

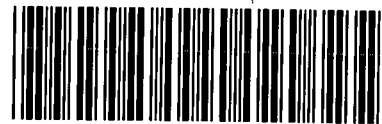
Company Registration No. 3961277

Gerald UK Limited

Annual report and financial statements

31 December 2018

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Gerald UK Limited

Annual report and financial statements 31 December 2018

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Gerald UK Limited

Annual report and financial statements 31 December 2018

Officers and Professional Advisers

Directors

C. Dean
D. Rabagliati
F. Kaufmann

Registered Office

Third Floor
One Strand
Grand Buildings
Trafalgar Square
London WC2N 5HR

Independent Auditors

Deloitte LLP
Statutory Auditors
London

Gerald UK Limited

Annual report and financial statements 31 December 2018

Strategic report

(expressed in thousands of USD)

The directors present their strategic report for the year ended 31 December 2018 for Gerald UK Limited ("GUK" or the "Company"). The directors, in preparing this strategic report, have complied with Section 414C of the Companies Act 2006.

Overview of the Company

GUK is involved in the steel business and during the year, the Company focused on maintaining existing client relationships. In a complex economic background and increased competition, the year under review was challenging.

Gerald Metals Ltd ("GML"), a limited company registered in England, is wholly-owned subsidiary of GUK.

Business review and key financial performance indicators

The key financial performance indicators with comparatives for the period are as follows:

| | 31 December 2018 | 31 December 2017 |
|----------------------------|------------------|------------------|
| Revenue | 50,309 | 48,319 |
| Gross profit | 1,882 | 834 |
| Profit / (Loss) before tax | 12,773 | (4,634) |
| Net assets (liabilities) | 3,115 | (49,658) |

During the year ended 31 December 2018, the global steel market continued to be challenging, which in turn affected the UK domestic market. For the year ended 31 December 2018, GUK has revenues of USD 50,309 and a modest USD 1,882 gross profit. The Company registered a gain before tax of USD 12,773 due to a dividend distribution from its wholly-owned subsidiary, GML for USD 12,950.

Future developments

The Company anticipates the challenging trading conditions to continue and remains flexible to adapt to these challenges. The Company decided during the year to decrease the volume of steel transactions and tried looking for some opportunistic deals where the margin per transaction was higher.

Going Concern

The Gerald group (the "Group") has been in existence since 1962 and continues to be a private Group owned and controlled by its employees. It is a global commodity merchant which has historically focused on base, precious and ferrous metals, including all of the associated raw materials. Its activities span across the entire supply chain, which include mining operations, logistics and storage, financing of such commodities, and customized financial market solutions.

During 2018, Gerald Limited ("GL"), the immediate parent company of GUK, received a contribution of USD 40,000 from Gerald Holding Limited ("GHL"), its immediate parent and subsequently contributed USD 40,000 to its subsidiary GUK. In addition, the Company received a dividend distribution from its wholly-owned subsidiary, GML for USD 12,950.

After making enquiries on the basis of these additional factors, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

By order of the Board,


Florian Kaufmann, Director
30 September 2019

Gerald UK Limited

Annual report and financial statements 31 December 2018

Directors' report

(expressed in thousands of USD)

The directors present their report and financial statements for the year ended 31 December 2018.

Dividends

The Company received a dividend distribution from its wholly-owned subsidiary, Gerald Metals Limited for USD 12,950 on 21 December 2018, (December 2017 - Nil).

Share Capital

For the year ending 31 December 2018, Gerald Limited received a contribution of USD 40,000 from Gerald Holdings Limited, its immediate parent and subsequently contributed USD 40,000 to its subsidiary GUK.

Directors

The directors of the Company during the year are Craig Dean, David Rabagliati and Florian Kaufmann.

Financial risk management objectives and policies

The Company's activities expose it to certain financial risks including market risk, credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Market risk

Market risk is the risk arising from possible market price movements and their impact on the future performance of a business. The Company's activities expose it primarily to the financial risks from changes in commodity prices, foreign currency exchange rates, and in interest rates. The Company enters into a variety of derivative financial instruments to manage its exposure to commodity price and foreign currency risks.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are primarily held at floating rates based on LIBOR.

Credit risk

Credit risk refers to the risk that a counterparty will fail to perform or fail to pay amounts resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company closely monitors the extension of such credit and historically has not experienced significant credit losses. New counterparties are reviewed and approved by the Gerald group's credit risk management department. Furthermore, it limits its exposure on such advances through a combination of limited recourse credit facilities, netting and collateral arrangements, and credit insurance policies. In addition, letters of credit, guarantees, deposits, insurance coverage and limited recourse financing are also utilized to mitigate credit risk.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Gerald group uses a mixture of different debt finance (internal and external as the Company also has access to funds and the support of its parent and affiliated companies).

Gerald UK Limited

Annual report and financial statements 31 December 2018

Directors' report (continued)

(expressed in thousands of USD)

Independent Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed to the shareholders.

By order of the Board,


Florian Kaufmann, Director
30 September 2019

Gerald UK Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GERALD UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Gerald UK Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of Comprehensive Income;
- the Balance Sheet;
- the cash flow statement;
- the statement of changes in equity; and
- the related notes 1 to 22.

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.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

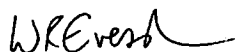
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in respect of these matters.

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.



William Eversden (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

30 September 2019

Gerald UK Limited

Statement of comprehensive income For the year ended 31 December 2018

(expressed in thousands of USD)

| | Notes | Year ended 31 December 2018 | Year ended 31 December 2017 |
|---|-------|--------------------------------|--------------------------------|
| Sales | | 50,309 | 48,319 |
| Cost of goods sold | | (48,427) | (47,485) |
| Gross commodity trading margin | | <u>1,882</u> | <u>834</u> |
| Dividend income | | 12,950 | - |
| Interest income | | 123 | 1,101 |
| Interest expense | | (3,009) | (1,318) |
| Net financing income / (costs) | | <u>10,064</u> | <u>(217)</u> |
| Gross commodity trading margin including financing income | | 11,946 | 617 |
| Management fee income | | 9,610 | 3,227 |
| General administrative and other expenses | 7 | (8,783) | (7,757) |
| Reserve on accounts receivable from affiliated companies | 20 | - | (721) |
| PROFIT / (LOSS) BEFORE TAX | 6 | <u>12,773</u> | <u>(4,634)</u> |
| Tax | 9 | - | - |
| NET PROFIT / (LOSS) | | <u>12,773</u> | <u>(4,634)</u> |

All the amounts in the current year and the previous period arise from continuing operations. There are no other items of comprehensive income other than as included above. Accordingly, no separate statement of other comprehensive income is presented.

