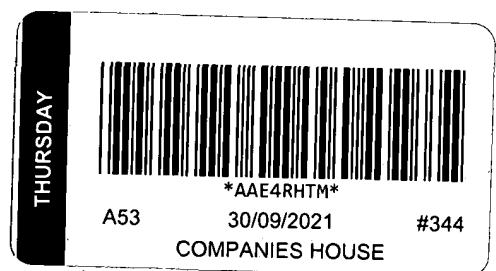


Company Registration No. 3961277

Gerald UK Limited

Annual report and financial statements

31 December 2020



Gerald UK Limited

Annual report and financial statements 31 December 2020

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Gerald UK Limited

Annual report and financial statements 31 December 2020

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 2020

Directors' report

(expressed in thousands of USD)

The directors present their report and financial statements for the year ended 31 December 2020. In preparing this report the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006.

Dividends

There was no dividend distribution during the year ended 31 December 2020 (2019: Nil).

Share Capital

For the year ending 31 December 2020, there was no share capital contribution (2019: Nil).

Directors

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

Overview of the Company

GUK is the main UK entity for the Gerald Group. Its employees provide services that cover all aspects of a trading business for itself as well as other affiliated companies, for which it receives a management fee. The Company was principal to UK Domestic steel trading up to 2018, at which time it ceased trading steel. During the year ended 31 December 2020, the Company restarted opportunistic trading of domestic UK Tin and recorded sales of approximately USD 11 million to compliment the USD management fees of USD 7 million.

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

Principal risks and uncertainties

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, credit risks, and liquidity risks. The Company's overall risk management program focuses on the unpredictability of financial 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 Company 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 Company manages the exposures in the financial risks faced by the Company.

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.

As of the date of this report, the COVID-19 outbreak and Brexit have not had a material impact on the Company. The Company's management continues to monitor both situations but given the global presence and support from the Group as a whole, believe that neither will have a material impact on the Company.

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.

Financial risk management objectives and policies

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.

Gerald UK Limited

Annual report and financial statements 31 December 2020

Directors' report (continued)

(expressed in thousands of USD)

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Where appropriate, 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, if any. 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).

Independent Auditors

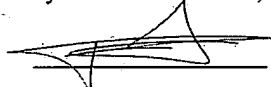
Each of the persons who is a director at the date of approval of this report confirms that:

- (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
27 September 2021

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 IASB. 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, International Accounting Standard 1 requires that directors:

- 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board; 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 23.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
 - performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
 - enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
 - reading minutes of meetings of those charged with governance.
-

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.
- The directors were not entitled to take advantage of the small companies' exemptions in preparing the director's report and from the requirement to prepare a strategic report.

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, FCA (Senior statutory auditor)

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

27 September 2021

Gerald UK Limited

Statement of comprehensive income For the year ended 31 December 2020

(expressed in thousands of USD)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Sales		10,901	168
Cost of goods sold		(10,773)	(397)
Gross commodity trading margin	6	128	(229)
Interest income		14	78
Interest expense		(200)	(609)
Interest expense on lease		(111)	(136)
Net financing income / (costs)		(297)	(668)
Gross commodity trading margin including financing income		(169)	(897)
Management fee income		6,681	9,778
General administrative and other expenses	8	(5,963)	(8,439)
PROFIT BEFORE TAX	7	549	442
Tax	10	-	-
Comprehensive income for the year		549	442

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 2020

(expressed in thousands of USD)

