mirror the gross contractual liability that the Group has to external bondholders at each point in time.

All loans from subsidiaries other than the loan from SMF2 are accounted for at amortised cost. The loan from SMF2 is accounted for at fair value, with the calculation of fair value being based on the underlying contractual terms of the loan taking into account the traded price of the loans as at 31 December 2019. All other loans from subsidiaries do not bear interest, are unsecured and are repayable on demand.

H. SHARE-BASED PAYMENTS

The total charge for the year in respect of share-based remuneration schemes was £0.4 million (2018: £0.9 million). The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to the share-based payment reserve.

The key elements of each scheme, along with the assumptions employed to arrive at the charge in the profit and loss account, are set out in note 13 to the consolidated Group financial statements.

I. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption available under FRS 101 from disclosing transactions with other Group undertakings. Information on the Group can be found in note 26 of the consolidated Group financial statements. There were no other related party transactions during the year other than those already disclosed in note 21 of the consolidated Group financial statements.

Glossary

2017 Annual Report	Annual Report and financial statements for the year ended 31 December 2017 (available at siriusminerals.com/investors)
2018 Annual Report	Annual Report and financial statements for the year ended 31 December 2018 (available at siriusminerals.com/investors)
Acquisition	The transaction in March 2020 by which the Company and all its subsidiary companies became a wholly owned subsidiary of Anglo American Projects UK Limited, a wholly owned subsidiary of Anglo American Plc by means of a court-sanctioned scheme of arrangement
AGM	Annual General Meeting
Alternative Proposal	A conditional financing proposal received by the Company from JP Morgan Cazenove offering a capital markets-based alternative fundraising package
Anglo American	Anglo American Plc
CEO	Chief Executive Officer
CO2	Carbon dioxide
Company	Anglo American Woodsmith Limited (previously named Sirius Minerals Plc)
CSOP	Company share option plan
CFO	Chief Financial Officer
EBITDA	Company's earnings before interest, taxes, depreciation and amortisation
ECL	Expected credit loss
Effective Date	17 March 2020, the date that the Company became a wholly owned subsidiary of Anglo American Projects UK Limited by means of a court-sanctioned scheme of arrangement
EOY	End of year
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRS	Financial reporting standards
GDP	Gross domestic product
GHG	Greenhouse gases
Group	Anglo American Woodsmith Limited and all of its subsidiary companies
IAS	International accounting standards
IFRS	International financial reporting standards
IPA	Infrastructure and Projects Authority
JOE	Jointly owned equity
KPI	Key performance indicator
LTIP	Long-term incentive plan
MHF	Materials handling facility
MTS	Mineral transport system
Mtpa	Million tonnes per annum
NPK	NPK is a fertilizer product containing at least two of nitrogen, phosphorus, and potassium plant nutrients as a complete product
POLY4	Sirius Minerals' trademarked polyhalite product.
Project	The North Yorkshire Polyhalite Project, now referred to as the Woodsmith Project

Prospectus	Prospectus issued by the Company on 25 April 2017 for the admission to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities (available on the Company's website, siriusminerals.com)
RCF	Revolving credit facility
SBR	Shaft boring roadheader
Scheme	Court-sanctioned scheme of arrangement whereby the Company became a wholly owned subsidiary of Anglo American Projects UK Limited
Stage 2	The search for a suitable financing plan
STEM	Science, technology, engineering and maths
Strategic Review	The strategic review period that started on 17 September 2019 when the Company slowed down construction activity in order to preserve cash while it assessed other development options and engaged with other potential finance partners
TBM	Tunnel boring machine
TCO2e	Tonnes of CO2 equivalent
TSR	Total shareholder return
USOP	Unapproved share option plan