GCM Global Energy Plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended
31 December 2017

Company Registration No. 06382557

GCM Global Energy Plc
COMPANY INFORMATION

DIRECTORS

A Zhuchenko
R Dubrovskaya
M Kalyuzhny

SECRETARY

MW Law Services Limited

REGISTERED OFFICE

Second Floor
11 Pilgrim Street
London
EC4V 6RN

AUDITOR

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

The Directors present their Strategic Report for the year ended 31 December 2017. In this report GCM Global Energy plc and its subsidiaries are referred to as "the Group" or "GCM".

PRINCIPAL ACTIVITIES

The Group's principal activities are focussed on the development of a potash production plant in Belarus.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Following the drawdown under the $1.4 billion loan facility at the end of 2016, the construction of the potash production plant has begun in Belarus, where the Group's subsidiary, Slavkali FLLC, is located. The plant is expected to start production in 2022. Once operational it will be able to produce approximately 2 million tonnes of potash per annum.

Slavkali FLLC has made significant progress through 2017 preparing the construction site and building the adjacent infrastructure including access roads, railway link 37 km long, electrical substation and the gas pipeline. In 2018 the subsidiary will have started the 1st stage of mine excavation and the construction of the pile driver. Details of the capital expenditure incurred during the year are disclosed in note 12.

RISK MANAGEMENT

Risk management is an integral part of the business model and is a Board level responsibility. GCM approach to risk management aims to identify key risks as early as possible and to either reduce or remove those risks.

The group's principal risks and uncertainties are currently those detailed below.

Macroeconomic environment	The global growth forecast for 2017 and 2018 was set at 3.6 percent and 3.7 percent, respectively by IMF. Notable pickups in investment, trade, and industrial production, coupled with strengthening business and consumer confidence, were supporting the recovery. With growth outcomes in the first half of 2017 generally stronger than expected, upward revisions to growth are broad based, including for the euro area, Japan, China, emerging Europe, and Russia. These more than offset downward revisions for the United States, the United Kingdom, and India. On the monetary policy front, the US Federal Reserve raised short-term interest rates in June to 1–1.25 percent, as expected. Core inflation—inflation rates when fuel and food prices are excluded—has been generally soft. In most advanced economies, core inflation has failed to increase toward central bank targets, even as domestic demand has gathered pace and unemployment rates have fallen compared with the previous year. In the United states core inflation remained under 2 percent per annum.
Commodity price risk	The price of blend grade potash traded at $235 per at the end of 2017, up about $25 from a year earlier but still off almost 40% from the price at the start of 2015. Gains last year in the United States however, were not matched by increases elsewhere. For example, the price of blend grade product delivered to Brazil ended the year at about $265 per ton, up $70 from January 2017. However, as the start of the production of the Group's plant in Belarus is not expected before 2022 the Group is more focused on the longer-term forecast. KCl (potassium chloride) demand is forecast to increase from 61.3Mt in 2016 to 72.2Mt in 2021 and 101.7 Mt in 2041. The long-term annual growth rate from 2016-2041 is

	projected to be 2.05% p.a, which is just below the 2.20% p.a. observed between1992-2016.
Interest rate and liquidity risk	In Europe, with core inflation slowly returning as the year progressed, the European Central Bank decreased the pace of its monthly quantitative easing purchases, but extended it for a further nine months in order to pacify the financial markets. And, for the first time in more than a decade, the Bank of England raised the base rate by 25 basis points, despite a struggling economic backdrop, as a currency-impacted headline Consumer Prices Index hit 3 per cent for the first time since 2012.
Foreign Exchange risk	The GCM Group has ongoing operations in a number of geographic regions. As a result, the group is exposed to movements in major currencies, mainly US dollar, Pound Sterling and Euro. The Group seeks to mitigate these risks by maintaining currency reserves as necessary.
Political Risk	Business operations in emerging markets carry certain elements of risk relating to unexpected changes in regulatory and legal climates which could significantly impact GCM's business. As a mitigating factor, GCM continues to nurture, develop and grow its relationships with senior government officials and business leaders in the regions where it conducts its operations.
Environmental risk	The Group understands its responsibility to maintain and manage its obligations to minimise environmental impact. GCM is committed to working with local governments and other agencies to ensure safe procedures and operations in order to remain in good standing in all communities in which the Group operates.

On behalf of the Board

R Dubrovskaya
Director

29 June 2018

The Directors present their report and the financial statements of the Company and the Group for the year ended 31 December 2017.

DIRECTORS

The following directors have held office since 1 January 2017:

A Zhuchenko
R Dubrovskaya
M Kalyuzhny

DIVIDENDS

No interim or final dividend was proposed or paid during the year (2016: $nil).

BRANCHES OUTSIDE THE UK

During 2016 the Company established a branch in Minsk. The branch is expected to be closed during 2018.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to Corporate Social Responsibility and has implemented a number of policies across the following areas:

- Equal opportunities across the Group;
- Health and Safety; and
- Environmental impact and recovery

RISKS ASSOCIATED WITH THE GROUP

These are described in the Strategic Report on pages 2-3 and as part of the Financial Instruments disclosure in note 4.

STRATEGIC REPORT

In accordance with section 414c(11) of the Companies Act 2006, information on future developments and financial risk management have not been included in the Directors' Report if it is already included within the Strategic Report.

