

Company Registration No. 01999458

Gerald Holdings Limited

Report and Financial Statements

30 April 2007



Gerald Holdings Limited

Report and financial statements 2007

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Gerald Holdings Limited

Report and financial statements 2007

Officers and professional advisers

Directors

L Lander
F Caha

Secretary

A Meads

Registered Office

3 Cloth Street
Barbican
London
EC1A 7NP

Auditors

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

Gerald Holdings Limited

Directors' Report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 30 April 2007

Principal activities

The company's principal activity is that of an investment holding company. The Group's principal undertakings include the intermediary trading of metals and investment activities.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 11 to the financial statements.

Business review

The consolidated profit for the Group for the year after taxation amounts to \$3,081,000 (2006 – loss of \$2,310,000). No dividend was declared or paid during the year (2006 - \$Nil).

There have been no major changes in the trading activities of the Group in the period. The company's wholly owned subsidiary, Gerald UK Limited ("GUK"), continues to be active in the trading of refined copper and refined copper products. Turnover from trading activity was \$112,753,000 (2006 - \$43,511,000).

As of 30 April 2007, the Group had sold all of its third party investment holdings.

A summary of the Group's investment activities includes the following significant events:

- i) Gerald Metals Limited (a wholly owned subsidiary of the company) sold its shares in Globull Sarl in April 2007 which resulted in a gain of \$4.7m.
- ii) GUK sold its shares in Goyo LLC, a cashmere and camel hair processing company, to the majority Goyo LLC shareholder in March 2007 and realised no gain or loss from the transaction.
- iii) In February 2006, Gerald Capital Investment Limited, a wholly owned subsidiary of the company entered into an agreement to sell its interest in G&D Far East Metal Investment Company Limited to a third party for an amount greater than the carrying value of the investment, to be determined conditional on the performance of another third party. The sale was concluded in August 2006 and resulted in a gain on sale of investment of \$6.1m.

Risk management

The Group has a strong culture of risk monitoring, risk management and risk avoidance. The Group's risk management philosophy remains unchanged and consists of identifying and eliminating or mitigating the risks incurred by the Group in the execution of its metals merchanting and trading activities. The principal areas of risk which the Group monitors and manages are market risk, operational risk, credit risk and fraud risk.

Market risk

The Group's policy is to hedge all of its metal price exposures and to minimise un-hedged price risk within strict pre-established limits. The Group hedges its market price exposures consistent with the Group's policy. The Group's overall hedge position is reported daily to senior management and closely monitored by the ultimate parent's risk management department.

Gerald Holdings Limited

Directors' Report (continued)

Operational risk

The Group manages its operational risk by adhering to strict procedural flows and internal controls. The Group segregates execution and monitoring functions to maintain proper internal controls at all times. The Group's operational structure is highly integrated with that of its affiliates and incorporates numerous checks and balances to prevent the occurrence of any unauthorised trading or the non-compliance with the Group's policies.

Credit risk

Credit risk represents a large component of the Group's risk profile. The Group relies on its parent company for credit risk management. The Group establishes credit limits for all of the Group's counterparts. No business can be concluded with a new customer or supplier unless the credit authorisation is in place for the counterpart. The credit function is centralised for control purposes at the ultimate parent company. The Group utilises a variety of products such as credit insurance, letters of credit, forfeiting, security interests and collateral to reduce or secure its credit exposures whenever possible.

Fraud risk

Recent developments in the financial markets regarding fraudulent transactions have heightened the Group's sensitivity to employee fraud and fidelity risk. While the Group maintains insurance coverage against theft and employee fidelity risks, the Group believes that prevention and avoidance are better and more permanent solutions. The Group has reviewed its controls in this respect with a view to ensure their efficacy and made changes where necessary to prevent or minimise fraud risk. The Group has always maintained strict policies against conflicts of interest and employee trading activities in similar or like instruments, or in similar or competing businesses to that of the Group.

Key performance indicators

Relevant key performance indicators show that for the period, the Group provided a Return on Equity of 6% (2006: 1%) and the current ratio was 2.5 (2006: 1.61).