	Notes	31 December 2020	31 December 2019
<u>ASSETS AND LIABILITIES</u>			
<u>CURRENT ASSETS:</u>			
Cash and cash equivalents		588	463
Trade and other receivables		-	13
Accounts receivable from affiliated companies	21	7,786	5,419
Inventory	14	4,095	-
Derivative financial instruments	15	38	-
Other current assets	13	1,794	1,235
Total current assets		14,301	7,130
<u>NON-CURRENT ASSETS:</u>			
Property, plant and equipment - Net	12	30	87
Investments in subsidiary	11	18,742	18,742
Long-term lease asset	22	1,387	1,924
Other assets		10	110
Total non-current assets		20,169	20,863
<u>CURRENT LIABILITIES:</u>			
Loans payable	17	3,551	-
Trade and other payables	16	1,032	943
Accounts payable to affiliated companies	21	23,807	21,192
Derivative financial instruments	15	233	-
Total current liabilities		28,623	22,135
<u>Non-current liabilities</u>			
Long-term lease liability	22	1,253	1,813
NET ASSETS		4,594	4,045
<u>SHAREHOLDER'S EQUITY:</u>			
Share capital	18	35,000	35,000
Additional paid in capital	19	40,852	40,852
Accumulated deficit		(71,258)	(71,807)
Total shareholder's equity		4,594	4,045

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 27 September 2021.

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 2020

(expressed in thousands of USD)

	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows (used in) from operating activities:		
Comprehensive income for the year	549	442
Adjustments for:		
Depreciation and impairment of fixed assets	266	266
Interest income	(14)	(78)
Interest expense	200	609
Interest expense on lease	111	136
Operating cash flows before movements in working capital	<u>1,112</u>	<u>1,375</u>
Working capital movements:		
Decrease in trade and other receivables	13	3,150
(Increase) Decrease in accounts receivable from affiliated companies	(2,367)	220
(Increase) in inventory	(4,095)	-
(Increase) Decrease in derivative financial asset	(38)	562
(Increase) in other current assets	(559)	(802)
Decrease (Increase) in long term lease and other assets	637	(2,034)
Increase (Decrease) in trade and other payables	89	(3,077)
Increase (Decrease) in accounts payable to affiliated companies	2,615	(160)
Increase (Decrease) in derivative financial liability	233	(90)
(Decrease) Increase in other long-term liabilities	(560)	1,813
Net cash flows (used in) from operating activities	<u>(2,920)</u>	<u>957</u>
Cash flows (used in) from investing activities:		
Purchase of property, plant and equipment	(209)	(12)
Interest received	14	78
Cash flows (used in) from investing activities	<u>(195)</u>	<u>66</u>
Cash flows from (used in) financing activities:		
Increase in borrowings from banks	3,551	-
Interest paid	(311)	(745)
Cash flows from (used in) financing activities	<u>3,240</u>	<u>(745)</u>
Net increase in cash and cash equivalents	125	278
Cash and cash equivalents - beginning of the year	<u>463</u>	<u>185</u>
Cash and cash equivalents - end of the year	<u>588</u>	<u>463</u>

The notes form an integral part of the financial statements.

Gerald UK Limited**Statement of changes in equity
For the year ended 31 December 2020****(expressed in thousands of USD)**

	Share Capital	Additional paid in capital	Accumulated deficit	Total
Balance at 1 January 2019	<u>35,000</u>	<u>40,852</u>	<u>(72,737)</u>	<u>3,115</u>
Comprehensive income for the year	-	-	442	442
Change in IFRS16	-	-	488	488
Balance at 31 December 2019	<u>35,000</u>	<u>40,852</u>	<u>(71,807)</u>	<u>4,045</u>
Comprehensive income for the year	-	-	549	549
Balance at 31 December 2020	<u>35,000</u>	<u>40,852</u>	<u>(71,258)</u>	<u>4,594</u>

The notes form an integral part of the financial statements.

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.

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 ("GIL"), the primary reporting entity for the Gerald group, a private company incorporated in England and Wales. GIL's immediate parent and controlling entity of the Gerald group is Gerald Group Limited ("Gerald Group", formerly known as Gerald MV Limited), a private company incorporated in England and Wales.

In March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, included the implementation of travel bans, imposed quarantine periods and social distancing, having caused material disruptions to businesses globally, resulting in an economic slowdown. Global trading markets experienced significant volatility and weakness. Governments and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. With exception to any matters specifically noted herein, the effects of the COVID-19 pandemic on the Company's statement of financial condition for 2020 were not significant.

2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the IASB. 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. In preparing this report the directors have taken advantage of the small companies exemptions provided by Sections 382 to 384 of the Companies Act 2006.