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has agreed that it shall to the maximum extent permitted by law, but subject to any limitation imposed by law and in particular sections 232 and 234 of the Companies Act 2006, indemnify the directors against all liabilities, costs and expenses (including any legal and other reasonable professional costs and expenses) incurred by them directly arising from or in connection with the execution and discharge of their duties as directors of the Company.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors, in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

GOING CONCERN

The directors have considered the appropriateness of the going concern basis in the preparation of these financial statements and are satisfied that the company and the group are going concerns. The statement headed "Going Concern" on page 17 sets out certain factors considered by the directors in making this assessment.

AUDITOR

RSM UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

On behalf of the Board

R Dubrovskaya
Director

29 June 2018

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare group and company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the company and of the profit or loss of the group for that period.

In preparing the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GCM GLOBAL ENERGY PLC

Opinion
We have audited the financial statements of GCM Global Energy plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GCM GLOBAL ENERGY PLC

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

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RICHARD COATES (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

29 June 2018

GCM Global Energy Plc
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Revenue	8	4,006	1,060
Employee costs	7	(3,781)	(3,128)
Administration expenses		(3,269)	(3,972)
Depreciation and amortisation		(94)	(84)
Loss on foreign exchange		(162)	(475)
		(7,306)	(7,659)
Loss before finance costs and taxation		(3,300)	(6,599)
Finance costs	9	(124)	(736)
Loss before taxation		(3,424)	(7,335)
Taxation	10	(84)	(9)
Loss and total comprehensive income for the year		(3,508)	(7,344)
Loss and total comprehensive income for the year attributable to:			
Owners of the parent		(3,576)	(7,057)
Non-controlling interest		68	(287)
		(3,508)	(7,344)

The notes and accounting policies on pages 17 to 41 form an integral part of these consolidated financial statements.

GCM Global Energy Plc
STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2017

	Notes	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Non-current assets					
Intangible assets	*11*	3,874	3,259	-	-
Property, plant and equipment	*12*	123,935	76,527	192	246
Investment in subsidiaries	*14*	-	-	1,989	1,989
Loans and other receivables	*13*	128,777	31,800	74,531	75,084
Total non-current assets		256,586	111,586	76,712	77,319
Current assets					
Inventories	*15*	25	15	-	-
Trade and other receivables	*16*	1,229	987	789	665
Cash and cash equivalents	*17*	47,046	93,393	487	397
Total current assets		48,300	94,395	1,276	1,062
TOTAL ASSETS		304,886	205,981	77,988	78,381
LIABILITIES					
Current liabilities					
Trade and other payables	*18*	2,855	2,814	611	688
Financial lease liabilities	*20*	45	38	45	38
Current tax liabilities		94	9	-	-
Total current liabilities		2,994	2,861	656	726
Non-current liabilities					
Borrowings	*19*	228,710	129,392	-	-
Financial lease liabilities	*20*	31	69	31	69
Total non-current liabilities		228,741	129,461	31	69
TOTAL LIABILITIES		231,735	132,322	687	795
NET ASSETS		73,151	73,659	77,301	77,586

GCM Global Energy Plc
STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2017

	Notes	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
EQUITY					
Equity attributable to owners of the parent					
Called up share capital	21	29,312	29,312	29,312	29,312
Preference shares	22	3,000	-	3,000	-
Translation reserve	23	(3,441)	(3,441)	-	-
Retained earnings	23	44,499	48,075	44,989	48,274
Total equity attributable to owners of the parent		73,370	73,946	77,301	77,586
Non-controlling interests	23	(219)	(287)	-	-
TOTAL EQUITY		73,151	73,659	77,301	77,586

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own statement of comprehensive income for the year. The Company reported a loss for the financial year ended 31 December 2017 of $3.285m (2016: $6.885m).

The financial statements on pages 10 to 41 were approved by the board of directors and authorised for issue on 29 June 2018 and are signed on its behalf by:

R. Du

R Dubrovskaya
Director

GCM Global Energy Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Attributable to the equity owners of the parent						
GROUP	Share capital $'000	Preference shares $'000	Translation reserve $'000	Retained Earnings $'000	Total $'000	Non-controlling interest $'000	Total $'000
AT 1 JANUARY 2016	29,312	-	(3,441)	214,683	240,554	-	240,554
Loss for the year	-	-	-	(7,057)	(7,057)	(287)	(7,344)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(7,057)	(7,057)	(287)	(7,344)
Transactions with owners:							
Capital restructure (see note 27)	-	-	-	(159,551)	(159,551)	-	(159,551)
Total transactions with owners in their capacity as owners	-	-	-	(159,551)	(159,551)	-	(159,551)
AT 31 DECEMBER 2016	29,312	-	(3,441)	48,075	73,946	(287)	73,659
Loss for the year	-	-	-	(3,576)	(3,576)	68	(3,508)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(3,576)	(3,576)	68	(3,508)
Transactions with owners:							
Issue of preference shares (see note 22)	-	3,000	-	-	3,000	-	3,000
Total transactions with owners in their capacity as owners	-	3,000	-	-	3,000	-	3,000
AT 31 DECEMBER 2017	29,312	3,000	(3,441)	44,499	73,370	(219)	73,151

The notes and accounting policies on pages 17 to 41 form an integral part of these consolidated financial statements.

