GCM Global Energy Plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended
31 December 2019

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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 2019. 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 and oil extraction in Azerbaijan.

REVIEW OF BUSINESS

The construction of a Potash Mining and Processing Plant carried out by Slavkali FLLC in Belarus has continued as planned through 2019. Over 30 km of railroad together with railway junction have been built. Also the laying of gas pipe has been finished and it is expected to be connected to the main pipeline during 2020. The main achievement was the completion of the cage shaft sunk to the depth of 698m. The electrical substation has become fully operational. Details of the capital expenditure incurred during the year are disclosed in note 12.

In December 2018 the Group acquired 50% stake in Global Energy Azerbaijan Limited, an oil producing group located in Azerbaijan. Through 2019 the oil production remained steady at approximately 9,600 bbd as compared to 2018.

FUTURE DEVELOPMENTS

The Potash Mine construction in Belarus and Oil Production in Azerbaijan are continuing in 2020. The impact of the COVID-19 pandemic and the decline in global energy prices are considered in the risk management section below.

RISK MANAGEMENT

The Board considers effective risk management as fundamental to the Group's success. It is an integral part of GCM business activities, functions and processes. GCM approach to risk management is to identify key risks as early as possible and to either minimise or remove them. The Board 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	The world economy was projected to grow at 3.0 percent in 2019—a significant drop from 2017–18 for emerging market and developing economies as well as advanced economies—before recovering to 3.4 percent in 2020. However, due to COVID-19 pandemic the global economy is now expected to contract by 4.7% in 2020 with only 1% growth in 2021. Economic activity is forecast to shrink in every sub-region in 2020 as outbreaks of the virus constrain private consumption and investment: Central Europe by 5%; Western Balkans by 3.2%; South Caucasus by 3.1%; Eastern Europe by 3.6%; and Central Asia by 1.7%. China is expected to grow by only 1% in 2020, the lowest number in the last 40 years.
Commodity price risk	On 6 March 2020, OPEC and non-OPEC allies (OPEC+) met to discuss the need to cut oil supply to balance oil markets in the wake of the COVID-19 outbreak which has had a material impact on oil demand. The group failed to reach agreement and on 7 March 2020, Saudi Aramco unilaterally and aggressively cut its Official Selling Prices (OSP) in an attempt to prioritise market share rather than price stability and effectively started a price war. As a result, on 9 March 2020, oil prices fell by around 20% and the forward curve for 2020 and 2021 fell to approximately $38/bbl and $43/bbl respectively. In April 2020 the spot price for Brent oil fell to $22/bbl. These

	events will continue to have an impact on oil price volatility, with the forward curve for 2021 recovering to $50bbl in second half 2021. The potash market has not suffered as much as a result of coronavirus pandemic, with the majority of contracts from South East Asia just being delayed. The decrease in price was in the region of $10 to $70 per tonne in the first 6 months of 2020 bringing it down to $220 per tonne from $275 at the end of 2019. Towards the end of 2020 the price is forecast to recover to $250 per tonne but worldwide demand remains subdued apart from the Latin America. The Group continues to monitor long-term forecast as its potash plant in Belarus is expected to enter the market towards the end of 2023.
Interest rate and liquidity risk	The key ECB interest rates remained largely unchanged since 2018 at 0%, 0.25% and -0.50% for fixed rate tenders, marginal lending facility and deposit facility respectively. ECB expects the rates to remain at their present or lower levels until the inflation outlook converge to a level sufficiently close to, but below, 2%. It is currently below 0.5% for Eurozone. The US core inflation rate has dropped significantly to 0.62%, with the UK holding at 1.19%. The low rates affect the cash deposits that now require careful management to ensure that maximum income can be generated between different currencies and bank accounts.
Foreign Exchange risk	GCM has ongoing operations in a number of geographic regions. Thus it is sensitive to fluctuations in major currencies, mainly US dollar, Pound Sterling and Euro. The Group is managing these risks by maintaining currency reserves as necessary.
Political Risk	Business operations in emerging markets carry certain elements of risk relating to sudden changes in regulatory and legal environments that 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.
COVID-19	GCM actively monitors advice from the World Health Organisation and Public Health England to ensure best practice precautions are being applied. At present the threat level in the Group's countries of operation remains low, however we continue to closely monitor this as the situation develops. Clear information and health precautions on how employees should protect themselves and reduce exposure to, and transmission of COVID-19 along with general advice has been communicated across the organisation.

Section 172 statement

The Board of directors of GCM Global Energy plc consider, both individually and together, that they have acted in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken throughout the year ended 31 December 2019.

