GCM Global Energy Plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended
31 December 2018

Company Registration No. 06382557

GCM Global Energy Plc
COMPANY INFORMATION

DIRECTORS

A Zhuchenko
R Dubrovskaya
M Kalyuzhny

SECRETARY

GCM Corporate Services Limited

REGISTERED OFFICE

64-65 Vincent Square
London
SW1 2NU

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 2018. 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 2023. Once operational it will be able to produce approximately 2 million tonnes of potash per annum.

In 2018 Slavkali FLLC have started the 1st stage of mine excavation and the construction of the pile driver. The subsidiary also started the sinking of the skip and cage shafts. The construction of the supporting infrastructure including residential buildings for miners, railroad junction and the laying of gas pipe continued as planned. Details of the capital expenditure incurred during the year are disclosed in note 12.

In December 2018 the Group has acquired 50% stake in Global Energy Azerbaijan Limited, an oil producing group located in Azerbaijan.

RISK MANAGEMENT

The Board recognises that effective risk management is fundamental to helping the Group to achieve our objectives. It is an integral part of GCM business activities, functions and processes. GCM approach to risk management aims to identify key risks as early as possible and to either reduce or remove those risks. The Board, as part of its role in providing strategic oversight and stewardship of the Company, is responsible for maintaining a sound risk management and internal control system.

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

Macroeconomic environment	After strong growth in 2017 and early 2018, global economic activity slowed in the second half of last year, reflecting a combination of factors affecting major economies. Global growth is now projected to slow from 3.6 percent in 2018 to 3.3 percent in 2019, before returning to 3.6 percent in 2020. Activity softened amid an increase in trade tensions and tariff hikes between the United States and China, a decline in business confidence, a tightening of financial conditions, and higher policy uncertainty across many economies.
Commodity price risk	The blend grade potash prices have been on an improving trend since mid–calendar year 2016, with a further step–up achieved in calendar year 2018. Suppliers have successfully implemented higher prices across all major markets. Brazilian gMOP prices reached $350–355/t CFR in early calendar 2019, up around 24 per cent YoY. Turning to the long-term, demand for potash stands to benefit from the intersection of a number of global megatrends: rising population, changing diets and the need for the sustainable intensification of agriculture. While potash demand can be volatile year to year, the trend demand growth of 1.5–2.0 Mt per year (between 2 and 3 per cent per annum) through the 2020s is anticipated. However, as the start of the production of Slavkali plant in Belarus is not expected before 2023 the Group is more focused on the longer-term forecast. KCl (potassium chloride) demand is forecast to increase from 67.9Mt in 2017 to 76.2Mt in 2023 and 120 Mt in 2041. The long-term annual growth rate from 2016-2041 is projected to be around 2% pa.

Interest rate and liquidity risk	The ECB has been forced to postpone its plans to tighten monetary policy in 2019, amid an intensifying climate of economic gloom. Interest rates on its marginal lending facility and deposit facility will remain unchanged at 0%, 0.25% and -0.40%, respectively, with the first interest rate hike is now planned for mid-2020. The US core inflation rate remained between 2 and 2.2 percent, with the UK holding at 1.8-1.9 percent.
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

27 June 2019

The Directors present their report and the financial statements of the Company and the Group for the year ended 31 December 2018.

DIRECTORS

The following directors have held office since 1 January 2018:

A Zhuchenko
R Dubrovskaya
M Kalyuzhny

DIVIDENDS

No interim or final dividend was proposed or paid during the year (2017: $nil).

BRANCHES OUTSIDE THE UK

During 2016 the Company established a branch in Minsk. The branch was 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.

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

27 June 2019

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 2018 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 2018 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.