GCM Global Energy Plc
COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

COMPANY	Share capital $'000	Preference shares $'000	Retained earnings $'000	Total $'000
AT 1 JANUARY 2016	29,312	-	214,680	243,992
Loss for the financial year	-	-	(6,855)	(6,855)
Capital restructure (see note 27)	-	-	(159,551)	(159,551)
AT 31 DECEMBER 2016	29,312	-	48,274	77,586
Issue of preference shares (see note 22)	-	3,000	-	3,000
Loss for the financial year	-	-	(3,285)	(3,285)
AT 31 DECEMBER 2017	29,312	3,000	44,989	77,301

The notes and accounting policies on pages 17 to 41 form an integral part of these consolidated financial statements.

GCM Global Energy Plc

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	*24*	(4,061)	(5,020)
Income taxes paid		-	(1)
Net cash used in operating activities		(4,061)	(5,021)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds of subsidiary disposals, net of cash transferred		21	-
Purchase of property, plant and equipment		(121,444)	(35,282)
Proceeds from disposal of property, plant and equipment		7	-
Purchase of intangible assets		(766)	(71)
Interest received		628	431
Net cash outflow from investing activities		(121,554)	(34,922)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of preference shares		3,000	-
Proceeds from borrowings		76,313	127,088
Finance lease payments		(45)	(38)
Interest paid		-	(786)
Net cash inflow from financing activities		79,268	126,264
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(46,347)	86,321
OPENING CASH AND CASH EQUIVALENTS		93,393	7,072
CLOSING CASH AND CASH EQUIVALENTS	17	47,046	93,393

The notes and accounting policies on pages 17 to 41 form an integral part of these consolidated financial statements.

GCM Global Energy Plc

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	24	(3,788)	(6,160)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds of subsidiary disposals, net of cash transferred		14	-
Purchase of property, plant and equipment		(49)	(40)
Proceeds from disposal of property, plant and equipment		7	-
Interest received		-	402
Net cash flow (used in)/generated from investing activities		(28)	362
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of preference shares		3,000	-
Loan repayment		951	272
Finance lease payments		(45)	(38)
Net cash flow generated from financing activities		3,906	234
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		90	(5,564)
OPENING CASH AND CASH EQUIVALENTS		397	5,961
CLOSING CASH AND CASH EQUIVALENTS	17	487	397

The notes and accounting policies on pages 17 to 41 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

GCM Global Energy Plc ("the Company") and its subsidiaries ("the Group") currently undertake the development of a potash production. The Group's activities are carried out internationally with the current focus being on Belarus.

The company is a privately owned public company limited by shares, incorporated and domiciled in the UK. The company's registered office is 2nd Floor, 11 Pilgrim Street, London, EC4V 6RN.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below:

BASIS OF ACCOUNTING

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). The financial statements have been prepared on a historical cost basis.

GOING CONCERN

The directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. This has been determined by a review of forecast cash flows and expected trading performance for a period of at least 12 months from the date of approval of these financial statements.

The group is primarily financed through bank borrowings and there are a number of key measures in place that will allow the directors to manage the business and provide adequate liquidity. These are as follows:

- The ability to negotiate bank facilities with the existing third party providers of finance;
- The ability to borrow from other providers of funds, mainly private financial institutions or related parties; and
- Significant control and flexibility over the group's development plans and their timing that will allow it, if necessary, to conserve capital by delaying or eliminating capital expenditure.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit for the Group. Subsidiaries are fully consolidated from the effective date of acquisition up to the effective date of disposal.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are recognised in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The excess of cost of acquisition over the fair values of the Group's share of identifiable net assets acquired is recognised as goodwill. When the fair value of identifiable net assets acquired exceeds the cost of the business combination, the excess (negative goodwill) is recognised directly in the Statement of Comprehensive Income. However, where subsidiaries or interests in joint ventures are acquired from companies under common control, negative goodwill arising on such acquisitions (net of any goodwill on other such transactions) is credited directly to equity as contributed capital.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those of the Group.

All intra-Group transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

FOREIGN CURRENCY TRANSLATION

The functional and presentational currency is the US$ as this is the currency which mainly influences the sales price of the goods and services being delivered and the costs incurred in delivering them. The exchange rate between Sterling and the US$ at 31 December 2017 was 1.34912 (2016:1.2336), the exchange rate between Belarusian Ruble and the US$ as at 31 December 2017 was 1.9727 (2016: 1.9585).

Transactions are recorded in the functional currency of each reporting entity. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the profit or loss for the period, except for exchange differences on non-monetary assets and liabilities, where the changes in fair value are recognised in other comprehensive income. Other non-monetary assets and liabilities are kept at the rate of exchange prevailing on the date the transaction was recorded.

On consolidation, the assets and liabilities reported in functional currencies other than the US$ are retranslated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognised as other comprehensive income and in the Group's translation reserve.

Such translation differences are recognised as income or expenses in the period in which the operation is disposed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EXPLORATION AND EVALUATION EXPENDITURE

The Group adopts the successful efforts method of accounting for exploration and evaluation expenditure.

(a) PRE-LICENCE EXPENDITURE

Any expenditure incurred relating to exploration and evaluation or similar activities prior to obtaining a development licence (or similar rights) are expensed as incurred.

(b) LICENCE COSTS

The cost of acquiring an exploration/development licence (or similar rights) are capitalised and classified as an intangible asset. Incidental costs relating to the acquisition of the licence are capitalised as part of the cost of acquisition.