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 Gerald Group as of 31 December 2020. 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 2020. The following have been applied for the first time in 2020.

Effective for annual periods beginning on or after		
IFRS 3 (amendment)	Definition of Business	1 January 2020
IAS 1 and IAS 8 (amendments)	Definition of Material	1 January 2020
IFRS 7, IFRS 9 and IAS 39 (amendments)	Interest Rate Benchmark Reform	1 January 2020
IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 16 (amendments)	Covid-19 Related Concessions	1 June 2020

3. ADOPTION OF NEW AND REVISED STANDARDS (continued)**Amendment to IFRS 3 – Definition of Business**

The amendments intend to assist the determination of whether a transaction should be accounted for as a business combination or an asset acquisition. IFRS 3 continues to adopt a market participants perspective to determine whether an acquired set of activities and assets is a business but clarifies the minimum requirements to be a business and removes the assessment of a market participant's ability to replace missing elements. The amendments also introduce an optical concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amended definitions will be applicable for any future acquisitions.

Amendments to IAS 1 and IAS 8 – Definition of Material

The amendments clarify the determination of material and how it should be applied by including it in the definition guidance, which until now has been featured elsewhere in IFRS standards and ensures that the definition of material is consistent across all IFRS standards. Information is considered material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The application of this amendment did not have a material effect on the financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

These amendments modify some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the interest rate benchmark reform, such as interbank offered rates (IBORs). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The application of the amendment did not have a material impact on the financial statements.

IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 - Amendments to References to the Conceptual Framework in IFRS Standards

In March 2018, the IASB issued Amendments to References to the Conceptual Framework in IFRS Standards, in conjunction with its publishing of the revised Conceptual Framework for Financial Reporting. These amendments predominately refer to the updating of references contained within. Not all amendments refer to the revised Conceptual Framework, some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework. Some updates to include relevant updated definitions were made, including that of an equity instrument (IFRS 2), liabilities (IAS 37), and assets (IAS 38). The adoption of these amendments did not have a material impact on the financial statements.

Amendments to IFRS 16 – COVID-19 Related Rent Concessions

The changes in COVID-19-Related Rent Concessions amend IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-Related Rent Concessions is a lease modification, to require lessees that apply the exemption to disclose that fact, and to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures. The application of the amendment did not have an impact on the financial statements.

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 9, IAS 39, and IFRS 7 (amendments)	Interest Rate Benchmark Reform-Phase 2	1 January 2021
IAS 16 (amendments)	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
IFRS 3 (amendments)	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2022
IAS 37 (amendments)	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IAS 1 (amendments)	Classification of Liabilities	1 January 2023

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (“IBOR”) – Phase 2

These amendments relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosures regarding modifications and hedge accounting. The IASB introduces modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis accounted for by updating the effective interest rate. Hedge accounting is not discontinued solely because of the IBOR reform and hedging relationships must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. The Company does not expect any significant changes to the financial statements upon application of these amendments.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity will need to recognize these in profit or loss. The Company does not expect any significant changes to the financial statements upon application of these amendments.

Amendment to IFRS 3 – Amendments to References to the Conceptual Framework in IFRS Standards

This amendment updates IFRS 3 to now refer to the 2018 Conceptual Framework instead of the 1989 Framework, to apply IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination, and to add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amended definitions will be applicable for any future acquisitions.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

This amendment specifies that costs that relate directly to a contract can either be incremental costs of fulfilling that contract (i.e. direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (i.e. allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The Company does not expect any significant changes to the financial statements upon adoption of the amendments.

IFRS 17 – Insurance Contracts

IFRS 17 will be deferred from the initial application by two annual years to begin on or after January 1, 2023. This amendment includes a clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level. Additionally, this will include amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held. The Company does not expect any significant changes to the financial statements upon application of these amendments.