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

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

27 June 2019

GCM Global Energy Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Revenue and other income	*8*	6,185	4,006
Employee costs	*7*	(3,590)	(3,781)
Distribution and administration expenses		(3,823)	(3,269)
Depreciation and amortisation		(72)	(94)
Gain/(loss) on foreign exchange		470	(162)
		(7,015)	(7,306)
Loss before finance costs, share of associate and taxation		(830)	(3,300)
Finance costs	*9*	(726)	(124)
Share of result of associate	*15*	(306)	-
Loss before taxation		(1,862)	(3,424)
Taxation	*10*	(191)	(84)
Loss and total comprehensive income for the year		(2,053)	(3,508)
Loss and total comprehensive income for the year attributable to:			
Owners of the parent		(2,090)	(3,576)
Non-controlling interest		37	68
		(2,053)	(3,508)

The notes and accounting policies on pages 17 to 43 form an integral part of these consolidated financial statements.

GCM Global Energy Plc
STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2018

	Notes	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
ASSETS					
Non-current assets					
Intangible assets	11	3,941	3,874	-	-
Property, plant and equipment	12	429,380	123,935	102	192
Investment in subsidiaries	14	-	-	1,989	1,989
Investment in associate	15	99,694	-	100,000	-
Loans and other receivables	13	11,604	128,777	79,318	74,531
Total non-current assets		544,619	256,586	181,409	76,712
Current assets					
Inventories	16	34	25	-	-
Trade and other receivables	17	1,115	1,229	644	789
Cash and cash equivalents	18	32,889	47,046	692	487
Total current assets		34,038	48,300	1,336	1,276
TOTAL ASSETS		578,657	304,886	182,745	77,988
LIABILITIES					
Current liabilities					
Trade and other payables	19	18,913	2,855	533	611
Borrowings	20	1,289	-	1,289	-
Financial lease liabilities	21	21	45	21	45
Current tax liabilities		191	94	-	-
Total current liabilities		20,414	2,994	1,843	656
Non-current liabilities					
Borrowings	20	482,349	228,710	100,580	-
Financial lease liabilities	21	9	31	9	31
Total non-current liabilities		482,358	228,741	100,589	31
TOTAL LIABILITIES		502,772	231,735	102,432	687
NET ASSETS		75,885	73,151	80,313	77,301

	Notes	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
EQUITY					
Equity attributable to owners of the parent					
Called up share capital	*22*	29,312	29,312	29,312	29,312
Preference shares	*23*	3,000	3,000	3,000	3,000
Translation reserve		(3,441)	(3,441)	-	-
Retained earnings		47,196	44,499	48,001	44,989
Total equity attributable to owners of the parent		76,067	73,370	80,313	77,301
Non-controlling interests		(182)	(219)	-	-
TOTAL EQUITY		75,885	73,151	80,313	77,301

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 2018 of $1.775m (2017: loss $3.285m).

The financial statements on pages 10 to 43 were approved by the board of directors and authorised for issue on 27 June 2019 and are signed on its behalf by:

R Dubrovskaya
Director

GCM Global Energy Plc
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

GROUP	Share capital $'000	Preference shares $'000	Translation reserve $'000	Retained Earnings $'000	Total $'000	Non-controlling interest $'000	Total $'000
	Attributable to the equity owners of the parent						
AT 1 JANUARY 2017	29,312	-	(3,441)	48,075	73,946	(287)	73,659
Loss for the year	-	-	-	(3,576)	(3,576)	68	(3,508)
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
Loss for the year	-	-	-	(2,090)	(2,090)	37	(2,053)
Total comprehensive income for the year	-	-	-	(2,090)	(2,090)	37	(2,053)
Transactions with owners:							
Reversal of impairment (see note 28)	-	-	-	4,787	4,787	-	4,787
Total transactions with owners in their capacity as owners	-	-	-	4,787	4,787	-	4,787
AT 31 DECEMBER 2018	29,312	3,000	(3,441)	47,196	76,067	(182)	75,885

The notes and accounting policies on pages 17 to 43 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 2018

COMPANY	Share capital $'000	Preference shares $'000	Retained earnings $'000	Total $'000
AT 1 JANUARY 2017	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
Loss for the financial year	-	-	(1,775)	(1,775)
Reversal of impairment (see note 28)	-	-	4,787	4,787
AT 31 DECEMBER 2018	29,312	3,000	48,001	80,313

The notes and accounting policies on pages 17 to 43 form an integral part of these consolidated financial statements.