(c) OTHER EXPENDITURE

Geological and geophysical costs and similar costs are capitalised as intangible assets. All capitalised costs are subject to a commercial, technological and management review each year to confirm the continued intention to develop and extract value from the discovery. When this is no longer the case, the capitalised costs are written off to profit or loss.

Intangible exploration and evaluation assets are not subject to amortisation.

PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment that are consumed in developing an intangible exploration and evaluation asset are subject to depreciation over their useful economic lives. The depreciation amount reflecting that consumption will be capitalised as part of the cost of developing the intangible exploration and evaluation asset.

Property, plant and equipment is recorded at cost which includes expenditure that is directly attributable to the acquisition of the items and depreciated over its useful economic life.

DEPRECIATION

Land is not depreciated. Buildings and operating base facilities are depreciated on a straight-line basis over their estimated useful lives ranging from five to fifty-five years.

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of four to twenty years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds (if any) and the carrying amount of the asset and is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MAJOR MAINTENANCE AND REPAIRS

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other maintenance costs are expensed as incurred.

OTHER INTANGIBLE ASSETS

Other intangible assets include software and licences other than exploratory and development licences. Other intangibles are measured initially at purchase cost and amortised on a straight-line basis over their estimated useful lives, being between 5-7 years.

IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY PLANT AND EQUIPMENT

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

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

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated. Where the effect of the time value of money is material, the provision is based on the present value of future outflows, discounted at the pre-tax discount rate that reflects the risks specific to the liability.

INVENTORIES

Inventories, consisting primarily of spare parts, are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group has become a party to the contractual provisions of the instrument.

Financial assets

Trade receivables

Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of less than three months.

Bank overdrafts are presented within current liabilities.

Investments

Investments held by the parent company in subsidiaries are recorded at cost at the reporting date. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in profit or loss in the period they occur.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank and other borrowings

Interest-bearing bank and other loans and bank overdrafts are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in profit or loss over the term of the instrument at the effective rate of interest.

Trade payables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

LEASES

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease term at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance charges are allocated to each period so as to achieve a constant rate of interest.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discount, custom duties and sale taxes.

Revenue derived from the provision of services is recognised in the period during which such services were provided. Where a contract is not fully completed at the year end, revenue is recognised according to the percentage of the project completed during the year.

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CURRENT AND DEFERRED INCOME TAX

The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit that is reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is provided on temporary differences arising on acquisition that are categorised as Business Combinations.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS'S ISSUED BUT NOT YET EFFECTIVE

The following relevant standards and interpretations were in issue at the reporting date but are not yet effective. Management do not anticipate that these will have a significant impact on the financial statements.

IFRS 9	Financial Instruments (amended July 2015) (effective for annual periods beginning on or after 1 January 2018). Replacement to IAS 39 and is built on a logical, single classification and measurement approach for financial assets which reflects both the business model in which they are operated and their cash flow characteristics. Also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment.
IFRS 15	Revenue from Contracts with Customers (amended May 2015) (effective for annual periods beginning on or after 1 January 2018). Introduces requirements for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Also results in enhanced disclosure about revenue and provides or improves guidance for transactions that were not previously addressed comprehensively and for multiple element arrangements.
IFRS 16	Leases (effective for annual periods beginning on or after 1 January 2019). The new standard recognises a leased asset and a lease liability for almost all leases and requires them to be accounted for in a consistent manner. This introduces a single lessee accounting model and eliminates the previous distinction between an operating lease and a finance lease.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-current assets
At 31 December 2017, the potash production assets remain under the course of construction with production not planned until 2022. For this reason, the Directors' have assessed that there is no indication of impairment against the non-current assets relating to the on-going development of the potash production facilities in Belarus.

4 FINANCIAL RISK FACTORS

The Group's normal operating, investing and financing activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group has in place risk management policies that seek to limit the adverse effects of commodity price risk and interest rate risk.

LIQUIDITY RISK

In order to manage liquidity risk it is the Group's policy to maintain committed facilities to ensure sufficient available surplus cash resources. The Group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis through the use of cash flow forecasts to ensure that it has sufficient funds to meet the obligations of the Group as they fall due.

4 FINANCIAL RISK FACTORS (continued)

The table below analyses the Group's financial liabilities into maturity groupings based on amounts outstanding at the balance sheet date up to the contractual maturity date.

Group 2017	Less than 6 months $'000	Between 6 months and 1 year $'000	Between 1 to 5 years $'000	Over 5 years $'000	Total $'000
Trade and other payables	2,356	-	-	-	2,356
Bank borrowings	-	-	142,625	81,912	224,537
Non-bank borrowings	-	-	-	4,173	4,173
Financial lease liabilities	22	23	31	-	76
Total	2,378	23	142,656	86,085	231,142

Group 2016	Less than 6 months $'000	Between 6 months and 1 year $'000	Between 1 to 5 years $'000	Over 5 years $'000	Total $'000
Trade and other payables	2,545	-	-	-	2,545
Bank borrowings	-	-	-	125,338	125,338
Non-bank borrowings	-	-	-	4,054	4,054
Financial lease liabilities	19	19	69	-	107
Total	2,564	19	69	129,392	132,044

Company 2017	Less than 6 months $'000	Between 6 months and 1 year $'000	Between 1 to 5 years $'000	Over 5 years $'000	Total $'000
Trade and other payables	484	-	-	-	484
Financial lease liabilities	22	23	31	-	76
Total	506	23	31	-	560

Company 2016	Less than 6 months $'000	Between 6 months and 1 year $'000	Between 1 to 5 years $'000	Over 5 years $'000	Total $'000
Trade and other payables	582	-	-	-	582
Financial lease liabilities	19	19	69	-	107
Total	601	19	69	-	689

4 FINANCIAL RISK FACTORS (continued)

FOREIGN CURRENCY RISK

The Group operates in several markets across the world and is exposed to foreign exchange risk arising from currency exposures; in particular with respect the Belarusian Rouble ('BYN'). The Functional Currency of all group companies as at 31 December 2017 was US dollars.