The Group's purpose is to create shared prosperity through the exploration and development of oil and gas in Azerbaijan and new potash mining development in Belarus. GCM is focused on creating sustainable long-term value for each of our stakeholders including shareholders, investors, employees and local communities. To achieve this, the Board has engaged with its key stakeholders and has considered and monitored the Group's principal risks (see pages 2 and 3). The safety of the Group's workforce and the communities in which it operates is a key component of its culture and is critical to the Group's success.

On behalf of the Board

R Dubrovskaya
Director

9 July 2020

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

In accordance with section 414C(11) of the Companies Act 2006, the Strategic Report contains certain information that is otherwise required to be included in the Directors' Report including a review of future developments and financial risk management of the Group.

DIRECTORS

The following directors have held office since 1 January 2019:

A Zhuchenko
R Dubrovskaya
M Kalyuzhny

DIVIDENDS

No interim or final dividend was proposed or paid during the year (2018: $nil).

POST BALANCE SHEET EVENTS

The World Health Organisation (WHO) declared the coronavirus (COVID-19) outbreak a global pandemic on 11 March 2020. The Directors consider this to be a non-adjusting post balance sheet event. The Directors have considered the uncertainties arising from COVID-19 and the post year end decline in global energy prices further in the Going Concern section of note 2 to the financial statements and in note 29 to the financial statements.

GOING CONCERN

The directors have considered the appropriateness of the going concern basis in the preparation of these financial statements, including the impact of COVID-19, the post year end decline in global energy prices and the ability of the ultimate shareholder to ensure that connected parties will continue to provide or procure additional financial support to the Company and the Group.

The Directors' considerations are set out in more detail in note 2 to the financial statements, which conclude that the directors are confident that the ultimate shareholder will ensure that connected parties will continue to provide or procure additional financial support to the Group for the period to at least 31 July 2021 and have therefore continued to prepare these financial statements on a going concern basis.

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.

AUDITOR

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

On behalf of the Board

R Dubrovskaya
Director

9 July 2020

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 2019 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 flows 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 2019 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.

Material Uncertainty related to going concern
We draw attention to note 2 to the financial statements that sets out the directors' considerations in respect of going concern, which include careful consideration of the impact of COVID-19 and the decline in global energy prices on the group. These matters, along with the other matters disclosed in note 2 to the financial statements including the reliance on connected parties for continued financial support, indicate that a material uncertainty exists that may cast significant doubt on the parent company's and the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

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 or 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 7, 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.

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.

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

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

9 July 2020

GCM Global Energy Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Revenue and other income	*8*	1,759	6,185
Employee costs	*7*	(3,244)	(3,590)
Distribution and administration expenses		(2,866)	(3,823)
Depreciation and amortisation		(1,293)	(72)
(Loss)/gain on foreign exchange		(721)	470
		(8,124)	(7,015)
Loss before finance costs, share of associate and taxation		(6,365)	(830)
Finance costs	*9*	(6,357)	(726)
Share of result of associate	*15*	(9,191)	(306)
Loss before taxation		(21,913)	(1,862)
Taxation	*10*	(162)	(191)
Loss for the year		(22,075)	(2,053)
Other comprehensive income			
Currency translation differences		5,266	-
Loss and total comprehensive income for the year		(16,809)	(2,053)
Loss for the year attributable to:			
Owners of the parent		(21,535)	(2,090)
Non-controlling interest		(540)	37
		(22,075)	(2,053)
Loss and total comprehensive income for the year attributable to:			
Owners of the parent		(17,585)	(2,090)
Non-controlling interest		776	37
		(16,809)	(2,053)

The notes and accounting policies on pages 18 to 47 form an integral part of these consolidated financial statements.

GCM Global Energy Plc

STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Non-current assets					
Intangible assets	*11*	3,391	3,941	-	-
Property, plant and equipment	*12*	657,069	429,380	1,929	102
Investment in subsidiaries	*14*	-	-	1,989	1,989
Investment in associate	*15*	90,503	99,694	90,503	100,000
Loans and other receivables	*13*	11,567	11,604	74,531	79,318
Total non-current assets		762,530	544,619	168,952	181,409
Current assets					
Inventories	*16*	-	34	-	-
Trade and other receivables	*17*	1,401	1,115	388	644
Cash and cash equivalents	*18*	26,852	32,889	544	692
Total current assets		28,253	34,038	932	1,336
TOTAL ASSETS		790,783	578,657	169,884	182,745
LIABILITIES					
Current liabilities					
Trade and other payables	*19*	33,898	17,261	20,576	533
Borrowings	*20*	2,657	2,941	43	1,289
Lease liabilities	*21*	1,132	21	1,132	21
Current tax liabilities		162	191	-	-
Total current liabilities		37,849	20,414	21,751	1,843
Non-current liabilities					
Borrowings	*20*	693,858	482,349	88,966	100,580
Lease liabilities	*21*	-	9	-	9
Total non-current liabilities		693,858	482,358	88,966	100,589
TOTAL LIABILITIES		731,707	502,772	110,717	102,432
NET ASSETS		59,076	75,885	59,167	80,313

GCM Global Energy Plc

STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'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		509	(3,441)	-	-
Retained earnings		25,661	47,196	26,855	48,001
Total equity attributable to owners of the parent		58,482	76,067	59,167	80,313
Non-controlling interests		594	(182)	-	-
TOTAL EQUITY		59,076	75,885	59,167	80,313

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 2019 of $21.146m (2018: loss $1.775m).