The notes form an integral part of the financial statements.

Gerald UK Limited

Balance sheet

As at 31 December 2018

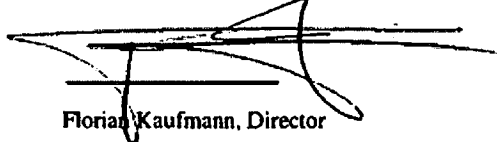
(expressed in thousands of USD)

| | Notes | 31 December 2018 | 31 December 2017 |
|---|-------|---------------------|------------------------|
| <u>ASSETS AND LIABILITIES</u> | | | |
| <u>CURRENT ASSETS:</u> | | | |
| Cash and cash equivalents | | 185 | 4,004 |
| Trade and other receivables | 12 | 3,597 | 4,598 |
| Accounts receivable from affiliated companies | 20 | 5,639 | 7,393 |
| Inventory | 13 | - | 12,790 |
| Derivative financial instruments | 14 | 561 | 185 |
| Total current assets | | <u>9,982</u> | <u>28,970</u> |
| <u>NON-CURRENT ASSETS:</u> | | | |
| Property, plant and equipment - Net | 11 | 341 | 558 |
| Investments in subsidiary | 10 | 18,742 | 18,742 |
| Total non-current assets | | <u>19,083</u> | <u>19,300</u> |
| <u>CURRENT LIABILITIES:</u> | | | |
| Loans payable | 16 | - | 11,994 |
| Trade and other payables | 15 | 4,508 | 3,242 |
| Accounts payable to affiliated companies | 20 | 21,352 | 80,796 |
| Derivative financial instruments | 14 | 90 | 1,896 |
| Total current liabilities | | <u>25,950</u> | <u>97,928</u> |
| NET ASSETS (LIABILITIES) | | <u>3,115</u> | <u>(49,658)</u> |
| <u>SHAREHOLDER'S EQUITY:</u> | | | |
| Share capital | 17 | 35,000 | 35,000 |
| Additional paid in capital | 18 | 40,852 | 852 |
| Accumulated deficit | | (72,737) | (85,510) |
| Total shareholder's equity | | <u>3,115</u> | <u>(49,658)</u> |

The notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorized for issue on 30 September 2019.

Signed on behalf of the Board of Directors,



Florian Kaufmann, Director

Company Registration No. 3961277

Gerald UK Limited

Cash flow statement

For the year ended 31 December 2018

(expressed in thousands of USD)

| | Year ended 31 December 2018 | Year ended 31 December 2017 |
|--|--------------------------------|--------------------------------|
| Cash flows from operating activities: | | |
| Net profit/(loss) for the year | 12,773 | (4,634) |
| Adjustments for: | | |
| Depreciation and impairment of fixed assets | 221 | 265 |
| Dividend income | (12,950) | - |
| Interest income | (123) | (1,101) |
| Interest expense | 3,009 | 1,318 |
| Operating cash flows before movements in working capital | 2,929 | (4,152) |
| Working capital movements: | | |
| Decrease in trade and other receivables | 1,001 | 10,973 |
| Decrease (Increase) in accounts receivable from affiliated companies | 41,754 | (3,765) |
| (Increase) Decrease in derivative financial asset | (376) | 706 |
| Decrease (Increase) in inventory | 12,790 | (4,703) |
| Increase (Decrease) in trade and other payables | 1,266 | (1,776) |
| (Decrease) Increase in accounts payable to affiliated companies | (46,494) | 12,137 |
| (Decrease) in derivative financial liability | (1,806) | (1,321) |
| Net cash flows from operating activities | 11,064 | 8,099 |
| Cash flows from investing activities: | | |
| Purchase of Pproperty, plant and equipment | (3) | (22) |
| Interest received | 123 | 1,101 |
| Cash flows from investing activities | 120 | 1,079 |
| Cash flows (used in) financing activities: | | |
| (Decrease) in borrowings from banks | (11,994) | (10,320) |
| Interest paid | (3,009) | (1,318) |
| Cash flows (used in) financing activities | (15,003) | (11,638) |
| Net (decrease) in cash and cash equivalents | (3,819) | (2,460) |
| Cash and cash equivalents - beginning of the year | 4,004 | 6,464 |
| Cash and cash equivalents - end of the year | 185 | 4,004 |

The notes form an integral part of the financial statements.

Gerald UK Limited**Statement of changes in equity
For the year ended 31 December 2018****(expressed in thousands of USD)**

| | Share Capital | Additional paid in capital | Accumulated deficit | Total |
|-----------------------------|--------------------------|---------------------------------------|--------------------------------|-----------------|
| Balance at 31 December 2016 | <u>35,000</u> | <u>852</u> | <u>(80,876)</u> | <u>(45,024)</u> |
| Net loss for the year | - | - | (4,634) | (4,634) |
| Balance at 31 December 2017 | <u>35,000</u> | <u>852</u> | <u>(85,510)</u> | <u>(49,658)</u> |
| Net profit for the year | - | - | 12,773 | 12,773 |
| Contribution | - | 40,000 | - | 40,000 |
| Balance at 31 December 2018 | <u>35,000</u> | <u>40,852</u> | <u>(72,737)</u> | <u>3,115</u> |

The notes form an integral part of the financial statements.

Gerald UK Limited

Notes to the financial statements

(expressed in thousands of USD)

1. NATURE OF OPERATIONS AND ORGANIZATION OF THE COMPANY

Gerald UK Limited ("GUK" or the "Company") is a private company incorporated in England and Wales with its registered office at One Strand, Grand Buildings, London. The principal activities of the Company are to manage the sourcing and marketing of physical metals and minerals specializing in steel and to import steel into the United Kingdom domestic market.