COMMODITY PRICE RISK

Commodity price risk is the risk that market prices for commodities will move adversely thereby potentially reducing expected margins.

The group's commodity risk relates to the future potash operations of the group. The potash operations have not yet started production.

CREDIT RISK

Credit risk predominantly arises from loans and other receivables, trade receivables and cash and cash equivalents.

The Group's maximum exposure to credit risk, gross of any collateral held, relating to its financial assets is equivalent to their carrying value as disclosed below. All financial assets have a fair value which is not materially different from their carrying value.

Maximum exposure to credit risk	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade and other receivables (excluding VAT and prepayments)	261	104	184	94
Loans receivable from subsidiaries	-	-	74,547	75,084
Cash and cash equivalents	47,046	93,393	487	397
	47,307	93,497	75,218	75,575

The Group or the Company does not have any trade and other receivables that are past due at the reporting date but have not been provided for impairment.

The provision for credit losses of balances receivable is based on a review of balances determined to be impaired at the reporting date.

INTEREST RATE RISK

The Group's interest rate exposure arises mainly from its interest bearing borrowings. As at 31 December 2017 the Group had both fixed rate and floating rate borrowings payable to eliminate exposure to interest rate cash flow risk. Further details can be found in note 19.

The Group regularly reviews its funding arrangements to ensure they are competitive with the marketplace.

4 FINANCIAL RISK FACTORS (continued)

The tables below shows the Group's non-derivative financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing.

ASSETS

Group

2017	Fixed rate $'000	Floating rate $'000	Non-interest Bearing $'000	Total $'000
Trade and other receivables	-	-	261	261
Cash and cash equivalents	44,000	3,046	-	47,046
	44,000	3,046	261	47,307

2016	Fixed rate $'000	Floating rate $'000	Non-interest bearing $'000	Total $'000
Trade and other receivables	-	-	104	104
Cash and cash equivalents	86,000	7,393	-	93,393
	86,000	7,393	104	93,497

Company

2017	Fixed rate $'000	Floating rate $'000	Non-interest Bearing $'000	Total $'000
Loans receivable from subsidiaries	-	-	74,531	74,531
Trade and other receivables	-	-	184	184
Cash and cash equivalents	-	487	-	487
	-	487	74,715	75,202

2016	Fixed rate $'000	Floating rate $'000	Non-interest bearing $'000	Total $'000
Loans receivable from subsidiaries	-	-	75,084	75,084
Trade and other receivables	-	-	94	94
Cash and cash equivalents	-	397	-	397
	-	397	75,178	75,575

4 FINANCIAL RISK FACTORS (continued)

LIABILITIES

Group 2017	Fixed rate $'000	Floating rate $'000	Non-interest bearing $'000	Total $'000
Trade and other payables	-	-	2,499	2,499
Borrowings	146,596	81,912	202	228,710
Financial lease liabilities	76	-	-	76
	146,672	81,912	2,701	231,285

Group 2016	Fixed rate $'000	Floating rate $'000	Non-interest Bearing $'000	Total $'000
Trade and other payables	-	-	2,674	2,674
Borrowings	123,709	5,600	83	129,392
Financial lease liabilities	107	-	-	107
	123,816	5,600	2,757	132,173

No interest was charged on trade and other payables during 2017 or 2016.

The Company's trade and other payables as at 31 December 2017 were $484,000 (2016:$582,000) and were non-interest bearing.

CAPITAL MANAGEMENT

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade in the foreseeable future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis.

The Group considers its capital to include share capital, contributed capital, translation reserve, retained earnings and net debt as noted below. Net debt includes short and long-term borrowings net of cash and cash equivalents.

	2017 $'000	2016 $'000
Total debt	228,786	129,499
Less cash and cash equivalents	(47,046)	(93,393)
Net debt	181,740	36,106
Total equity	73,151	73,659

The Group does not have any externally imposed capital requirements.

5 DIVIDENDS

No interim dividend was paid during the year ended 31 December 2017 (2016: $nil) and no final dividend is proposed (2016: $nil).

6 LOSS BEFORE TAXATION

	2017 $'000	2016 $'000
The following items have been charged in arriving at loss before taxation:		
Amounts payable to RSM UK Audit LLP and their associates in respect of both audit and non-audit services:		
Audit services		
- Statutory audit of parent and consolidated accounts	87	125
- Auditing of the accounts of subsidiaries of the Group pursuant to legislation (including that of countries and territories outside Great Britain)	19	9
Taxation services	115	79
Operating lease rentals - land and buildings	1,156	1,212

7 EMPLOYEE COSTS

The table below sets out details of the Group's employment costs, including Directors.