3. ADOPTION OF NEW AND REVISED STANDARDS (continued)**Amendments to IAS 1 – Classification of Liabilities**

This amendment only affects the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose. This amendment also clarifies that the classification of liabilities as current or non-current is based on the rights that are in existence at the end of the reporting period. The Company does not expect any significant changes to the financial statements upon the adoption of the IAS 1.

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

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

Leases

The Company assessed whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the rate implicit in the lease. If this rate cannot be readily determined the lessee uses its incremental borrowing rate. The lease liability is included in accrued expenses and other liabilities or loan and other long-term liabilities on the balance sheet, depending on their maturity.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)**Leases (continued)**

Right-of-use assets are depreciated over the shorter period of lease term or useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement of the lease and is included as an expense in the statement of comprehensive income. Right-of-use assets are included in other current assets or other assets in the balance sheet depending on their maturity.

Leases are no longer considered enforceable when the lessee and lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets 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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

Inventories

Inventories mainly consist of ferrous metal 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 recognised 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost of goods sold

Includes the purchase price of the products sold, as well as the costs of purchasing, storing, and transporting the products. It also includes the changes in mark to market valuation of inventories, all derivatives and forward contracts.

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.

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.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION**UNCERTAINTY****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 allowances, depreciation, taxes and provisions.

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 not identified any judgments that have a significant effect on the amounts recognized in the financial statements.

Use of estimates

During the period ended 31 December 2020, the Company did not have any material estimates.

6. GROSS COMMODITY TRADING MARGIN

The gross commodity trading margin on the statement of comprehensive income includes revenue from the supply of goods provided to third parties. In 2020, USD 10,901 (2019: USD 168) was recorded in sales.

7. PROFIT BEFORE TAX

The table below includes components of the operating income and expenses.

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income	14	78
Interest expense	(200)	(609)
Interest expense on lease	(111)	(136)
General administrative and other expenses (Note 8)	(5,963)	(8,439)
Management fee income	6,681	9,778
	<u>421</u>	<u>672</u>

8. GENERAL ADMINISTRATIVE AND OTHER EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019
Salaries and benefits (Note 9)	(4,281)	(6,303)
Depreciation and impairment	(75)	(266)
Rent - amortized office lease (Note 22)	(537)	(537)
Auditors' remuneration - audit services	(40)	(41)
Other administrative costs	(1,030)	(1,292)
	<u>(5,963)</u>	<u>(8,439)</u>

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

9. EMOLUMENTS OF DIRECTORS AND STAFF PARTICULARS

	Year ended 31 December 2020	Year ended 31 December 2019
Directors salaries	(15)	(16)
Employee salaries	(3,639)	(5,361)
Employee payroll taxes	(437)	(672)
Employee pension	(162)	(223)
Employee benefits	(28)	(31)
	<u>(4,281)</u>	<u>(6,303)</u>

Directors' emoluments of USD 15 were paid for the year ended 31 December 2020 (2019: USD 16). There was an average of 37 persons employed by the Company during the year ended 31 December 2020 (2018: Average of 48 persons).

10. TAXATION**a) Tax**

The total tax charge is made up as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Total tax charge	-	-
UK corporate tax	-	-
Total tax charge	<u>-</u>	<u>-</u>

b) Factors affecting total tax charge

	Year ended 31 December 2020	Year ended 31 December 2019
Comprehensive income for the year	549	442
Theoretical tax at UK corporation tax rate of 19.00% (Dec 2019: 19.00%)	104	84
Permanent difference	(103)	(83)
Deferred tax not recognised	(1)	(1)
Total tax charge	<u>-</u>	<u>-</u>

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As the entity has no deferred tax position, the amended tax rate has no impact to be disclosed.

Finance Bill 2021 enacted provisions to increase the main rate of UK corporate tax to 25% from 1 April 2023.

The Company has unrecognised deductible temporary differences carried forward of USD 18,017 (2019: USD 18,566).

11. INVESTMENTS IN SUBSIDIARY

	31 December 2020	31 December 2019
Balance as at 1 January	18,742	18,742
Contribution	-	-
Balance as at 31 December	<u>18,742</u>	<u>18,742</u>

11. INVESTMENTS IN SUBSIDIARY (continued)

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.