GCM Global Energy Plc

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	25	14,819	(4,061)
Income taxes paid		(94)	-
Net cash generated from / (used in) operating activities		14,725	(4,061)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds of subsidiary disposals, net of cash transferred		-	21
Purchase of property, plant and equipment		(162,293)	(121,444)
Proceeds from disposal of property, plant and equipment		36	7
Purchase of intangible assets		(155)	(766)
Interest received		584	628
Net cash outflow from investing activities		(161,828)	(121,554)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		132,993	76,313
Finance lease payments		(47)	(45)
Net cash inflow from financing activities		132,946	79,268
NET DECREASE IN CASH AND CASH EQUIVALENTS		(14,157)	(46,347)
OPENING CASH AND CASH EQUIVALENTS		47,046	93,393
CLOSING CASH AND CASH EQUIVALENTS	18	32,889	47,046

Non-cash transactions

There are no cash flows arising on the $100 million acquisition of 50% of the shares of Global Energy Azerbaijan Limited during the year as the consideration was advanced directly to the vendor.

The notes and accounting policies on pages 17 to 43 form an integral part of these consolidated financial statements.

GCM Global Energy Plc

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	25	(1,037)	(3,788)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds of subsidiary disposals, net of cash transferred		-	14
Purchase of property, plant and equipment		(17)	(49)
Proceeds from disposal of property, plant and equipment		36	7
Net cash flow generated from / (used in) investing activities		19	(28)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of preference shares		-	3,000
Net proceeds from borrowings		1,270	951
Finance lease payments		(47)	(45)
Net cash flow generated from financing activities		1,223	3,906
NET INCREASE IN CASH AND CASH EQUIVALENTS		205	90
OPENING CASH AND CASH EQUIVALENTS		487	397
CLOSING CASH AND CASH EQUIVALENTS	18	692	487

Non-cash transactions

There are no cash flows arising on the $100 million acquisition of 50% of the shares of Global Energy Azerbaijan Limited during the year as the consideration was advanced directly to the vendor.

The notes and accounting policies on pages 17 to 43 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. In December 2018 the Group has acquired 50% stake in Global Energy Azerbaijan Limited, an oil producing group located in Azerbaijan. The Group's activities are carried out internationally with the current focus being on Belarus and Azerbaijan.

The company is a privately owned public company limited by shares, incorporated and domiciled in the UK. The company's registered office is 64-65 Vincent Square, London, SW1 2NU.

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 and careful consideration of the commitments disclosed in note 27.

The group is primarily financed through bank and related party 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.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income are recognised.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interest in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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 2018 was 1.2734 (2017:1.3491), the exchange rate between Belarusian Ruble and the US$ as at 31 December 2018 was 2.1598 (2017: 1.9727).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 on the group's statement of financial position when the group has become party to the contractual provisions of the instrument. Subsequent measurement of all recognised financial assets within the scope of IFRS 9 are required to be measured at amortised cost or fair value on the basis of the group's business model for managing financial assets and their contractual cash flows. Where assets are measured at fair value, gains and losses are recognised through profit or loss (fair value through profit or loss, "FVTPL").

Financial assets

Trade and other receivables

Trade receivables are classified as financial assets at amortised cost 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. IFRS 9 establishes a new model for recognition and measurement of impairments on financial assets measured at amortised cost using the "Expected Credit Losses" model. The assessment for the expected credit losses has been carried out using the Simplified Model and the impact on amounts previously recognised as an impairment provision against trade receivables is immaterial.