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Wages and salaries	6,314	4,169	2,966	2,435
Social security costs	1,300	783	562	473
Pension costs - defined contribution plans	189	171	189	171
	7,803	5,123	3,717	3,079
Less: amounts capitalised within property plant and equipment	(4,022)	(1,995)	-	-
Total	3,781	3,128	3,717	3,079

The average monthly number of employees during the year comprises the following:	2017 No.	2016 No.	2017 No.	2016 No.
Technical and operations	113	51	-	-
Management and administration	23	24	21	22
Total	136	75	21	22

7 EMPLOYEE COSTS (continued)

KEY MANAGEMENT

The table below sets out details of the emoluments of the Group's key management who are the Directors:	2017 $'000	2016 $'000
Short term benefits (including employers NI contributions)	1,044	777
Company contributions to personal pension schemes	64	47
	1,108	824

DIRECTORS' EMOLUMENTS The table below sets out details of the emoluments of the Company's Directors.	2017 $'000	2016 $'000
Directors' emoluments in respect of qualifying services	925	688
Company contributions to personal pension schemes	64	47
	989	735
The emoluments of the highest paid Director were as follows:		
Emoluments in respect of qualifying services	389	360
Company contributions to personal pension schemes	25	26
	414	386

There are 3 directors in defined contribution personal pension schemes (2016: 2).

8 REVENUE

	2017 $'000	2016 $'000
Loan interest from related parties	-	116
Bank interest	628	39
Rental income	618	692
Consultancy income	2,585	213
Other income	175	-
	4,006	1,060

9 FINANCE COSTS

	2017 $'000	2016 $'000
Interest on related party loans	119	730
Finance lease interest	5	6
	124	736

10 TAXATION

	2017 $'000	2016 $'000
Analysis of charge for the year:		
Tax charge on UK operations	-	-
Tax charge on overseas operations	84	9
	84	9

The tax for the year is greater than the statutory rate of corporation tax in the UK. The differences are explained below:	2017 $'000	2016 $'000
Loss before tax	(3,426)	(7,335)
Loss before tax multiplied by the standard UK Corporation tax rate of 19% (2016: 20%)	(651)	(1,467)
Effects of:		
Expenses not deductible for tax purposes	74	216
Losses unrelieved	675	1,173
Other differences	(14)	87
Total taxation charge	84	9

At the year end, the Company and the Group has unused UK tax losses of $36.5m (2016: $33m) available for offset against future UK taxable profits. A deferred tax asset has not been recognised in respect of such losses where the timing of the realisation of the related tax benefit through future taxable profits is uncertain.

11 INTANGIBLE ASSETS

Group	Exploration and evaluation assets $'000	Software $'000	Total $'000
COST			
At 1 January 2016	3,184	-	3,184
Additions	-	75	75
At 1 January 2017	3,184	75	3,259
Additions	-	766	766
At 31 December 2017	3,184	841	4,025
ACCUMULATED AMORTISATION			
At 1 January 2016	-	-	-
Charges for the year	-	-	-
At 1 January 2017	-	-	-
Charges for the year	-	151	151
At 31 December 2017	-	151	151
NET BOOK VALUE			
At 31 December 2017	3,184	690	3,874
At 31 December 2016	3,184	75	3,259
At 1 January 2016	3,184	-	3,184

The Group's exploration and evaluation asset relates to costs incurred in respect of the Lubansky deposit in Belarus.

Amortisation of $nil (2016: $nil) is recognised in profit and loss and $151,000 (2016: $nil) is included in the cost of the asset in the course of construction disclosed in note 12 as it relates to the continued development of the group's potash mine in Belarus.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Assets in the course of construction $'000	Plant, machinery and vehicles $'000	Total $'000
COST			
At 1 January 2016	71,899	1,806	73,705
Additions	3,954	356	4,310
Disposals	-	(200)	(200)
At 1 January 2017	75,853	1,962	77,815
Additions	47,098	474	47,572
Disposals	-	(180)	(180)
At 31 December 2017	122,951	2,256	125,207
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 January 2016	-	1,344	1,344
Charge for the year	-	144	144
Disposals	-	(200)	(200)
At 1 January 2017	-	1,288	1,288
Charge for the year	-	163	163
Disposals	-	(179)	(179)
At 31 December 2017	-	1,272	1,272
NET BOOK VALUE			
At 31 December 2017	122,951	984	123,935
At 31 December 2016	75,853	674	76,527
At 1 January 2016	71,899	462	72,361

The Group's asset in the course of construction relates to the Potash Mine in Belarus.

Borrowing costs of $22,886,000 (2016: $nil) incurred in the year have been capitalised as additions to assets in the course of construction above.

A depreciation charge for the year of $95,000 (2016: $84,000) is recognised in profit and loss and $68,000 (2016: $60,000) is included in the cost of the asset in the course of construction.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold property $'000	Plant and machinery $'000	Motor vehicles $'000	Total $'000
COST				
At 1 January 2016	11	538	840	1,389
Additions	-	34	163	197
Disposals	-	-	(200)	(200)
At 1 January 2017	11	572	803	1,386
Additions	-	41	-	41
Disposals		(1)	(179)	(180)
At 31 December 2017	11	612	624	1,247
DEPRECIATION				
At 1 January 2016	3	471	782	1,256
Charge for the year	2	37	45	84
Disposals	-	-	(200)	(200)
At 1 January 2017	5	508	627	1,140
Charge for the year	1	41	52	94
Disposals	-	(1)	(178)	(179)
At 31 December 2017	6	548	501	1,055
NET BOOK VALUE				
At 31 December 2017	5	64	123	192
At 31 December 2016	6	64	176	246
At 1 January 2016	8	67	58	133

13 NON-CURRENT LOANS AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
Group		
Advances for property, plant and equipment	126,777	31,548
VAT recoverable	2,000	252
	128,777	31,800
Company		
Loans to subsidiary undertakings	74,531	75,084
	74,531	75,084

The loans to subsidiary undertakings are unsecured and non-interest bearing and are due for repayment between 2022 and 2030.