The financial statements on pages 11 to 47 were approved by the board of directors and authorised for issue on 9 July 2020 and are signed on its behalf by:

R Dubrovskaya
Director

The notes and accounting policies on pages 18 to 47 form an integral part of these consolidated financial statements.

GCM Global Energy Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

GROUP	Attributable to the equity owners of the parent						
	Share capital $'000	Preference shares $'000	Translation reserve $'000	Retained Earnings $'000	Total $'000	Non-controlling interest $'000	Total $'000
AT 1 JANUARY 2018	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
Loss for the year	-	-	-	(21,535)	(21,535)	(540)	(22,075)
Other comprehensive income for the year	-	-	3,950	-	3,950	1,316	5,266
Total comprehensive income for the year	-	-	3,950	(21,535)	(17,585)	776	(16,809)
AT 31 DECEMBER 2019	29,312	3,000	509	25,661	58,482	594	59,076

The notes and accounting policies on pages 18 to 47 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 2019

COMPANY	Share capital $'000	Preference shares $'000	Retained earnings $'000	Total $'000
AT 1 JANUARY 2018	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
Loss for the financial year	-	-	(21,146)	(21,146)
AT 31 DECEMBER 2019	29,312	3,000	26,855	59,167

The notes and accounting policies on pages 18 to 47 form an integral part of these consolidated financial statements.

GCM Global Energy Plc

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	25	(8,724)	14,819
Income taxes paid		(191)	(94)
Net cash (used in) / generated from operating activities		(8,915)	14,725
CASH FLOWS FROM INVESTING ACTIVITIES			
Prepayment received in advance from associate		20,000	-
Purchase of property, plant and equipment		(203,587)	(162,293)
Proceeds from disposal of property, plant and equipment		-	36
Purchase of intangible assets		(49)	(155)
Interest received		311	584
Net cash outflow from investing activities		(183,325)	(161,828)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		187,366	132,993
Lease payments		(1,163)	(47)
Net cash inflow from financing activities		186,203	132,946
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,037)	(14,157)
OPENING CASH AND CASH EQUIVALENTS		32,889	47,046
CLOSING CASH AND CASH EQUIVALENTS	18	26,852	32,889

The notes and accounting policies on pages 18 to 47 form an integral part of these consolidated financial statements.

GCM Global Energy Plc
COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	25	(4,089)	(1,037)
CASH FLOWS FROM INVESTING ACTIVITIES			
Prepayment received in advance from associate		20,000	-
Purchase of property, plant and equipment		(747)	(17)
Proceeds from disposal of property, plant and equipment		-	36
Interest received		7	-
Net cash flow generated from investing activities		19,260	19
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (repayment) / proceeds from borrowings		(14,156)	1,270
Lease payments		(1,163)	(47)
Net cash (used in) / generated from financing activities		(15,319)	1,223
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(148)	205
OPENING CASH AND CASH EQUIVALENTS		692	487
CLOSING CASH AND CASH EQUIVALENTS	18	544	692

The notes and accounting policies on pages 18 to 47 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 acquired a 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, subject to the matters descried below, they are satisfied that the Company and the Group will continue as a going concern for the foreseeable future. This has been determined from a consideration of the current financial position of the Company and the Group and of their cash flow requirements for the period to 31 July 2021.

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.

The Directors have carefully considered the impact of COVID-19 and the decline in global energy prices on the Group, the commitments disclosed in note 27 to the financial statements, the Group's loan facilities and the ability of the ultimate shareholder to ensure that connected parties will continue to provide or procure additional financial support to the Company and the Group.

The Directors are confident that the ultimate shareholder will ensure that connected parties will continue to provide or procure additional financial support to the Group for the period to at least 31 July 2021 and have therefore continued to prepare these financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 and Company 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 and Company's share of post-acquisition profits and losses and other comprehensive income are recognised.

Profits and losses arising on transactions between the Group and Company 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2019 was 1.3185 (2018:1.2734), the exchange rate between Belarusian Ruble and the US$ as at 31 December 2019 was 2.1036 (2018: 2.1598).