Gerald Metals Limited ("GML"), a private company incorporated in England and Wales, is wholly owned subsidiary of GUK. GUK immediate parent is Gerald Limited ("GL"), a private company incorporated in England and Wales. GL immediate parent is Gerald Holdings Limited ("GHL"), a private company incorporated in England and Wales. GHL immediate parent is Gerald International Limited ("GI UK"), a private company incorporated in England and Wales. GI UK immediate parent and controlling entity of the Gerald group is Gerald MV Limited ("GMV"), a private company incorporated in England and Wales.

2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. These financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments and inventories that are measured at fair value at the end of each reporting period through the statement of comprehensive income, as explained in the accounting policies herein. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements and deliver them to the Register of Companies. These financial statements present information about the Company as an individual undertaking and not about its group. The Company is included in the consolidated financial statements of GMV as of 31 December 2018. A copy of the consolidated financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Under International Accounting Standard ("IAS") 1 – Presentation of Financial Statements, management shall assess an entity's ability to continue as a going concern. With the support from the Gerald group and the Company's current capital, management believes that the Company has the ability to meet all necessary liabilities as they come due and will continue operations for the foreseeable future. Based on this, management has concluded that going concern basis of preparation has been considered appropriate.

3. ADOPTION OF NEW AND REVISED STANDARDS

Adoption of revised standards

The Company has adopted all the Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2018. The following have been applied for the first time in 2018.

| Effective for annual periods beginning on or after | | |
|--|---------------------------------------|----------------|
| IFRS 9 | Financial Instruments | 1 January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 2 (amendment) | Share-based Payment | 1 January 2018 |

IFRS 9 – Financial Instruments

IFRS 9 supersedes IAS 39 - Financial Instruments: Recognition and Measurement and covers classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. IFRS 9 modifies the classification and measurement of certain classes of financial assets and liabilities and required the Company to reassess classification of financial assets into three major categories:

- Amortized cost
- Fair value through profit and loss ("FVTPL"), and
- Fair value through other comprehensive income ("FVTOCI").

3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

The three new classifications are based on the business model in which assets are managed by their cash flow characteristics. Financial liabilities continue to be measured at either FVTPL or amortized cost. Additionally, IFRS 9 introduced an expected credit loss ("ECL") impairment model, which means that anticipated losses, as opposed to incurred credit losses, are recognized resulting in earlier recognition of impairments.

For the year ending 31 December 2018, the Company has concluded that IFRS 9 will not have a material impact on the balance sheet or statement of comprehensive income, and no restatement of comparative information is necessary.

IFRS 9 change in measurements has an impact on all financial assets and liabilities disclosures. Below summarizes the change from IAS 39 to IFRS 9 measurement classification:

| | Original measurement category under IAS 39 | New measurement category under IFRS 9 |
|---|--|---------------------------------------|
| Financial Assets | | |
| Cash and cash equivalents | Amortized cost | Amortized cost |
| Trade and other receivables | Loan and receivable | Amortized cost |
| Accounts receivable due from affiliated company | Loan and receivable | Amortized cost |
| Derivative financial instruments | Fair value through profit and loss | Fair value through profit and loss |
| Other current assets | Loan and receivable | Amortized cost |
| Investments in associate or equity shares | Fair value through profit and loss | Fair value through profit and loss |
| Financial Liabilities | | |
| Loans payable to bank | Amortized cost | Amortized cost |
| Trade and other payables | Amortized cost | Amortized cost |
| Accounts payable due to affiliated company | Amortized cost | Amortized cost |
| Derivative financial instruments | Fair value through profit and loss | Fair value through profit and loss |
| Accrued expenses and other liabilities | Amortized cost | Amortized cost |

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 applies to revenue from contracts with customers and all previous revenue standards and interpretations in IFRS. The standard outlines the principles an entity must apply to measure and recognize revenue and the related cash flow. As a majority of the Company's revenue is derived from interest income, for which the point of recognition is dependent upon contract terms, the transfer of risks and rewards as defined by IAS 18 – Revenue and the transfer of control as defined by IFRS 15 generally coincides with the fulfilment of performance obligation under the sale terms at a point in time. Changes in accounting policies resulting from IFRS 15 have been applied using the full retrospective method, with no restatement of comparative information for prior year in accordance with the practical expedient not to restate contracts that begin and end within the same annual reporting period or have been completed as at 1 January 2017.

IFRS 2 – Share-based payments

The amendments to IFRS 2 clarified the classification and measurement of share-based payment transactions with respect to accounting for cash-settled share-based payment transactions that include a performance obligation, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The Company does not have any share-based payment transactions; as such, adoption of this amendment has no material impact to the Company.

3. ADOPTION OF NEW AND REVISED STANDARDS (continued)**New and revised standards not yet effective**

At the date of issuance of these financial statements, the following Standards and Interpretations were issued or amended but not yet effective:

| Effective for annual periods beginning on or after | | |
|--|--|----------------|
| IFRS 16 | Leases | 1 January 2019 |
| IFRS 17 | Insurance Contracts | 1 January 2021 |
| IFRS 9 (amendment) | Prepayment Features with Negative Compensation | 1 January 2019 |
| IAS 28 (amendment) | Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| IAS 19 (amendment) | Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |

IFRS 16 – Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 - Leases and the related interpretations when it becomes effective. Under IFRS 16, a lessee is required to recognize the present value of the unavoidable lease payments as a lease liability on the balance sheet with a corresponding right-of-use asset. The relief of the lease liability and the amortization of the right-of-use asset are recognized on the statement of comprehensive income. The most significant impact of adopting IFRS 16 will be the present value of the lease commitments being shown as a liability and the right-of-use asset on the balance sheet.

On transition, the Company used the cumulative catch-up approach to measure both the asset and liability at the same value. The Company will only reassess the existing lease population, if the lease terms exceed 12 months or the lease payments due are material to the Company.

For future periods, the Company has concluded that the transition to IFRS 16 will have a material effect on the balance sheet and statement of comprehensive income. Based on the Company's preliminary assessment, for 2019, the Company expects the following changes to the financial statements:

- The balance sheet will recognize a right-of-use asset of USD 2,998 thousand and lease liability USD 2,998 thousand.
- For the year ending December 31, 2019, the Company estimates a decrease of USD 37 thousand in net profit before taxes, due to the change from a straight-line expense on operating leases to amortizing a right-of-use asset and incurring interest expense on a lease liability.
- Operating cash flow will increase by USD 673 thousand and financing cash flow will decrease by USD 673 thousand.