The Company's loans and receivables from group undertakings represent interest free amounts advanced to other group companies with no fixed repayment terms. Due to the nature of the Group's current operations, these advances are considered to be equivalent to equity investments and are therefore outside the scope of IFRS 9.

The measurement of impairment losses depends on the Company's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year end which have a detrimental impact on cash flows. In assessing whether credit risk has increased significantly, the Company compares the risk of default at the year-end with the risk of default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available. No impairment has been recognised against amounts due from subsidiaries.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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)

New and amended IFRS standards that are effective for the current year:

IFRS 9 Financial Instruments
IFRS 9 replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments and a new expected credit loss model for calculating impairment on financial assets. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018 and has been adopted in these financial statements.

The group's financial assets (previously classified as loans and receivables) and financial liabilities arising from normal operations such as trade receivables, amounts owed by group undertakings, trade payables and accruals, continue to be recognised under the amortised cost model and there was no adjustment to amounts previously recognised on transition to IFRS 9.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaces IAS 18 'Revenue'. The group has adopted IFRS 15 with effect from 1 January 2018 and has assessed the impact of this standard on the Financial Statements. The adoption has not had any impact on the timing of recognition or amounts previously recognised for revenue under IAS 18.

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 with the exception of IFRS 16.

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. The directors have not yet fully assessed the effect the adoption of IFRS 16 will have on the financial statements in future periods; there is however expected to be a material impact. IFRS 16 will require the Group to recognise a lease liability and a right-of-use asset of most of those leases previously treated as operating leases. This will affect both non-current and current liabilities, fixed assets and the measurement and disclosure of expense associated with the leases which under the new standard will be treated as depreciation and financing expense which were previously recognised as operating expenses over the term of the lease.
IFRIC 23	Uncertainty over income tax treatments (effective for periods commencing on or after 1 January 2019).
Annual improvements 2015-2017 cycle	includes amendments to IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements' IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs (effective for periods commencing on or after 1 January 2019).
Amendments to IFRS 9: Prepayment features with Negative Compensation	Permits companies to measure certain prepaid financial assets with negative compensation at amortised cost (effective for periods commencing on or after 1 January 2019).

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

The Directors consider the facts and circumstances surrounding the exploration and evaluation expenditure, property, plant and equipment and intangible assets to determine whether there is any indication of impairment.

In assessing the recoverable amount of a cash-generating unit, an estimate of the units' value in use must be made. Value in use is based on the cash flows expected to be generated by the projected potash production up to the earlier of the expected dates of cessation of production or the expected licence termination date using appropriate economic models and key assumptions agreed by management. These cash flows are then discounted to their present value using an appropriate discount rate.

At 31 December 2018, the potash production assets remain under the course of construction with production not planned until 2023. For this reason, the Directors' have assessed that there is no indication of impairment against exploration and evaluation expenditure, property, plant and equipment and intangible 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 2018	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	18,515	-	-	-	18,514
Bank borrowings	-	-	163,837	209,834	373,671
Non-bank borrowings	1,289	-	104,386	4,292	109,967
Financial lease liabilities	10	11	9	-	30
Total	19,814	11	268,232	214,126	502,182

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

Company 2018	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	261	-	-	-	261
Non-bank borrowings	1,289	-	100,580	-	101,869
Financial lease liabilities	10	11	9	-	30
Total	1,560	11	100,589	-	102,160

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	341	-	-	-	341
Financial lease liabilities	22	23	31	-	76
Total	363	23	31	-	417

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') and the Azerbaijani Manat ('AZN'). The Functional Currency of all group companies as at 31 December 2018 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 associate's oil operations in Azerbaijan and 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 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Trade and other receivables	481	261	116	184
Loans receivable from subsidiaries	-	-	74,547	74,547
Cash and cash equivalents	32,889	47,046	692	487
	33,370	47,307	75,355	75,218

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 2018 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 20.