12. PROPERTY, PLANT AND EQUIPMENT – NET

The Company's fixed assets:

	Leasehold	Computer	Furniture	Total
Cost				
Balance as at 1 January 2019	747	2,349	200	3,296
Additions	-	9	3	12
Balance as at 31 December 2019	747	2,358	203	3,308
Additions	-	18	-	18
Disposals	-	(2,038)	-	(2,038)
Balance as at 31 December 2020	747	338	203	3,326
Accumulated depreciation				
Balance as at 1 January 2019	(541)	(2,266)	(148)	(2,955)
Depreciation for the year	(162)	(63)	(41)	(266)
Balance as at 31 December 2019	(703)	(2,329)	(189)	(3,221)
Depreciation for the year	(41)	(22)	(12)	(75)
Reversal depreciation (disposal)	-	2,038	-	2,038
Balance as at 31 December 2020	(744)	(313)	(201)	(3,296)
Carrying amount				
At 1 January 2019	206	83	52	341
At 31 December 2019	44	29	14	87
At 31 December 2020	3	25	2	30

13. OTHER CURRENT ASSETS

	31 December 2020	31 December 2019
Prepaid expense	106	163
Sundry receivables	1,151	535
Short-term lease assets (note 22)	537	537
	<u>1,794</u>	<u>1,235</u>

14. INVENTORY

	31 December 2020	31 December 2019
Ferrous Metals	4,095	-
	<u>4,095</u>	<u>-</u>

As of 31 December 2020, substantially all inventories were pledged as security for financing (2019: Nil).

15. 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.

	31 December 2020	31 December 2019
Assets		
Unrealised gains on swaps and forwards	38	-
Liabilities		
Unrealised losses on swaps and forwards	(233)	-
Net derivative (liability)	<u>(195)</u>	<u>-</u>

16. TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
Trade payables	145	84
Lease liability (Note 22)	552	525
Accrued expenses	335	334
	<u>1,032</u>	<u>943</u>

17. LOANS PAYABLE TO BANKS

Bank overdrafts are composed as follows:

	31 December 2020	31 December 2019
Bank overdrafts	3,552	-
	<u>3,552</u>	<u>-</u>

As of 31 December 2020, a substantial portion of the Company's bank overdrafts are collateralized by pledges of certain inventories owned. The interest rates on bank overdrafts generally range from 1.96% to 2.38% per annum (Dec 2019: Nil). As of 31 December 2020 and 31 December 2019, the Company did not have any loans payable to banks.

The Company's Management considers that the carrying amount of bank overdrafts approximates their fair value, due to their short-term nature. (See also Note 20 for disclosure on interest rate risk).

The Company was in compliance with all its corporate and financial covenants as of 31 December 2020 (2019: Nil).

18. SHARE CAPITAL

	31 December 2020	31 December 2019
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>

19. ADDITIONAL PAID IN CAPITAL

	31 December 2020	31 December 2019
Additional paid in capital	<u>40,852</u>	<u>40,852</u>

20. 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

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 the 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 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 2020	Notes	Measured at fair value through P&L	Financial instruments measured at amortised cost	Total Carrying Amount
Financial assets				
Cash and cash equivalents		-	588	588
Accounts receivable from affiliated companies	21	-	7,786	7,786
Other current assets	13	-	1,794	1,794
Derivative financial instruments	15	38	-	38
Financial liabilities				
Loans payable	17	-	(3,552)	(3,552)
Trade and other payables	16	-	(1,032)	(1,032)
Accounts payable to affiliated companies	21	-	(23,807)	(23,807)
Derivative financial instruments	15	(233)	-	(233)
		<u>(195)</u>	<u>(18,223)</u>	<u>(18,418)</u>

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

31 December 2019	Notes	Measured at fair value through P&L	Financial instruments measured at amortised cost	Total Carrying Amount
Financial assets				
Cash and cash equivalents		-	463	463
Trade and other receivables		-	13	13
Accounts receivable from affiliated companies	21	-	5,419	5,419
Other current assets	13	-	1,235	1,235
Financial liabilities				
Trade and other payables	16	-	(943)	(943)
Accounts payable to affiliated companies	21	-	(21,192)	(21,192)
		<u>-</u>	<u>(15,005)</u>	<u>(15,005)</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 2020 and 2019 the exposure for the Company by currency was assessed as negligible.