IFRS 17 – Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance Contracts. IFRS 17 outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The Company has concluded that IFRS 17 will not have an impact on the financial statements.

IFRS 9 – Prepayment features with Negative Compensation

Amendment to IFRS 9 clarifies the purpose of assessing whether a prepayment feature meets the cash flow characteristics test, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. The Company does not anticipate that the application of the amendment in the future will have an impact on the financial statements.

3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

IAS 28 – Long-term Interest in Associates and Joint Ventures

Amendment to IAS 28 clarifies that an entity must apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, but the net investment is not classified as an equity method investment. The Company does not anticipate that the application of the amendment in the future will have an impact on the financial statements.

IAS 19 – Employee Benefits Plan Amendment, Curtailment or Settlement

Amendment to IAS 19 clarifies that the past service cost is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment but ignoring the effect of the asset ceiling. The Company does not anticipate that the application of the amendment in the future will have an impact on the financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatment

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatment. The Interpretation requires the Company to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used. The Company does not anticipate that the application of the amendment in the future will have an impact on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Company are as follows:

Foreign currencies

The Company's financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position are expressed in United States dollars ("USD"), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in the statement of comprehensive income in the period in which they arise except for:

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and included in statement of comprehensive income;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which forms part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Monetary assets and liabilities denominated in other currencies are translated into USD at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are measured at historical exchange rates. Transactions which occurred during the year denominated in currencies other than USD are translated at the actual rate of exchange for the transaction. The resulting exchange differences, if any, are recognized in the statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets

Fixed assets are carried at cost less accumulated depreciation and any accumulated impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

Depreciation is provided on a straight-line basis over the following estimated useful life of the assets:

| | |
|---|-------------|
| Leasehold and building improvements | Lease term |
| Computer equipment | 3 years |
| Furniture, Fixtures, Equipment, and Automobiles | 3 - 5 years |

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets, including goodwill, to determine whether there is an indication that those assets have experienced 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.

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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased, excluding goodwill, to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Derivative financial instruments

The Company may enter into derivative contracts to manage certain risks resulting from fluctuations in commodity prices. Derivative instruments are recorded in the balance sheets as either assets or liabilities and marked-to-market daily with unrealized gains and losses recorded in cost of goods sold in the statements of comprehensive income.

Market value of derivatives is recorded on a trade-date basis. These amounts include unrealized gains and losses from exchange traded futures and options, amounts due to/from trading counterparties, derivative over the counter ("OTC") swaps, forwards and options and amounts due to/from commodity clearing organizations. Unrealized gains and losses on OTC derivative transactions reflect amounts which would be received from or paid to a third party upon liquidation of these OTC derivative transactions and are reported separately as assets and liabilities unless a legal right of set-off exists and the Company intends to net settle. All derivatives are carried at fair value. Revenues are recognized on a trade-date basis and include realized gains and losses and the net change in unrealized gains and losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Futures and exchange traded option transactions are recorded as contractual commitments on a trade-date basis and are carried at fair value based on exchange quotations. Derivative commodity swaps and forward transactions are accounted for as contractual commitments on a trade-date basis and are carried at fair value derived from dealer quotations and underlying commodity exchange quotations. Derivative OTC options purchased and written are recorded on a trade-date basis. Derivative OTC options are carried at fair value based on the use of valuation models that utilize, among other things, current interest, commodity and volatility rates as applicable. For long dated forward transactions, fair values are derived using internally developed valuation methodologies based on available market information.

Where market rates are not quoted or where Management deems appropriate, current interest, commodity and volatility rates are estimated by reference to current market levels. Given the nature, size and timing of transactions, estimated values may differ from realized values. Changes in the fair value are recorded in the statement of comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are classified as either financial assets at amortized cost, FVTOCI or FVTPL depending on the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset. Financial liabilities are classified as either financial liabilities at amortized cost or FVTPL.

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVTPL, at the end of each reporting period. The expected credit loss recognized represents a probability-weighted estimate of credit losses over the expected life of the financial asset.

Inventories

Inventories consist of ferrous metals products and are recorded on a trade-date basis. They are carried at fair value less costs to sell. Any changes in fair value are recognized in the statement of comprehensive income in the period of the change.

Cash and cash equivalents

Highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less when purchased.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

Borrowing costs

All costs are recognized in the statement of comprehensive income in the period in which they are incurred.

Provisions

The Company records provisions when it has an obligation to satisfy a claim, it is probable that an outflow of Company resources will be required to satisfy the obligation and a reliable estimate of the amount can be made.

In the case of litigation and claims relating to services rendered, the amount that is ultimately recorded is the result of a complex process of assessment of a number of variables, and relies on Management's judgment, as informed by expert legal advice, about the circumstances surrounding the past provision of services. Changes in estimates are reflected in the statement of comprehensive income in the period in which the change occurs.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognized when the performance obligations have been satisfied, which is once control of the goods and/or services has transferred from the Company to the buyer. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales are recognized when the product is delivered to the destination, which is typically the vessel on which it is shipped, the destination port or the customer's premises specified by the customer, and the buyer has gained control through their ability to direct the use of and obtain substantially all the benefits from the asset.

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

Dividend income from investments is recognized when the shareholder's rights to receive payment have been established.

Gross vs. net presentation of revenues

Contracts that provide for physical delivery of cargos, but which are ultimately net settled, are presented on a net basis in the statement of comprehensive income. Net settlement is when cash is paid or received for the difference between the contractual price of a cargo and the market value on a specified date, as delivery will not occur.

Expense recognition

Expenses are recognized in the period when they are incurred.

Retirement benefit costs

Payments to retirement benefit plans are charged as incurred.

Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable income differs from income before tax as reported in the statement of comprehensive income because it excludes items of income and expenses that are taxable or deductible in other periods and it further excludes items that are neither taxable nor deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantially 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 income and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit, or in the case of a taxable temporary difference only, the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized. Deferred tax is charged or credited to the statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Dividends are reported as a movement in equity in the period when they are approved by the shareholders. Dividend income is recognized when the right to receive payment is established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company held only operating leases as of 31 December 2018 and 2017.