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

2018	Fixed rate $'000	Floating rate $'000	Non-interest Bearing $'000	Total $'000
Trade and other receivables	-	-	481	481
Cash and cash equivalents	3,422	29,467	-	32,889
	3,422	29,467	481	33,370

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

Company

2018	Fixed rate $'000	Floating rate $'000	Non-interest Bearing $'000	Total $'000
Loans receivable from subsidiaries	-	-	74,531	74,531
Trade and other receivables	-	-	116	116
Cash and cash equivalents	-	692	-	692
	-	692	74,647	75,339

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

4 FINANCIAL RISK FACTORS (continued)

LIABILITIES

Group 2018	Fixed rate $'000	Floating rate $'000	Non-interest bearing $'000	Total $'000
Trade and other payables	-	-	18,644	18,644
Borrowings	272,879	209,834	925	483,638
Financial lease liabilities	30	-	-	30
	272,915	209,834	19,563	502,312

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

No interest was charged on trade and other payables during 2018 or 2017.

The Company's trade and other payables as at 31 December 2018 were $390,000 (2017: $484,000) and were non-interest bearing. The Company's borrowings as at 31 December 2018 included $101,217k that were interest bearing at a fixed rate and $598,000 that 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.

	2018 $'000	2017 $'000
Total debt	483,668	228,786
Less cash and cash equivalents	(32,889)	(47,046)
Net debt	450,779	181,740
Total equity	75,885	73,151

The Group does not have any externally imposed capital requirements.

5 DIVIDENDS

No interim dividend was paid during the year ended 31 December 2018 (2017: $nil) and no final dividend is proposed (2017: $nil).

6 LOSS BEFORE TAXATION

	2018 $'000	2017 $'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	117	87
- Auditing of the accounts of subsidiaries of the Group pursuant to legislation (including that of countries and territories outside Great Britain)	19	19
Taxation services	46	115
Operating lease rentals - land and buildings	1,193	1,156

7 EMPLOYEE COSTS

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

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Wages and salaries	6,994	6,314	2,770	2,966
Social security costs	1,512	1,300	580	562
Pension costs - defined contribution plans	205	189	205	189
	8,711	7,803	3,555	3,717
Less: amounts capitalised within property plant and equipment	(5,121)	(4,022)	-	-
Total	3,590	3,781	3,555	3,717

The average monthly number of employees during the year comprises the following:	2018 No.	2017 No.	2018 No.	2017 No.
Technical and operations	148	113	-	-
Management and administration	22	23	20	21
Total	170	136	20	21

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:	2018 $'000	2017 $'000
Short term benefits (including employers NI contributions)	1,047	1,044
Company contributions to personal pension schemes	68	64
	1,115	1,108

DIRECTORS' EMOLUMENTS The table below sets out details of the emoluments of the Company's Directors.	2018 $'000	2017 $'000
Directors' emoluments in respect of qualifying services	925	925
Company contributions to personal pension schemes	68	64
	993	989
The emoluments of the highest paid Director were as follows:		
Emoluments in respect of qualifying services	384	389
Company contributions to personal pension schemes	26	25
	410	414

There are 3 directors in defined contribution personal pension schemes (2017: 3).

8 REVENUE

	2018 $'000	2017 $'000
Other interest	584	628
Rental income	635	618
Consultancy income	2,035	2,585
Other income	2,931	175
	6,185	4,006

9 FINANCE COSTS

	2018 $'000	2017 $'000
Interest on other loans (see note 28)	724	119
Finance lease interest	2	5
	726	124

10 TAXATION

	2018 $'000	2017 $'000
Analysis of charge for the year:		
Tax charge on UK operations	-	-
Tax charge on overseas operations	191	84
	191	84

The tax for the year is greater than the statutory rate of corporation tax in the UK. The differences are explained below:	2018 $'000	2017 $'000
Loss before tax	(1,862)	(3,426)
Loss before tax multiplied by the standard UK Corporation tax rate of 19% (2017: 19%)	(354)	(651)
Effects of:		
Expenses not deductible for tax purposes	113	74
Losses unrelieved	241	591
Foreign tax suffered	191	84
Other differences	-	(14)
Total taxation charge	191	84