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 established 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 long-term loans and receivables are monies advanced to the Group's Belarusian subsidiary as the capital contribution required in accordance with the terms of the long-term bank debt within that subsidiary. These advances are subordinated to the bank debt and are considered to be equivalent to equity investments and are therefore outside the scope of IFRS 9. No impairment has been recognised against amounts due from subsidiaries.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES

Leases – the group as a lessee

On commencement of a contract which gives the Group the right to use an asset for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' or 'low-value' lease.

Initial and subsequent measurement of a right-of-use asset

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

- Land and buildings: on a straight-line basis over the remaining lease term.

The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications.

Short term or low value leases

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

Leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise.

The incremental borrowing rate is the rate of interest the Group would have to pay to borrow over a similar term, and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset.

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss.

Leases – the group as a lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NEW AND AMENDED IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

With the exception of IFRS 16 'Leases' (outlined below), the following standards have been adopted in the year with no material impact on the financial statements of the Group or Company:

- IFRIC 23: Uncertainty over income tax treatments;
- Annual improvements 2015-2017 cycle, including amendments to IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements' IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs;
- Amendments to IFRS 9: Prepayment features with Negative Compensation.

Impact of adopting IFRS 16: Leases

Group as a lessee

IFRS 16 - 'Leases', is effective for periods beginning on or after 1 January 2019. IFRS 16 removes the operating and finance lease classification in IAS 17 – 'Leases' and replaces them with the concept of right-of-use assets and associated financial liabilities. The change results in the recognition of a liability on the statement of financial position for all leases which convey a right-of-use asset for the period of the contract. The lease liability reflects the present value of future rental payments, discounted using the incremental borrowing rate of the Group.

The Group has adopted IFRS 16 for the year ended 31 December 2019, applying the modified retrospective transition approach, with the right-of-use asset measured at an amount equal to the lease liability, adjusted for lease prepayments at 1 January 2019. The Group has not restated comparative information.

The adoption of IFRS 16 has resulted in the recognition of a lease liability of $2,116k, a right-of-use asset of $2,378k at 1 January 2019, an increase in depreciation of $1,057k, an increase in interest of $119k and a decrease in rent charges of $1,141k.

The Group's incremental borrowing rate at transition was 7.3%.

Reconciliation of IAS 17 operating lease commitment to IFRS 16 lease liability:

	$'000
Operating lease commitment at 31 December 2018	2,615
Impact of discounting	(499)
Lease liability recognised at 1 January 2019	2,116

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group as a lessor

All sub-leases that were classified as operating leases applying IAS 17 that are ongoing at 1 January 2019 have been reassessed to determine whether each sub-lease should be classified as an operating or finance lease by applying IFRS 16 from 1 January 2019. The adoption of IFRS 16 has not resulted in any changes as a lessor.

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.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	The IASB has issued amendments that provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Income Statement (effective for periods commencing on or after 1 January 2020).
Amendments to IAS 1 and IAS 8: Definition of Material	The IASB has issued amendments to its definition of material to make it easier for companies to make materiality judgements. The definition of material helps companies decide whether information should be included in their financial statements. The amendments clarify the definition of material and how it should be applied (effective for periods commencing on or after 1 January 2020).
Amendments to References to the Conceptual Framework in IFRS Standards	The IASB published its revised Conceptual Framework for Financial Reporting. Included are revised definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The new Conceptual Framework does not constitute a substantial revision of the document as was originally intended. Instead, the IASB focused on topics that were not yet covered or that showed obvious shortcomings that needed to be dealt with (effective for periods commencing on or after 1 January 2020).

3 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.

A key accounting judgement made in the preparation of the Company's accounts relates to the classification of the long-term loans advanced to subsidiaries as a capital contribution which represents the substance rather than the legal form of the transaction. As a result, these balances are subject to impairment reviews in accordance with IAS 36 rather than credit loss provisions in accordance with IFRS 9.

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.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 2019, 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 2019	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	33,567	-	-	-	33,567
Bank borrowings	2,614	-	-	545,822	548,436
Non-bank borrowings	96	-	94,409	53,574	148,079
Lease liabilities	577	555	-	-	1,132
Total	36,854	555	94,409	599,396	731,214

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	16,863	-	-	-	16,863
Bank borrowings	1,652	-	163,837	209,834	375,323
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	502,183

Company 2019	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	20,300	-	-	-	20,300
Non-bank borrowings	43	-	88,966	-	89,009
Lease liabilities	577	555	-	-	1,132
Total	20,920	555	88,966	-	110,441

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

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 2019 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 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade and other receivables	490	481	56	116
Loans receivable from subsidiaries	-	-	74,547	74,547
Cash and cash equivalents	26,852	32,889	544	692
	27,342	33,370	75,147	75,355