14 SUBSIDIARY UNDERTAKINGS

Company **Cost**	$'000
At 1 January 2016, 31 December 2016 and 31 December 2017	1,989

The Group's subsidiary undertakings at 31 December 2017 are listed below:

	Country of incorporation	Class of share capital held	Proportion held by Group	Nature of business
Continuing operations:				
GCM Global Energy Slavkali Limited	United Kingdom	Ordinary	100%	Intermediate holding company
GCM Global Energy Slavkali (Cyprus) Limited *	Cyprus	Ordinary	41.4%**	Intermediate holding company
Slavkali FLLC *	Belarus	Ordinary	41.4%**	Potash development
Slavoil Company Limited	Cyprus	Ordinary	100%	Intermediate holding company

GCM Global Energy Slavkali Limited operates within the United Kingdom and its registered address is First Floor, 64-65 Vincent Square, London, SW1P 2NU.

Slavkali FLLC operates within Belarus and its registered office is Room 3.1, 35 Pervomayskaya St, Lyuban, Lyuban Region, Minsk, Belarus.

GCM Global Energy Slavkali (Cyprus) Limited operates within Cyprus and its registered office is 55 Arsinois, Flat/Office 12, Akropolis, Nicosia, Cyprus.

Slavoil Company Limited operates within Cyprus and its registered office is 42 Alexandreias, Lakatamia, 2311 Nicosia, Cyprus.

* These subsidiaries are indirectly held with GCM Global Energy Slavkali Limited owning 41.4% of the shares in GCM Global Energy Slavkali (Cyprus) Limited and GCM Global Energy Slavkali (Cyprus) Limited owning 100% of the shares in Slavkali FLLC.

** During 2016, GCM Global Energy Slavkali (Cyprus) Limited issued shares to Sberbank Investments Limited ("Sberbank") for $130m (before costs) giving Sberbank 33.6% of that subsidiary's share capital and reducing the group's interest to 41.4%. The remaining 25% of the subsidiary's shares are owned by a related party and this holding of 25% is accounted for as a non-controlling interest in the Group's financial statements.
As the shareholders' agreement includes an option that either party can exercise so that GCM Global Energy Slavkali Limited acquires 100% of the shares held by Sberbank for $130m plus interest at the rate of 15% per annum, this arrangement has been accounted for as a loan in the Group's consolidated financial statements and the Group has continued to account for GCM Global Energy Slavkali (Cyprus) Limited as a 75% owned subsidiary as it retains control.

A member of the ultimate parent company has signed an agreement with Sberbank to guarantee the obligations of GCM Global Energy Slavkali Limited and GCM Global Energy Slavkali (Cyprus) Limited under this agreement.

15 INVENTORIES

	2017	2016
Group	$'000	$'000

Spare parts and other materials			25	15

16 TRADE AND OTHER RECEIVABLES

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade receivables	217	54	140	7
Other receivables	469	364	90	52
Prepayments	505	521	505	521
Amounts owed by group companies	-	-	16	37
Amounts owed by related parties	38	48	38	48
	1,229	987	789	665

17 CASH AND CASH EQUIVALENTS

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Cash at bank and in hand	47,046	93,393	487	397

The above cash and cash equivalents were denominated as follows:

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
US dollar	46,740	93,018	197	61
Sterling	288	331	288	331
Euro	-	1	-	-
Swiss franc	1	-	1	-
Belarus Roubles	17	43	1	5
	47,046	93,393	487	397

18 TRADE AND OTHER PAYABLES

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade payables	1,365	1,868	130	139
Accruals and deferred income	1,080	760	316	431
Other payables	54	46	38	12
Social security and other taxation	356	140	127	106
	2,855	2,814	611	688

19 BORROWINGS

Group	Current 2017 $'000	Non-current 2017 $'000	Current 2016 $'000	Non-current 2016 $'000
Bank borrowings	-	224,537	-	125,338
Non-bank borrowings	-	4,173	-	4,054
	-	228,710	-	129,392

During 2016, the Group signed a loan agreement with OJSC ASB Belarusbank for $1.4bn as partial finance for the development of Group's Belarusian Potash Mine. This loan facility will be utilised as the development progresses. This loan accrues interest at a rate of LIBOR plus 4% pa. Loan repayments commence in 2021 and continue to the final repayment date in 2031. The Belarusian subsidiary's assets in the course of construction have been pledged as security for the loan.

During 2016, Sberbank Investments Limited ("Sberbank") subscribed for shares in GCM Global Energy Slavkali (Cyprus) Limited for $130m (before costs) as partial finance for the Group's Belarusian Potash Mine that is being developed. As disclosed in note 14, this arrangement has been accounted for as a loan in the Group's financial statements as the Group is required to acquire the shares owned by Sberbank, if an option is exercised, for $130m plus 15% interest per annum. The exercise date of the option is 2 December 2022.