At the year end, the Company and the Group has unused UK tax losses of $36.5m (2017: $36.5m) 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 2017	3,184	75	3,259
Additions	-	766	766
At 1 January 2018	3,184	841	4,025
Additions	-	155	155
At 31 December 2018	3,184	996	4,180
ACCUMULATED AMORTISATION			
At 1 January 2017	-	-	-
Charges for the year	-	151	151
At 1 January 2018	-	151	151
Charges for the year	-	88	88
At 31 December 2018	-	239	239
NET BOOK VALUE			
At 31 December 2018	3,184	757	3,941
At 31 December 2017	3,184	690	3,874
At 1 January 2017	3,184	75	3,259

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

Amortisation of $nil (2017: $nil) is recognised in profit and loss and $88,000 (2017: $151,000) 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 2017	75,853	1,962	77,815
Additions	47,098	474	47,572
Disposals	-	(180)	(180)
At 1 January 2018	122,951	2,256	125,207
Additions	178,403	564	178,967
Transfer from prepayments (note 13)	126,777	-	126,777
Disposals	-	(74)	(74)
At 31 December 2018	428,131	2,746	430,877
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 January 2017	-	1,288	1,288
Charge for the year	-	163	163
Disposals	-	(179)	(179)
At 1 January 2018	-	1,272	1,272
Charge for the year	-	263	263
Disposals	-	(38)	(38)
At 31 December 2018	-	1,497	1,497
NET BOOK VALUE			
At 31 December 2018	428,131	1,249	429,380
At 31 December 2017	122,951	984	123,935
At 1 January 2017	75,853	674	76,527

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

Borrowing costs of $21,212,000 (2017: $22,886,000) incurred in the year have been capitalised as additions to assets in the course of construction above.

A depreciation charge for the year of $72,000 (2017: $94,000) is recognised in profit and loss and $191,000 (2017: $69,000) 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 2017	11	572	803	1,386
Additions	-	41	-	41
Disposals		(1)	(179)	(180)
At 1 January 2018	11	612	624	1,247
Additions	-	17	-	17
Disposals	-	-	(73)	(73)
At 31 December 2018	11	629	551	1,191
DEPRECIATION				
At 1 January 2017	5	508	627	1,140
Charge for the year	1	41	52	94
Disposals	-	(1)	(178)	(179)
At 1 January 2018	6	548	501	1,055
Charge for the year	2	39	31	72
Disposals	-	-	(38)	(38)
At 31 December 2018	8	587	494	1,089
NET BOOK VALUE				
At 31 December 2018	3	42	57	102
At 31 December 2017	5	64	123	192
At 1 January 2017	6	64	176	246

13 NON-CURRENT LOANS AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Group		
Advances for property, plant and equipment	-	126,777
Investment in preference shares (see note 28)	4,787	-
VAT recoverable	6,817	2,000
	11,604	128,777
Company		
Loan to subsidiary	74,531	74,531
Investment in preference shares (see note 28)	4,787	-
	79,318	74,531

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

14 SUBSIDIARY UNDERTAKINGS

Company	$'000
Cost	
At 1 January 2017	1,989
Disposals	(-)
At 31 December 2018	1,989

On 13 November 2018, the company disposed of 100% of the issued ordinary shares of Slavoil Company Limited to a related party for €100 consideration.

All subsidiary undertakings have been consolidated in the Group financial statements. The proportion of voting rights in the subsidiary undertakings held directly by the Group does not differ from the proportion of ordinary shares held. The Group's subsidiary undertakings at 31 December 2018 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

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.