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 2019 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

2019	Fixed rate $'000	Floating rate $'000	Non-interest Bearing $'000	Total $'000
Trade and other receivables	-	-	490	490
Cash and cash equivalents	21,212	5,640	-	26,852
	21,212	5,640	490	27,342

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

Company

2019	Fixed rate $'000	Floating rate $'000	Non-interest Bearing $'000	Total $'000
Loans receivable from subsidiaries	-	-	74,547	74,547
Trade and other receivables	-	-	56	56
Cash and cash equivalents	-	544	-	544
	-	544	74,603	75,147

2018	Fixed rate $'000	Floating rate $'000	Non-interest bearing $'000	Total $'000
Loans receivable from subsidiaries	-	-	74,547	74,547
Trade and other receivables	-	-	116	116
Cash and cash equivalents	-	692	-	692
	-	692	74,663	75,355

4 FINANCIAL RISK FACTORS (continued)

LIABILITIES

Group 2019	Fixed rate $'000	Floating rate $'000	Non-interest bearing $'000	Total $'000
Trade and other payables	-	-	33,722	33,722
Borrowings	360,772	324,879	10,864	696,515
Lease liabilities	1,132	-	-	1,132
	361,904	324,879	44,586	731,369

Group 2018	Fixed rate $'000	Floating rate $'000	Non-interest Bearing $'000	Total $'000
Trade and other payables	-	-	16,992	16,992
Borrowings	272,879	209,834	2,577	485,290
Financial lease liabilities	30	-	-	30
	272,909	209,834	19,569	502,312

No interest was charged on trade and other payables during 2019 or 2018.

The Company's trade and other payables as at 31 December 2019 were non-interest bearing $20,454 (2018: $390k) and included $20,000k of prepayments received from the associate (2018: $nil). The Company's borrowings as at 31 December 2019 included $82,293k (2018: $101,217k) that were interest bearing at a fixed rate and $6,716k (2018: $598k) 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.

	2019 $'000	2018 $'000
Total debt	697,647	485,311
Less cash and cash equivalents	(26,852)	(32,889)
Net debt	670,795	452,422
Total equity	59,076	75,885

The Group does not have any externally imposed capital requirements.

5 DIVIDENDS

No interim dividend was paid during the year ended 31 December 2019 (2018: $nil) and no final dividend is proposed (2018: $nil).

6 LOSS BEFORE TAXATION

	2019 $'000	2018 $'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	136	136
Taxation services	51	46
Low value and short-term lease expense	18	-
Operating lease rentals - land and buildings	-	1,193

7 EMPLOYEE COSTS

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

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Wages and salaries	7,874	6,994	2,558	2,770
Social security costs	1,761	1,512	506	580
Pension costs - defined contribution plans	180	205	180	205
	9,815	8,711	3,244	3,555
Less: amounts capitalised within property plant and equipment	(6,571)	(5,121)	-	-
Total	3,244	3,590	3,244	3,555

The average monthly number of employees during the year comprises the following:	2019 No.	2018 No.	2019 No.	2018 No.
Technical and operations	188	148	-	-
Management and administration	18	22	18	20
Total	206	170	18	20

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:	2019 $'000	2018 $'000
Short term benefits (including employers NI contributions)	1,104	1,047
Company contributions to personal pension schemes	66	68
	1,170	1,115

DIRECTORS' EMOLUMENTS The table below sets out details of the emoluments of the Company's Directors.	2019 $'000	2018 $'000
Directors' emoluments in respect of qualifying services	974	925
Company contributions to personal pension schemes	66	68
	1,040	993
The emoluments of the highest paid Director were as follows:		
Emoluments in respect of qualifying services	403	384
Company contributions to personal pension schemes	25	26
	428	410

There are 3 directors in defined contribution personal pension schemes (2018: 3).

8 REVENUE

	2019 $'000	2018 $'000
Other interest	311	584
Rental income	641	635
Consultancy income	364	2,035
Other income	443	2,931
	1,759	6,185

9 FINANCE COSTS

	2019 $'000	2018 $'000
Interest on other loans (see note 28)	6,236	724
Lease liability interest	121	2
	6,357	726

10 TAXATION

	2019 $'000	2018 $'000
Analysis of charge for the year:		
Tax charge on UK operations	-	-
Tax charge on overseas operations	162	191
	162	191

The tax for the year is greater than the statutory rate of corporation tax in the UK. The differences are explained below:	2019 $'000	2018 $'000
Loss before tax	(21,913)	(1,862)
Loss before tax multiplied by the standard UK Corporation tax rate of 19% (2018: 19%)	(4,163)	(354)
Effects of:		
Expenses not deductible for tax purposes	179	55
Share of loss on associate	1,746	58
Losses unrelieved	2,238	241
Foreign tax suffered	162	191
Total taxation charge	162	191