Rental expense under operating leases is charged to income on a straight-line basis over the term of the relevant lease.

Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. The Company assesses its contingencies based upon the best information available, relevant laws and other appropriate requirements. Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgments

In the process of applying the Company's accounting policies (Note 4), Management makes estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual outcomes could differ from those estimates. Estimates are used in accounting for derivative assets and liabilities, bad debt provisions on receivables, commodities owned, allowances, depreciation, taxes, provisions and contingencies.

Estimates and assumptions are reviewed periodically and the effects of any changes in estimates are reflected in the statement of comprehensive income.

The Company identifies a policy as being significant when it requires Management to make complex and/or subjective judgments and estimates about matters that are inherently uncertain. In the process of applying the Company's accounting policies described above, Management has made the following judgments that have a significant effect on the amounts recognized in the financial statements:

Allowances - During the periods ended 31 December 2018 and 2017, the Company did not record any significant allowances.

Use of estimates

The key assumptions concerning the future, and other key sources of estimation at the balance sheet date that have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below:

Valuation of derivative instruments - Derivative instruments are carried at fair value. Fair values are determined externally by comparison to quoted market prices or third-party broker quotations; by using models with externally verifiable model inputs; or by using alternative procedures such as comparison to comparable instruments and/or subsequent liquidation prices.

Recoverability of trade accounts and other receivables - Trade accounts and other receivables are reflected net of an estimated allowance for expected credit losses. These allowances, when recorded, are

Gerald UK Limited**Notes to the financial statements
(continued)****(expressed in thousands of USD)****5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

estimated based primarily on the Company's aging policy guidelines, individual client analysis and an analysis of the underlying risk profile of each major revenue stream by business and geography.

6. PROFIT / (LOSS) BEFORE TAX

The operating profit / (loss) is stated after charging / (crediting)

| | Year ended 31 December 2018 | Year ended 31 December 2017 |
|--|--------------------------------|--------------------------------|
| Dividend income | 12,950 | - |
| Interest income | 123 | 1,101 |
| Interest expense | (3,009) | (1,318) |
| General administrative and other expenses (Note 7) | (8,783) | (7,757) |
| Management fee income | 9,610 | 3,227 |

7. GENERAL ADMINISTRATIVE AND OTHER EXPENSES

| | Year ended 31 December 2018 | Year ended 31 December 2017 |
|---|--------------------------------|--------------------------------|
| Salaries and benefits (Note 8) | (6,352) | (5,120) |
| Depreciation and impairment | (221) | (265) |
| Auditors' remuneration - audit services | (40) | (30) |
| Other administrative costs | (2,170) | (2,342) |
| | <u>(8,783)</u> | <u>(7,757)</u> |

Other administrative costs include the office rent and other office expenses.

8. EMOLUMENTS OF DIRECTORS AND STAFF PARTICULARS

| | Year ended 31 December 2018 | Year ended 31 December 2017 |
|------------------------|--------------------------------|--------------------------------|
| Directors salaries | (15) | (109) |
| Directors pension | - | - |
| Employee salaries | (5,443) | (4,237) |
| Employee payroll taxes | (668) | (505) |
| Employee pension | (197) | (236) |
| Employee benefits | (29) | (33) |
| | <u>(6,352)</u> | <u>(5,120)</u> |

Directors' emoluments of USD 15 were paid for the year ended 31 December 2018 (31 December 2017: USD 109). There was an average of 43 persons employed by the Company during the year ended 31 December 2018 (31 December 2017: Average of 36 persons).

Gerald UK Limited

Notes to the financial statements (continued)

(expressed in thousands of USD)

9. TAXATION

a) Tax on ordinary activities

The current tax is made up as follows:

| | Year ended 31 December 2018 | Year ended 31 December 2017 |
|-------------------|--------------------------------|--------------------------------|
| Current tax | - | - |
| UK corporate tax | - | - |
| Total current tax | - | - |

b) Factors affecting current tax

| | Year ended 31 December 2018 | Year ended 31 December 2017 |
|--|--------------------------------|--------------------------------|
| Profit / (Loss) before tax | 12,773 | (4,634) |
| Theoretical tax at UK corporation tax rate of 19.00% (Dec 2017: 19.25%) | 2,427 | (892) |
| Permanent difference | (2,427) | - |
| Deferred tax not recognised | - | 892 |
| Actual current tax | - | - |

The Company has unrecognised deductible temporary differences carried forward of USD 21,023 (2017: USD 23,434).

10. INVESTMENTS IN SUBSIDIARY

| | 31 December 2018 | 31 December 2017 |
|---------------------------|------------------|------------------|
| Balance as at 1 January | 18,742 | 18,742 |
| Contribution | - | - |
| Disposal | - | - |
| Balance as at 31 December | 18,742 | 18,742 |

The Company has investments in the following subsidiaries:

| Name of interest | Principal activities | Country of registration | Ordinary shares % |
|-----------------------|----------------------------|----------------------------|----------------------|
| Gerald Metals Limited | Investment holding company | England and Wales | 100 |

GML is a private company with its registered office at One Strand, Grand Buildings, Trafalgar Square, London WC2N 5HR, England.

In the Directors' view, the fair value of these investments is not less than their carrying value.

Gerald UK Limited

Notes to the financial statements (continued)

(expressed in thousands of USD)

11. PROPERTY, PLANT AND EQUIPMENT – NET

The Company's fixed assets:

| | Leasehold | Computer | Furniture | Total |
|--|-----------|----------|-----------|---------|
| Cost | | | | |
| Balance as at 1 January 2017 | 747 | 2,323 | 200 | 3,270 |
| Additions | - | 22 | - | 22 |
| Balance as at 31 December 2017 | 747 | 2,345 | 200 | 3,292 |
| Additions | - | 4 | - | 4 |
| Balance as at 31 December 2018 | 747 | 2,349 | 200 | 3,296 |
| Accumulated depreciation and impairment | | | | |
| Balance as at 1 January 2017 | (243) | (2,156) | (70) | (2,469) |
| Depreciation for the year | (149) | (76) | (40) | (265) |
| Balance as at 31 December 2017 | (392) | (2,232) | (110) | (2,734) |
| Depreciation for the year | (149) | (34) | (38) | (221) |
| Balance as at 31 December 2018 | (541) | (2,266) | (148) | (2,955) |
| Carrying amount | | | | |
| At 1 January 2017 | 504 | 167 | 130 | 801 |
| At 31 December 2017 | 355 | 113 | 90 | 558 |
| At 31 December 2018 | 206 | 83 | 52 | 341 |

12. TRADE AND OTHER RECEIVABLES

| | 31 December 2018 | 31 December 2017 |
|--------------------|------------------|------------------|
| Trade receivables | 3,163 | 3,854 |
| Prepaid expense | 280 | 332 |
| Sundry receivables | 154 | 412 |
| | <u>3,597</u> | <u>4,598</u> |

As of 31 December 2018 and 2017, there were no material allowances for expected credit losses recorded in trade receivables, and as of the date of this report all open balances at December 31, 2018 were settled. Management believes that the carrying value of trade receivables approximates their fair value. As of 31 December 2018 and 2017, substantially all trade receivables are pledged to banks.