* 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 controlling party 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 INVESTMENT IN ASSOCIATE

On 3 December 2018 the company acquired 50% of the issued ordinary shares of Global Energy Azerbaijan Limited ("GEAL") for total consideration of $100,000,000. GEAL is incorporated in Azerbaijan and its principal activity is oil and gas exploration. The investment is accounted for as an investment in associate using the equity method on consolidation as set out below:

Group	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cost of acquisition of associate interest	100,000	-	100,000	-
Share of post-tax results of associate accounted for using the equity method (from the date of acquisition)	(306)	-	-	-
Investment in associate as at 31 December	99,694	-	100,000	-

Summarised financial information in relation to the associate is presented below:

At 31 December 2018	$'000
Current assets	155,044
Non-current assets	340,396
Current liabilities	(1,014,715)
Non-current liabilities	(40,337)
Net liabilities (100%)	(559,612)
Group share of net liabilities (50%)	**(279,806)**
Included in the above amounts are:	
Cash and cash equivalents	22,968
Current financial liabilities	(964,315)
Non-current financial liabilities	(20,629)

Year ended 31 December 2018:	$'000
Revenue - Sale of oil and gas	147,228
Loss from continuing operations (excluding impairment)	(7,337)
Total comprehensive loss (100%)	(7,337)
Group share of total comprehensive income (50%)	**(3,668)**
Included in the above amounts are:	
Depreciation and amortisation	(32,316)
Interest income	8,800
Interest expense	(48,338)
Income tax expense	(5,719)

16 INVENTORIES

Group	2018 $'000	2017 $'000
Spare parts and other materials	34	25

17 TRADE AND OTHER RECEIVABLES

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Trade receivables	435	217	74	140
Other receivables	192	469	69	90
Prepayments	445	505	445	505
Amounts owed by group companies	-	-	16	16
Amounts owed by related parties	43	38	40	38
	1,115	1,229	644	789

18 CASH AND CASH EQUIVALENTS

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Cash at bank and in hand	32,889	47,046	692	487

The above cash and cash equivalents were denominated as follows:

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
US dollar	23,872	46,740	3	197
Sterling	689	288	689	288
Euro	8,281	-	-	-
Swiss franc	-	1	-	1
Belarus Roubles	47	17	-	1
	32,889	47,046	692	487

19 TRADE AND OTHER PAYABLES

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Trade payables	16,302	1,365	37	130
Accruals and deferred income	2,284	1,080	312	316
Other payables	58	54	41	38
Social security and other taxation	269	356	143	127
	18,913	2,855	533	611

20 BORROWINGS

Group	Current		Non-current	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Bank borrowings	-	-	373,671	224,537
Non-bank borrowings (see note 28)	1,289	-	108,678	4,173
	1,289	-	482,349	228,710

Company	Current		Non-current	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Bank borrowings	-	-	-	-
Non-bank borrowings (see note 28)	1,289	-	100,580	-
	1,289	-	100,580	-

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 $6.7m (2017: $8.4m) which are amortised straight line annually. Interest accrued on the loan at 31 December 2018 is $40.55m (2017: $21.05m).

The non-bank borrowings are from connected parties and are denominated in US$. The total amount includes $0.9m (2017: $0.02m) of accrued interest payable at a fixed interest rate between 3% - 7.3% (2017: 3%) per annum. The non-bank borrowings have a repayment date ranging between 30 June 2019 - 31 December 2030.

21 FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

Group and Company	2018 $'000	2017 $'000
Less than one year	21	45
Between two and five years	9	31
	30	76

22 SHARE CAPITAL

	Number	£'000	$'000
Allotted, issued and fully paid			
Total issued at 31 December 2017 and 31 December 2018	16,748,812	16,749	29,312

23 PREFERENCE SHARES

Group and Company	2018 $'000	2017 $'000
Preference shares classified as equity	3,000	3,000

During 2017 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.

24 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.