The loan is stated in the financial statements net of arrangement fees of $8.4m (2016: $10.3m) which are amortised straight line annually. Interest accrued on the loan at 31 December 2017 is $21.05m (2016: $nil).

The non-bank borrowings from a connected party are denominated in US$. The total amount includes $0.2m (2016: $0.08m) of accrued interest payable at a fixed interest rate of 3% (2016: 3%) per annum. The non-bank borrowings have a repayment date of 31 December 2030.

20 FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

Group and Company	2017 $'000	2016 $'000
Less than one year	45	38
Between two and five years	31	69
	76	107

21 SHARE CAPITAL

	Number	£'000	$'000
Allotted, issued and fully paid			
Total issued at 31 December 2016 and 31 December 2017	16,748,812	16,749	29,312

22 PREFERENCE SHARES

Group and Company	2017 $'000	2016 $'000
Preference shares classified as equity	3,000	-

During the year the company issued one preference share to a connected party for total consideration of $3,000,000 (£2,302,733). The preference share carries no voting rights and is entitled to a fixed dividend equal to the original subscription price paid. The preference share is only redeemable at the decision of the company and has therefore been classified as equity.

23 RESERVES

Translation reserve
The translation reserve represents the exchange gains and losses that have arisen on the retranslation of overseas operations.

Retained earnings
The retained earnings represent the cumulative profit and loss less distributions to owners.

Non-controlling interest
This represents the share of the results and net assets attributable to minority shareholders in GCM Global Energy Slavkali (Cyprus) Limited.

24 CASH GENERATED FROM/(ABSORBED BY) OPERATIONS

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Loss before taxation	(3,426)	(7,335)	(3,285)	(6,855)
Adjustments for:				
Depreciation and amortisation charge	94	84	94	84
Profit/loss on sale of subsidiaries, PPE and foreign exchange differences	(14)	16	33	(105)
Finance (income)/cost – net	(504)	583	(429)	577
Operating cash flows before movements in working capital	(3,850)	(6,652)	(3,587)	(6,299)
Changes in working capital:				
Inventories	(10)	(11)	-	-
Trade and other receivables	(242)	(206)	(124)	218
Trade and other payables	41	1,849	(77)	(79)
Cash outflow from operations	(4,061)	(5,020)	(3,788)	(6,160)

25 OPERATING LEASE COMMITMENTS

Group as lessee:
The minimum lease payments under non-cancellable operating leases are in aggregate as follows:

	2017 $'000	2016 $'000
Less than 1 year	1,161	1,206
1 to 2 years	1,161	1,206
2 to 5 years	1,454	2,716
	3,776	5,128

Operating lease commitments relate to rental payments on the Group's and Company's offices.

Group as lessor:
Property rental income earned during the year was $547k (2016: $606k). At the year end, the Group had contracted with tenants, under non-cancellable leases, for the following aggregate future minimum lease payments:

	2017 $'000	2016 $'000
Less than one year	404	438
Between one and five years	190	617
	594	1,055

26 COMMITMENTS AND CONTINGENCIES

Investment agreement

On 5 October 2012, the Company entered into an investment agreement with the Republic of Belarus to build a mining and processing complex for Potash in Belarus. The Company's total commitment under this investment agreement is $1,522m over the period to 31 December 2020. On 10 May 2015, the group signed a non-binding Memorandum of Understanding in connection with a proposed loan agreement to provide substantial finance for the project and on 17 June 2016 OJSC ASB Belarusbank and China Development Bank (CDB) have signed a full-funded credit agreement to the tune of $1.4billion. The first transfer under the credit agreement was received at the end of 2016 and further transfers have been received during 2017 bringing the total drawdowns at 31 December 2017 to $81.9million (2016: $5.6million).

27 RELATED PARTY TRANSACTIONS

Russneft Cyprus – investment in preference shares

On 5 January 2016, the group received 4,000 redeemable preference shares in a related party undertaking in exchange for total debt held at that date of $159,550,546 previously presented as a non-current related party loan receivable.

The preference shares are redeemable at the option of the related party company and so as a result of this debt restructuring, the balance of $159,550,546 no longer met the definition of a financial asset and was impaired to $nil as at 31 December 2016. As a result and to reflect the substance of this transaction, the balance of $159,550,546 was disclosed as a capital restructure in the statement of changes in equity.

Other Related Party Transactions

Revenue includes $2,634k (2016: $280k) received by the Company and the Group in relation to rental and other services provided to connected parties during the year.

During the year ended 31 December 2017, the group paid consultancy fees totalling $2million (2016: $nil) to a connected party in connection with the fundraising for the Belarus potash development project. The full amount has been capitalised as part of assets under construction (note 12) as it directly relates to the project.

During the year ended 31 December 2016, a related party provided a further finance on a facility agreement to the group. The total balance as at 31 December 2017 was $4.2m (2016: $4.1m) and interest accrued on the loan in the year was $119,000 (2016: $83,000). Further details are disclosed in note 19.

COMPANY

Transactions with subsidiaries

On 26 October 2016, agreements were signed by the Company and certain of its subsidiaries to assign and set-off various intra-group balances.

28 ULTIMATE PARENT AND ULTIMATE CONTROLLING PARTY

The immediate and ultimate parent is Lambency Holdings Limited, a company incorporated in Cyprus. The company's ultimate controlling party is considered to be Mikhail Gutseriev who is the majority shareholder of Lambency Holdings Limited.