Directors

The directors of the company during the year and up to the approval of the financial statements were Lloyd Lander and Fabio Calia.

Employee issues

The Group pays particular regard to the involvement of employees generally in the Group's activities and achievements. Employees are kept aware of particular developments by circulation of copies of press notices, memoranda, and separate employee reports. There were no significant employee matters occurring during the year.

Donations

The Group made no charitable or political donations during the year (2006: \$nil).

Creditors' payment policy

The Company and its subsidiaries subscribe to the credit policies of the ultimate parent, Gerald Metals Inc. The Group is committed to establishing mutually beneficial relationships with its suppliers and it is the policy to pay them within 30 days of the invoice date, or as otherwise agreed. For certain transactions undertaken by the business, specific credit terms are established based upon the nature of the transaction and the counterparty involved.

Gerald Holdings Limited

Directors' Report (continued)

The Directors look favourably upon the prospects of the Group and expect the general level of its activity to continue in a consistent manner

The Group continues to pursue potential new investment projects that will meet its financial profile and goals in addition to maintaining ongoing core trading activities. The directors regard investment activity as a key component to developing the business in the medium to long term

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 ought to have taken as a director in order to make himself 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 s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

By: 
FADI CALIA
Director

January 25, 2008

Gerald Holdings Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws 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. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, directors are also 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 IFRS 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. 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 auditors' report to the members of Gerald Holdings Limited

We have audited the Group and parent company financial statements (the "financial statements") of Gerald Holdings Limited for the year ended 30 April 2007 which comprise the Group and Company income statements, the Group and Company balance sheets, the Group and Company cash flow statements, the Group and Company statement of changes in equity and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group and the parent company's affairs as at 30 April 2007 and of the Group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

~~29th February 2008~~

29th February 2008

Gerald Holdings Limited

Consolidated income statement For the year ended 30 April 2007

	Notes	2007 US\$000	2006 US\$000
Continuing Operations			
Revenue		112,753	43,511
Cost of sales		(112,753)	(43,511)
Gross profit		<u>-</u>	<u>-</u>
Administrative expenses	5	(9,584)	(6,822)
Interest receivable	3	2,633	2,161
Interest payable	4	(1,002)	(1,059)
Gain on disposal of available-for-sale investments	11	11,077	-
Profit / (Loss) before tax	7	<u>3,124</u>	<u>(5,720)</u>
Tax	8	(43)	(53)
Profit / (loss) after tax		<u>3,081</u>	<u>(5,773)</u>
Discontinued operations			
Profit from discontinued operations	15	-	3,463
Profit/(loss) for the year attributable to equity holders of the parent company		<u>3,081</u>	<u>(2,310)</u>

The notes on pages 16 to 27 form an integral part of the financial statements

Gerald Holdings Limited

Company income statement For the year ended 30 April 2007

	Notes	2007 US\$'000	2006 US\$'000
Administrative expenses	5	(319)	-
Loss before tax		(319)	-
Tax		-	-
Loss for the year		(319)	-

The notes on pages 16 to 27 form an integral part of the financial statements

Gerald Holdings Limited

Consolidated balance sheet 30 April 2007

	Notes	2007 US\$000	2006 US\$000
Current assets			
Cash and cash equivalents		49,472	158
Loans and advances to customers	9	-	13,948
Accounts receivable	10	31,548	26,756
Available-for-sale investments	11	-	33,718
Other assets	12	95	35
Total assets		81,115	74,615
Current liabilities			
Trade and other payables	13	32,392	28,973
Total liabilities		32,392	28,973
Net assets		48,723	45,642
Capital & reserves			
Called up share capital	14	774	774
Retained earnings		47,949	44,868
		48,723	45,642
EQUITY SHAREHOLDERS' FUNDS		48,723	45,642

The notes on pages 16 to 27 form an integral part of the financial statements

The financial statements were approved and authorised by the board of directors on January 25, 2008 and signed on its behalf by