25 CASH GENERATED FROM/(ABSORBED BY) OPERATIONS

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Loss before taxation	(1,862)	(3,426)	(1,775)	(3,285)
Adjustments for:				
Depreciation and amortisation charge	72	94	72	94
Profit/loss on sale of subsidiaries, PPE and foreign exchange differences	(2)	(14)	(2)	33
Share of result of equity accounted associate	306	-	-	-
Finance cost / (income) – net	142	(504)	601	(429)
Operating cash flows before movements in working capital	(1,344)	(3,850)	(1,104)	(3,587)
Changes in working capital:				
Inventories	(9)	(10)	-	-
Trade and other receivables	114	(242)	145	(124)
Trade and other payables	16,058	41	(78)	(77)
Cash inflow/(outflow) from operations	14,819	(4,061)	(1,037)	(3,788)

26 OPERATING LEASE COMMITMENTS

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

	2018 $'000	2017 $'000
Less than 1 year	1,161	1,161
1 to 2 years	1,161	1,161
2 to 5 years	293	1,454
	2,615	3,776

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 (2017: $547k). At the year end, the Group had contracted with tenants, under non-cancellable leases, for the following aggregate future minimum lease payments:

	2018 $'000	2017 $'000
Less than one year	469	404
Between one and five years	531	190
	1,000	594

27 COMMITMENTS AND CONTINGENCIES

Investment agreement

On 5 October 2011, 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 2018 bringing the total drawdowns at 31 December 2018 to $209.8million (2017: $81.9million).

28 RELATED PARTY TRANSACTIONS

Acquisition of Global Energy Azerbaijan Limited

On 3 December 2018, GCM Global Energy plc acquired 50% of the issued share capital in Global Energy Azerbaijan Limited for total consideration of $100m. The liability is owed to a connected party and remains outstanding at 31 December 2018. Interest accrues on the outstanding liability at a rate of 7.3% per annum. Interest accrued in the period to 31 December 2018 is $580,000.

Russneft Cyprus – investment in preference shares and disposal

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 redeemable 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 total impairment of $159,550,546 was disclosed as a capital restructure in the statement of changes in equity.

On 20 December 2018 the company entered into an agreement to dispose of 120 redeemable preference shares to a connected party for total consideration of $4,837,000. The share transfer certificate confirming the transaction was approved after the year end and so at 31 December 2018 the preference shares remained under the ownership of the Company. The impairment against the disposal shares has been reversed up to the original cost of these disposal shares of $4,787,000. The investment in preference shares is disclosed in note 13. The proceeds from the disposal of preference shares remains outstanding at 31 December 2018 and it is expected that the amount due will be set off against outstanding liabilities owed to the same connected party in 2019.

Other Related Party Transactions

Rent and Other income includes $2.5m (2017: $nil) received from a related party during the year in respect of an aborted disposal transaction. The amount received is non-refundable under the terms of the agreement and so it has been recognised directly in profit and loss in the year ended 31 December 2018.

28 RELATED PARTY TRANSACTIONS (continued)

Other Related Party Transactions (continued)

Rent and other income includes $2,516k (2017: $2,634k) 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 2018, a related party provided finance under a short-term facility agreement to the Company. The total balance outstanding as at 31 December 2018 was $1.3m which includes accrued interest during the year of $18k. The total outstanding principal and accrued interest has been repaid in full subsequent to the year-end, in accordance with the terms of the facility agreement.

During the year ended 31 December 2018, a related party provided finance under a new facility agreement to a subsidiary company of the group. The total balance outstanding as at 31 December 2018 was $3.8m which includes accrued interest during the year of $6k.

During the year ended 31 December 2016, a related party provided further finance on a facility agreement to a subsidiary company of the group. The total amount outstanding at 31 December 2018 was $4.3m (2017: $4.2m) and interest accrued on the loan in the year was $119k (2017: $119k).

During the year ended 31 December 2017, the group paid consultancy fees totalling $2million 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.

29 ULTIMATE PARENT AND ULTIMATE CONTROLLING PARTY

The Company is controlled by 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.