13. INVENTORY

| | 31 December 2018 | 31 December 2017 |
|----------------|------------------|------------------|
| Ferrous Metals | - | 12,790 |
| | <u>-</u> | <u>12,790</u> |

As of December 31, 2017, substantially all inventories were pledged as collateral.

14. DERIVATIVE FINANCIAL INSTRUMENTS

GUK enters into master netting agreements with commodity clearing brokers and has the contractual right of set-off for certain swaps and forwards. Those financial instruments under master netting agreements and agreements with the right of offset whereby GUK intends and has the present ability to settle net are presented as net amounts by counterparty.

Gerald UK Limited

Notes to the financial statements (continued)

(expressed in thousands of USD)

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

| | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Assets | | |
| Unrealised gains on swaps and forwards | 561 | 185 |
| Liabilities | | |
| Unrealised losses on swaps and forwards | (90) | (1,896) |
| Net derivative asset (liability) | <u>471</u> | <u>(1,711)</u> |

15. TRADE AND OTHER PAYABLES

| | 31 December 2018 | 31 December 2017 |
|------------------|------------------|------------------|
| Trade payables | 3,504 | 781 |
| Accrued expenses | <u>1,004</u> | <u>2,461</u> |
| | <u>4,508</u> | <u>3,242</u> |

16. LOANS PAYABLE

Bank overdrafts and loans payable on demand or within one year are composed as follows:

| | 31 December 2018 | 31 December 2017 |
|-----------------|------------------|------------------|
| Bank overdrafts | - | 1,751 |
| Bank loans | <u>-</u> | <u>10,243</u> |
| | <u>-</u> | <u>11,994</u> |

As of 31 December 2017, a substantial portion of the Company's bank overdrafts and loans payable to banks are collateralized by pledges of certain inventories owned, accounts receivable and provisional payments on purchases. The interest rates on bank overdrafts-current and bank loans -current generally range from 1.35% to 4.17% per annum. All interest rates are variable rates and based on a LIBOR rate plus a premium to borrow. For bank overdrafts – current and bank loans – current balances are due on demand or within one year.

The Company was in compliance with all of its corporate and financial covenants as of 31 December 2017.

The table below is a reconciliation of cash flow to movements in borrowings for short and long-term loans payable and proceeds received under financing arrangements.

| | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Cash related movements in borrowings | | |
| (Decrease) in borrowings from banks | (11,994) | (10,320) |
| (Decrease) in borrowings for the year | <u>(11,994)</u> | <u>(10,320)</u> |
| Total Borrowings - beginning of the year | <u>11,994</u> | <u>22,314</u> |
| Total Borrowings - end of the year | <u>-</u> | <u>11,994</u> |

17. SHARE CAPITAL

| | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Authorised, issued and fully paid: | | |
| 35,000,000 ordinary shares of USD1 each and 2 shares of GBP1 each | <u>35,000</u> | <u>35,000</u> |

18. ADDITIONAL PAID IN CAPITAL

| | 31 December 2018 | 31 December 2017 |
|----------------------------|------------------|------------------|
| Additional paid in capital | 40,852 | 852 |

In the year ended 30 April 2006, GHL, the Company's ultimate parent at the time, transferred its 100% shareholding in GML to GL, which in turn transferred the shareholding to the Company pursuant to a group reorganisation arrangement. The other reserves represent the shares transferred from GL to the Company, which were treated as a capital contribution. The share transfer was transacted at the face value of the shares, GBP 500 and USD 892 at the exchange rate on the transaction date. Since the book value of GML was USD 852 management recorded the transaction at this book value.

In November 2018, the Gerald group approved a series of capital injections between multiple entities. GUK was part of this capital injection plan and GL received a contribution of USD 40,000 from GHL, its immediate parent and subsequently contributed USD 40,000 to its subsidiary GUK. In addition, the Company received a dividend distribution from its wholly-owned subsidiary, GML for USD 12,950. With this additional capital, GUK will no longer have a deficit equity, and allow the Company to operate in the foreseeable future.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company derives a substantial portion of its revenue from market making and merchant trading activities principally in base, ferrous and precious metals. The Company also earns trading profits by structuring and executing transactions that, in addition to the underlying supply of metal, also provide services that allow its counterparts to manage the portion of their business risks associated with the commodities the Company is trading with the counterpart. In addition, as part of its normal market making activities the Company may from time to time have positions in the form of physical inventories or simply price exposures in anticipation of future market conditions. These positions may be made up of any of the following instruments: physical contracts, OTC contracts, options, forwards and futures.

These financial instruments represent contracts with counterparts whereby payments are linked to or derived from market indices or are based on fixed terms described in the instrument contract, which are typically settled either by physical delivery or may be financially settled with the counterpart.

Forward and future transactions are contracts for future delivery in which the counterpart agrees to make or take delivery at a specified price or on the basis of a pricing formula. Derivative commodity swap transactions may involve the exchange of fixed and floating payment obligations without the exchange of the underlying commodity.

Options which are either exchange traded, OTC traded, or directly negotiated between counterparts, provide the holder with the right to buy from or sell to the writer an agreed amount of commodity, at either a specified strike price or at a strike price determined based on an agreed upon index, at a specified period of time. As a writer of options, the Company generally receives an option premium and manages the risk associated with that option by either entering into an opposing position with a counterpart or an exchange, or by managing (delta hedging) the change in the value of the underlying commodity in respect of the option value and strike.