Interest rate risk

As of 31 December 2020, the Company has banks' overdrafts (2019: Nil). As outlined in note 21 a majority of interest expense is the result of related party transactions. Such transactions are charged at a rate of LIBOR plus 0.25%. Management considers the Company's exposure to this risk as negligible.

Commodity price risk

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.

As of 31 December 2020 the Company hold both physical or forward positions, including physical inventories, futures, options and physical forward contracts (2019: Nil)

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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

As of 31 December 2020, the aggregate maximum credit exposure with all counterparties was USD 10,206 thousand (2019: USD 7,130 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 2020 and 2019 all credit losses were immaterial.

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.

21. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income		
Gerald Limited	14	78
	<u>14</u>	<u>78</u>
	Year ended 31 December 2020	Year ended 31 December 2019
Interest expense		
Gerald Metals Limited	(170)	(504)
Gerald Metals SARL	(13)	(42)
Gerald Limited	-	(57)
	<u>(183)</u>	<u>(603)</u>
	Year ended 31 December 2020	Year ended 31 December 2019
Management fee income		
Gerald Metals SARL	4,359	8,851
Gerald Metals LLC	2,322	686
GT Commodities LLC	-	241
	<u>6,681</u>	<u>9,778</u>

Interest income and expense are charged and credits on intercompany receivables and payables at a rate of LIBOR plus 0.25%.

GUK charged management fee income to Gerald Metals SARL ("GMSARL"), Gerald Metals LLC and Gerald International Limited for the cost of its personnel used in the operation of the respective companies.

	31 December 2020	31 December 2019
Accounts receivable from affiliated companies		
Gerald Metals LLC	6,145	3,553
Gerald Limited	1,641	1,613
GT Commodities LLC	-	253
	<u>7,786</u>	<u>5,419</u>

21. RELATED PARTY TRANSACTIONS (continued)

	31 December 2020	31 December 2019
Accounts payable to affiliated companies		
Gerald Metals Limited - Intercompany loan	20,468	20,305
Gerald Metals SARL - Intercompany loan	3,146	887
Gerald International Ltd	193	-
	<u>23,807</u>	<u>21,192</u>

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

22. LEASE

The Company has lease for its office premise. Depending on the location and market terms, lease are negotiated for an average term of 5-10 years and may contain options to extend for a further term at the then prevailing market rate. Rentals are fixed, when possible or practicable.

As of December 31, 2020 the net book value of recognized right-of-use assets relating to office premise was USD 1,387 thousand (2019: USD 1,924 thousand). The depreciation charge for the period relating to those assets was USD 537 thousand (2019: USD 537 thousand).

	Office
Cost	
Balance as at 1 January 2019	2,461
Additions	-
Balance as at 31 December 2019	<u>2,461</u>
Additions	-
Balance as at 31 December 2020	<u>2,461</u>
Accumulated depreciation	
Balance as at 1 January 2019	-
Change for the year	(537)
Balance as at 31 December 2019	<u>(537)</u>
Change for the year	(537)
Balance as at 31 December 2020	<u>(1,074)</u>
Carrying amount	
At 31 December 2019	1,924
At 31 December 2020	<u>1,387</u>

22. LEASE (continued)

As of the reporting date, the Company had outstanding commitments for future minimum lease payments, which fall due as follows:

	31 December 2020
No later than 1 year	552
Later than 1 year and no later than 5 years	1,253
	<u>1,805</u>
	31 December 2019
No later than 1 year	526
Later than 1 year and no later than 5 years	1,813
	<u>2,339</u>

23. SUBSEQUENT EVENTS

After the balance sheet date, no material events have occurred that should be reflected in the annual accounts 2020 or which would require a note in the financial statements.