At the year end, the Company and the Group has unused UK tax losses of $44.9m (2018: $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 2018	3,184	841	4,025
Additions	-	155	155
At 1 January 2019	3,184	996	4,180
Additions	-	49	49
Translation difference	(426)	(159)	(585)
At 31 December 2019	2,758	886	3,644
ACCUMULATED AMORTISATION			
At 1 January 2018	-	151	151
Charges for the year	-	88	88
At 1 January 2019	-	239	239
Charges for the year	-	92	92
Translation difference	-	(78)	(78)
At 31 December 2019	-	253	253
NET BOOK VALUE			
At 31 December 2019	2,758	633	3,391
At 31 December 2018	3,184	757	3,941
At 1 January 2018	3,184	690	3,874

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

Amortisation of $nil (2018: $nil) is recognised in profit and loss and $92,000 (2018: $88,000) 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.

See Note 12 for explanation of the translation difference that has been recognised against intangible assets in the year ended 31 December 2019.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Assets in the course of construction $'000	Plant, machinery and vehicles $'000	Right-of-use Assets $'000	Total $'000
COST				
At 1 January 2018	122,951	2,256	-	125,207
Additions	178,403	564	-	178,967
Transfer from prepayments	126,777	-	-	126,777
Disposals	-	(74)	-	(74)
At 1 January 2019	428,131	2,746	-	430,877
Initial adoption of IFRS 16	-	-	2,378	2,378
Additions	204,478	17,327	-	221,805
Translation difference	5,735	(270)	-	5,465
At 31 December 2019	638,344	19,803	2,378	660,525
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2018	-	1,272	-	1,272
Charge for the year	-	263	-	263
Disposals	-	(38)	-	(38)
At 1 January 2019	-	1,497	-	1,497
Charge for the year	-	822	1,057	1,879
Translation difference	-	80	-	80
At 31 December 2019	-	2,399	1,057	3,456
NET BOOK VALUE				
At 31 December 2019	638,344	17,404	1,321	657,069
At 31 December 2018	428,131	1,249	-	429,380
At 1 January 2018	122,951	984	-	123,935

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

Borrowing costs of $81,289,000 (2018: $21,212,000) incurred in the year have been capitalised as additions to assets in the course of construction above.

A depreciation charge for the year of $236,000 (2018: $72,000) is recognised in profit and loss and $586,000 (2018: $191,000) is included in the cost of the asset in the course of construction.

A translation difference has arisen in the year to correct historic accounting translation differences on capital expenditure incurred by the Group in Belarus. As these differences are not considered to be material, the total translation difference has been recognised in the current year as part of property plant and equipment and Intangible assets (see note 11) with the net effect a gain of $5,266,000 recognised in other comprehensive income for the year.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold property $'000	Plant and machinery $'000	Motor vehicles $'000	Right-of-use Assets $'000	Total $'000
COST					
At 1 January 2018	11	612	624	-	1,247
Additions	-	17	-	-	17
Disposals	-	-	(73)	-	(73)
At 1 January 2019	11	629	551	-	1,191
Initial adoption of IFRS 16	-	-	-	2,378	2,378
Additions	-	17	725	-	742
At 31 December 2019	11	646	1,276	2,378	4,311
DEPRECIATION					
At 1 January 2018	6	548	501	-	1,055
Charge for the year	2	39	31	-	72
Disposals	-	-	(38)	-	(38)
At 1 January 2019	8	587	494	-	1,089
Charge for the year	1	25	210	1,057	1,293
At 31 December 2019	9	612	704	1,057	2,382
NET BOOK VALUE					
At 31 December 2019	2	34	572	1,321	1,929
At 31 December 2018	3	42	57	-	102
At 1 January 2018	5	64	123	-	192

13 NON-CURRENT LOANS AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Group		
Investment in preference shares (see note 28)	-	4,787
VAT recoverable	11,567	6,817
	11,567	11,604
Company		
Loan to subsidiary	74,531	74,531
Investment in preference shares (see note 28)	-	4,787
	74,531	79,318

The loans to subsidiary undertakings are unsecured and non-interest bearing and are due for repayment between 2022 and 2030. No interest income is accrued in relation of this long-term loan as it is considered to be equivalent to an equity investment in the subsidiary.

14 SUBSIDIARY UNDERTAKINGS

Company	$'000
Cost	
At 31 December 2018 and 31 December 2019	1,989

All subsidiary undertakings have been consolidated in the Group financial statements. The proportion of voting rights in the subsidiary undertakings held by the Group does not differ from the proportion of ordinary shares held. The Group's subsidiary undertakings are listed below:

	Country of incorporation	Class of Share capital held	Proportion held by Group	Nature of business
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 Corporate Services Limited	United Kingdom	Ordinary	100%	Dormant 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.