Components of the Company's business could be impacted by various external factors namely, political events, unfavorable action by governments, natural catastrophes, and other macroeconomic events like recession. It is the Company's policy to actively manage such risks in order to mitigate the impacts where possible. The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from the previous period.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in notes, cash and cash equivalents and equity attributable to shareholder of the parent.

The Company's activity is exposed to a number of financial risks arising from external factors. These include market risks relating to foreign currency exchange rates, interest rates, commodity prices, credit risks, and liquidity risks. The Gerald group's overall risk management program focuses on the unpredictability of financial

Gerald UK Limited

Notes to the financial statements (continued)

(expressed in thousands of USD)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

markets, flexibility retention, while seeking to minimize any potential adverse effects on the Company's financial performance. A main component of the risk management strategy is the utilization of financial instruments to hedge these risks in order to mitigate the associated exposures.

Risk management is carried out by the Gerald group's financial and risk professionals who report to Senior Management on a regular basis entailing a significant amount of coordination with the various commodity departments. There have been no significant changes in the manner the Gerald group manages the exposures in the financial risks faced by the Company.

The accounting classification of each category of financial instruments and their carrying amounts are set out below:

| 31 December 2018 | Notes | Measured at fair value through P&L | Financial instruments measured at amortised cost | Total Carrying Amount |
|---|--------------|---|---|------------------------------|
| Financial assets | | | | |
| Cash and cash equivalents | | - | 185 | 185 |
| Trade and other receivables | 12 | - | 3,597 | 3,597 |
| Accounts receivable from affiliated companies | 20 | - | 5,639 | 5,639 |
| Derivative financial instruments | 14 | 561 | - | 561 |
| Financial liabilities | | | | |
| Trade and other payables | 15 | - | (4,508) | (4,508) |
| Accounts payable to affiliated companies | 20 | - | (21,352) | (21,352) |
| Derivative financial instruments | 14 | (90) | - | (90) |
| | | <u>471</u> | <u>(16,439)</u> | <u>(15,968)</u> |
| 31 December 2017 | Notes | Measured at fair value through P&L | Financial instruments measured at amortised cost | Total Carrying Amount |
| Financial assets | | | | |
| Cash and cash equivalents | | - | 4,004 | 4,004 |
| Trade and other receivables | 12 | - | 4,598 | 4,598 |
| Accounts receivable from affiliated companies | 20 | - | 7,393 | 7,393 |
| Derivative financial instruments | 14 | 185 | - | 185 |
| Financial liabilities | | | | |
| Loans payable | 16 | - | (11,994) | (11,994) |
| Trade and other payables | 15 | - | (3,242) | (3,242) |
| Accounts payable to affiliated companies | 20 | - | (80,796) | (80,796) |
| Derivative financial instruments | 14 | (1,896) | - | (1,896) |
| | | <u>(1,711)</u> | <u>(80,037)</u> | <u>(81,748)</u> |

The financial instruments' carrying amount are either the fair value, or approximates fair value.

Market risk

Market risk is the risk arising from possible market price movements and their impact on the future performance of a business. The Company's activities expose it primarily to the financial risks from changes in commodity prices, foreign currency exchange rates, and in interest rates. The Company enters into a variety of derivative financial instruments to manage its exposure to commodity price and foreign currency risks, including forward contracts, futures and over the counter contracts on commodities, and forward contracts on foreign exchange rates to hedge the exchange rate risk arising from specific trading transactions.

Foreign currency risk

The Company is exposed to the effects of fluctuations in exchange rates of foreign currencies such, as EUR, and GBP. However, where possible, the Company enters into foreign exchange contracts to hedge against this currency exposure. As of 31 December 2018 and 2017 the exposure for the Company by currency was assessed as negligible.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Interest rate risk

As of 31 December 2017, the Company borrows on a secured and unsecured basis in a mix of committed and uncommitted facilities which generally range from 3.08% to 4.17%. Loans are primarily arranged at a fixed interest rate over short periods to finance the trading activities of the Company. As of 31 December 2017, a substantial portion of the Company's bank overdrafts and loans payable to banks are collateralized by pledges of certain inventories owned, accounts receivable and provisional payments on purchases. The majority of all borrowing is basis cost of funds.

The Company's interest rate risk arises primarily from short-term borrowings used to finance its trading activities. These borrowings are generally transacted at rates which are fixed upon incurring the borrowing and could expose the Company to fair value interest rate risk. The Company generally seeks to match-fund its working capital assets or forward commitments to the associated borrowings so as to minimize this risk. In addition, given the short-term nature of the borrowings for which the Company is generally contractually obligated to its banks, the risk of an impact in the income statement is effectively nil. Management considers the Company's exposure to this risk as negligible.

Commodity price risk

As of 31 December 2018 and 2017, the Company held physical and forward positions, including physical inventories, futures, options and physical forward contracts. Market risk arises from the potential for changes in the value of physical and financial instruments resulting from fluctuations in prices and basis for base and precious metals. Market risk is also affected by changes in volatility and liquidity in markets in which these instruments are traded.

It is the Company's policy to substantially hedge its inventories, foreign exchange and commitments for forward deliveries of metal. For this purpose, the Company enters into forward physical contracts, exchange-traded and over the counter commodity futures that are carried in the books at their market value. The commodity transactions denominated in foreign currency are hedged through the use of foreign exchange contracts. The Company has not elected to apply hedge accounting as defined by IFRS 9. Therefore, the Company follows the guidance of IFRS 9 and recognizes derivative instruments as either assets or liabilities on the financial statements and measures those instruments at fair value through profit and loss. The unrealized gains and losses are recorded through the statement of comprehensive income.

The Company is mainly exposed to changes in base and precious metals. Assuming that the net positions as of the balance sheet date were outstanding for the whole period and market prices increased / decreased by 5% and all other variables were constant, the Company's net income at 31 December 2018 would increase / decrease by USD 649 thousand (31 December 2017: increase / decrease by USD 75 thousand). These sensitivities are hypothetical and should not be considered indicative of future performance.

Credit risk

Credit risk refers to the risk that counterparty will fail to perform or fail to pay amounts resulting in financial loss to the Company. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents, trade receivables, and the derivative financial instruments. As of 31 December 2018, the aggregate maximum credit exposure with all counterparties was USD 9,421 thousand (31 December 2017: USD 15,995 thousand) referring to the carrying value of financial assets in the schedules above.

The Company's cash and cash equivalents are deposited in several high-quality financial institutions thereby mitigating exposure should any one of them experience financial difficulties.

For 2018 and 2017 all estimated credit losses were immaterial.

Gerald UK Limited

Notes to the financial statements (continued)

(expressed in thousands of USD)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when due. The Gerald Group's Treasury department monitors the liquidity risk and uses for this purpose a number of liquidity risk management techniques for the management of the Company's short- and medium-term funding and liquidity requirements. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit arrangements (typically uncommitted trade finance facilities), and the ability to close out market positions. The Company manages liquidity risk associated with derivative contracts on a portfolio basis, considering both physical commodity sale and purchase contracts together with financially-settled derivative assets and liabilities.

20. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

| | Year ended 31 December 2018 | Year ended 31 December 2017 |
|------------------------------|--------------------------------|--------------------------------|
| Interest income | | |
| Gerald Holdings LLC | - | 988 |
| Gerald Holdings Limited | 119 | 95 |
| | <u>119</u> | <u>1,083</u> |
| | | |
| | Year ended 31 December 2018 | Year ended 31 December 2017 |
| Interest expense | | |
| Gerald Metals SA | (2,233) | (534) |
| Gerald Metals Limited | (713) | (421) |
| | <u>(2,946)</u> | <u>(955)</u> |
| | | |
| | Year ended 31 December 2018 | Year ended 31 December 2017 |
| Management fee income | | |
| Gerald Metals SA | 6,054 | 3,227 |
| Gerald Metals LLC | 3,556 | - |
| | <u>9,610</u> | <u>3,227</u> |

Interest expense represents the amount paid to Gerald Metals SA ("GMSA") for the advances received from it in respect of the sales of metals and deposits and for the advance granted by Gerald Metals Limited. Interest expense is charged at a rate of LIBOR plus 0.25% on all related party loans.

GUK charged management fee income to GMSA and Gerald Metals LLC for the cost of its personnel used in the operation of GMSA and Gerald Metals LLC.

Gerald UK Limited

Notes to the financial statements (continued)

(expressed in thousands of USD)

20. RELATED PARTY TRANSACTIONS (continued)

| | 31 December 2018 | 31 December 2017 |
|--|-------------------------|-------------------------|
| Accounts receivable from affiliated companies | | |
| Gerald Metals LLC | 2,866 | - |
| Gerald Limited | 2,773 | - |
| Gerald Holdings Limited | - | 7,358 |
| Gerald Metals Limited | - | 35 |
| | <u>5,639</u> | <u>7,393</u> |
| | 31 December 2018 | 31 December 2017 |
| Accounts payable to affiliated companies | | |
| Gerald Metals Limited - Intercompany loan | 19,815 | 32,139 |
| Gerald Metals SA - Intercompany loan | 1,537 | 43,886 |
| Gerald Limited | - | 3,517 |
| GT Commodities LLC | - | 1,100 |
| Gerald Metals LLC | - | 154 |
| | <u>21,352</u> | <u>80,796</u> |

Intercompany payable to GMSA and GML are intercompany loan bearing interest rate of LIBOR plus 0.25%.

During 2018, GL received a contribution of USD 40,000 from GH and subsequently contributed USD 40,000 to its subsidiary GUK. In addition, the Company received a dividend distribution from GML for USD 12,950.

In conjunction with the Gerald group reorganization amounts receivable from GH LLC have been reserved through the statement of comprehensive income, for the year ended 31 December 2017 for USD 721, as it is unlikely the balance will be repaid.

21. COMMITMENT AND CONTINGENCIES

Non-cancellable operating lease commitments:

| | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| No later than 1 year | 513 | 683 |
| Later than 1 year and no later than 5 years | 2,051 | 2,730 |
| Later than 5 years | 615 | 1,479 |
| | <u>3,179</u> | <u>4,892</u> |

Rental expenses for the year ended 31 December 2018 relating to such operating leases were USD 696 (December 2017: USD 642).

22. SUBSEQUENT EVENTS

After the balance sheet date, no material events have occurred that should be reflected in the annual accounts 2018 or which would require a note in the financial statements.



(DRAFT) AHK Reference: Chrome Mat19157/UJB4469

Date: 28/09/2019

TO WHOM IT MAY CONCERN

CERTIFICATE OF WEIGHT

This is to report that in accordance with instructions received from Gerald Metals SARL, to perform weight determination on the below mentioned shipment, we hereby report the following:

VESSEL NAME : SAN CHRISTOBAL
NAME OF COMMODITY : CHROMITE ORE CONCENTRATE
TOTAL QUANTITY SHIPPED : 1842.225 METRIC TONS
B/L No. : TBA
LOADING PORT : Durban Port in South Africa

WET WEIGHT : 1842.225MTS
MOISTURE : 1.179%
DRY WEIGHT : 1820.505DMT

This report is good for activities carried out on the material described by the time, date and location shown within the report.

Sharleen Naidoo

Issued by Alfred H Knight Ukwanda (Pty) Ltd.

| | | | | |
|--|--|---|--|--|
| Richards Bay Unit 2, 85 Dollar Drive, Richards Bay, 3900, South Africa t: +27 (0)35 789 8722 e: ahk.rbay@ahkgroup.com | Johannesburg Unit 15 Sunnyside Park, 2 Sunrock Close, Germiston, Johannesburg, t: +27 (0)11 397 3456 e: ahk.jhb@ahkgroup.com | Alfred H Knight Ukwanda (Pty) Ltd Durban Unit 6, 50 Sage Road, Jacobs, Durban, 4052, South Africa t: +27 (0)31 467 6766 e: ahk.durban@ahkgroup.com | Rustenburg 1A Old Mill Building, Old Pretoria Rd, Kroondal, Rustenburg, 0350, South Africa t: +27 (0)14 536 3021 e: ahk.rburg@ahkgroup.com | Steelpoort Plot No. 9, Farm Fraaiuitzicht 302KT, Burgersfort, South Africa t: +27 (0)13 231 7450 e: ahk.stp@ahkgroup.com |
|--|--|---|--|--|