GCM Corporate Services Limited was incorporated in the United Kingdom in May 2019 and its registered address is First Floor, 64-65 Vincent Square, London, SW1P 2NU.

* 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 as set out below:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Investment in associate as at 1 January	99,694	-	100,000	-
Cost of acquisition of associate interest	-	100,000	-	100,000
Share of post-tax results of associate accounted for using the equity method	(9,191)	(306)	(9,497)	-
Investment in associate as at 31 December	90,503	99,694	90,503	100,000

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

	2019	2018
At 31 December	$'000	$'000
Current assets	55,693	155,044
Non-current assets	348,936	340,396
Current liabilities	(384,659)	(1,014,715)
Non-current liabilities	(624,895)	(40,337)
Net liabilities (100%)	(604,925)	(559,612)
Group share of net liabilities (50%)	**(302,463)**	**(279,806)**
Included in the above amounts are:		
Cash and cash equivalents	2,307	22,968
Current financial liabilities	(334,575)	(964,315)
Non-current financial liabilities	(600,930)	(20,629)
Year ended 31 December:		
Revenue - Sale of oil and gas	143,030	147,228
Operating profit	31,683	39,837
Loss and total comprehensive loss (100%)	(18,381)	(37,209)
Group share of total comprehensive income (50%) (2018: 50% from date of acquisition)	**(9,191)**	**(306)**
Included in the above amounts are:		
Depreciation and amortisation	(33,612)	(32,316)
Impairment loss	(11,267)	(29,873)
Interest income	6,890	8,800
Interest expense	(45,624)	(48,338)
Income tax expense	(3,215)	(5,719)

16 INVENTORIES

Group	2019 $'000	2018 $'000
Spare parts and other materials	-	34

17 TRADE AND OTHER RECEIVABLES

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade receivables	447	435	17	74
Other receivables	659	192	63	69
Prepayments	252	445	252	445
Amounts owed by group companies	-	-	16	16
Amounts owed by related parties	43	43	40	40
	1,401	1,115	388	644

18 CASH AND CASH EQUIVALENTS

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Cash at bank and in hand	26,852	32,889	544	692

The above cash and cash equivalents were denominated as follows:

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
US dollar	25,125	23,872	37	3
Sterling	495	689	495	689
Euro	1,050	8,281	12	-
Swiss franc	-	-	-	-
Belarus Roubles	182	47	-	-
	26,852	32,889	544	692

19 TRADE AND OTHER PAYABLES

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade payables	12,777	16,302	31	37
Accruals and deferred income	868	632	363	312
Prepayment received from associate (see note 28)	20,000	-	20,000	-
Other payables	77	58	60	41
Social security and other taxation	176	269	122	143
	33,898	17,261	20,576	533

20 BORROWINGS

Group	Current 2019 $'000	Current 2018 $'000	Non-current 2019 $'000	Non-current 2018 $'000
Bank borrowings	2,614	1,652	545,822	373,671
Non-bank borrowings (see note 28)	43	1,289	148,036	108,678
	2,657	2,941	693,858	482,349

Company	Current 2019 $'000	Current 2018 $'000	Non-current 2019 $'000	Non-current 2018 $'000
Bank borrowings	-	-	-	-
Non-bank borrowings (see note 28)	43	1,289	88,966	100,580
	43	1,289	88,966	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. Short term interest accrued on the loan at 31 December 2019 is $2.6m (2018: $1.7m).

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 $5m (2018: $6.7m) which are amortised straight line annually. Interest accrued on the loan at 31 December 2019 is $60.1m (2018: $40.6m).

The non-bank borrowings are from connected parties and are denominated in US$. The total amount includes $8.2m (2018: $0.9m) of accrued interest payable at a fixed interest rate between 3% - 7.3% (2018: 3% - 7.3%) per annum. The non-bank borrowings have a repayment date ranging between 18 December 2023 - 31 December 2030.

21 LEASE LIABILITIES

The Group has leases for some of its buildings which mostly consists of the Group's head office premises in London. The property leases in Cyprus and Belarus are not material.

Lease liabilities are presented in the statement of financial position as follows:

	2019 $'000	2018 $'000
Current	1,132	21
Non-current	-	9
Total lease liabilities	1,132	30

Future minimum lease payments as at 31 December 2019 were as follows:

2019	Within one year $'000	One to five years $'000	Total $'000
Lease payments	1,178	-	1,178
Finance charges	(46)	-	(46)
Net present value as at 31 December 2019	1,132	-	1,132

22 SHARE CAPITAL

	Number	£'000	$'000
Allotted, issued and fully paid			
Total issued at 31 December 2018 and 31 December 2019	16,748,812	16,749	29,312

23 PREFERENCE SHARES

Group and Company	2019 $'000	2018 $'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 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Loss before taxation	(21,913)	(1,862)	(21,146)	(1,775)
Adjustments for:				
Depreciation and amortisation charge	1,293	72	1,293	72
Profit/loss on sale of shares, property, plant and equipment and other differences	548	(2)	12	(2)
Share of result of equity accounted associate	9,191	306	9,497	-
Finance cost – net	6,046	142	6,230	601
Operating cash flows before movements in working capital	(4,835)	(1,344)	(4,114)	(1,104)
Changes in working capital:				
Inventories	34	(9)	-	-
Trade and other receivables	(560)	114	(18)	145
Trade and other payables	(3,363)	16,058	43	(78)
Cash (outflow)/inflow from operations	(8,724)	14,819	(4,089)	(1,037)

26 OPERATING LEASE COMMITMENTS

Group as lessee:

Operating lease commitments in 2018 represented rental payments due on the Group's offices. The Group adopted IFRS 16: 'Leases' on 1 January 2019 and a right-of-use asset and lease liability were recognised in the statement of financial position for the Group's office leases. See note 21 for further details. The minimum lease payments under non-cancellable operating leases are in aggregate as follows:

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

Group as lessor:
As required by IFRS 16: 'Leases', the Group has recognised property rental income earned from the sub-lease of part its office premises on a straight-line basis, over the course of the sub-lease agreement. Total rental income recognised during the year was $589k (2018: $670k). At the year end, the Group had contracted with tenants, under non-cancellable leases, for the following aggregate future minimum lease payments:

	2019	2018
	$'000	$'000
Less than one year	425	469
Between one and five years	106	531
	531	1,000

27 COMMITMENTS

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 each of the following periods including 2019 bringing the total drawdowns as at 31 December 2019 to $360.8million (2018: $209.8million).

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 remained outstanding at 31 December 2018.

During 2019, the Company entered into a series of setting off arrangements and a deed of assignment, transferring the outstanding liability to a different connected party. The total outstanding balance owed at 31 December 2019 is $88,966k (2018: $100,580k). Interest accrues on the outstanding liability at a rate of 7.3% per annum. Interest accrued on the loan in the year was $6,110k (2018: $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 was reversed up to the original cost of these disposal shares of $4,787,000. During 2019, the amount due in respect of these preference shares was set off against outstanding liabilities owed to the same connected party and $nil remains outstanding as at 31 December 2019.

During 2019 the Company entered into a number of agreements to dispose of further redeemable preference shares to an associate undertaking for total consideration of $20m. The share transfer certificates confirming the transactions are awaiting approval and so the impairment against investment in preference shares has not been reversed for these shares as at 31 December 2019. The consideration received is presented as a prepayment from associate within trade and other payables as at 31 December 2019.

28 RELATED PARTY TRANSACTIONS (continued)

Russneft Cyprus – investment in preference shares and disposal - continued

If approval is not obtained by 31 December 2020, the consideration received by the Company is non-refundable and will be recognised in other income.

Other Related Party Transactions

Rent and other income includes $410k (2018: $2,516k) received by the Company and the Group in relation to rental and other services provided to connected parties during the year.

In 2018, rent and other income included $2.5m received from a related party in respect of an aborted disposal transaction. The amount received was non-refundable under the terms of the agreement and so it was recognised directly in profit and loss in the year ended 31 December 2018.

On 19 February 2019, a subsidiary company of the group entered into a new loan facility agreement with a related party to obtain further finance of up to $63m. During the year the subsidiary made total drawdowns of $48.3m under the facility agreement. Interest of $824k accrued during the year (2018: $nil) on the outstanding loan principal. The total amount owed by the subsidiary as at 31 December 2019 was $49.2m (2018: $nil).

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 2019 was $34k (2018: $1.3m). Interest accrued on the loan in the year was $8k (2018: $18k).

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 2019 was $5.4m (2018: $3.8m). Interest accrued on the loan in the year was $253k (2018: $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 2019 was $4.4m (2018: $4.3m). Interest accrued on the loan in the year was $119k (2018: $119k).

29 POST BALANCE SHEET EVENTS

The World Health Organisation (WHO) declared the coronavirus (COVID-19) outbreak a global pandemic on 11 March 2020, which the Directors consider to be a non-adjusting post balance sheet event. Many countries have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of businesses and lockdown of certain areas. These measures have resulted in significant disruption to global businesses and economies and there has been a significant decline in global energy prices. It is not possible to estimate the financial impact of COVID-19 on the Group.

30 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.