Fabio Lavin
Director

Gerald Holdings Limited

Company balance sheet 30 April 2007

	Notes	2007 US\$000	2006 US\$000
Non-current assets			
Investment in subsidiaries	11	6,379	6,379
Current assets			
Accounts receivable	10	2,705	2,767
Total assets		<u>9,084</u>	<u>9,146</u>
Current liabilities			
Trade and other payables	13	257	-
Net assets		<u>8,827</u>	<u>9,146</u>
 Capital and reserves			
Called up share capital	14	774	774
Retained earnings		<u>8,053</u>	<u>8,372</u>
		<u>8,827</u>	<u>9,146</u>

The notes on pages 16 to 27 form an integral part of the financial statements

The financial statements were approved and authorised by the board of directors on January 25, 2008 and signed on its behalf by


Fabio Colia
Director

Gerald Holdings Limited

Consolidated cash flow statement For the year ended 30 April 2007

	Group 2007 US\$000	Group 2006 US\$000
OPERATING ACTIVITIES :		
Profit / (loss) for the year	3,081	(2,310)
Adjustment for		
- Profit from discontinued operations	-	(3,463)
- Tax	43	53
- Provision for loans and advances	-	6,000
- Profit on disposal of investments	(11,078)	-
- Other non-cash movements	-	(1,749)
Net cash outflow from trading activities	(7,954)	(1,469)
Changes in operating assets		
- Loans and advances to customers	14,748	545
- Accounts receivable	(52)	10,938
- Other assets	(59)	(19)
Changes in operating liabilities		
- Loans and advances from customers	(15,006)	-
- Trade payables	12	-
- Other liabilities	985	571
Increase in net operating assets	628	12,035
Net cash (outflow)/ inflow from operating activities	(7,326)	10,566
Tax paid	(43)	(561)
Investing activities		
- Purchase of investment	(100)	(1,483)
- Disposal of subsidiaries	-	(14,933)
- Deposit on sale of investment	-	13,400
- Interest received in cash	1,227	1,539
Net cash inflow/(outflow) from investing activities	1,127	(1,477)
Financing activities		
Decrease / (increase) in loan receivable from affiliated company	56,356	(26,677)
Interest paid	(800)	(703)
Net cash inflow/(outflow) from financing activities	55,556	(27,380)
Net increase /(decrease) in cash and cash equivalents	49,314	(18,852)
Cash and cash equivalents at 1 May	158	19,010
Cash and cash equivalents at 30 April	49,472	158

Gerald Holdings Limited

Company cash flow statement For the year ended 30 April 2007

	2007 US\$'000	2006 US\$'000
Cash flows from operating activities :		
Loss for the year	(319)	-
Movements in working capital		
- Decrease in receivables	62	-
- Increase in payables	257	-
Net (decrease)/increase in cash and cash equivalents	-	-
Cash and cash equivalents at 1 May	-	-
Cash and cash equivalents at 30 April	-	-

Gerald Holdings Limited

Consolidated statement of changes in equity For the year ended 30 April 2007

	Share capital US\$000	Retained earnings US\$000	Revaluation reserve US\$000	Foreign exchange reserve US\$000	Other reserves US\$000	Total US\$000
Balance at 1 May 2005	774	45,276	1,694	(14)	287	48,017
Loss for year	-	(2,310)	-	-	-	(2,310)
Foreign currency translation movement	-	-	-	(65)	-	(65)
Eliminated on disposal of subsidiaries	-	1,902	(1,694)	79	(287)	-
Balance at 30 April 2006	774	44,868	-	-	-	45,642
Profit for year	-	3,081	-	-	-	3,081
Balance at 30 April 2007	774	47,949	-	-	-	48,723

Gerald Holdings Limited

Company statement of changes in equity For the year ended 30 April 2007

	Share capital US\$000	Retained earnings US\$000	Total US\$000
Balance at 1 May 2005	774	8,372	9,146
Loss for the year	-	-	-
Balance at 30 April 2006	774	8,372	9,146
Loss for the year	-	(319)	(319)
Balance at 30 April 2007	774	8,053	8,827

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

1 Principal accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) that comprises standards and interpretations approved by the International Accounting Standard Board

The principal accounting policies adopted in preparing the consolidated financial statements of the Group are as follows

Adoption of International Financial Reporting Standards

The Group has adopted all of the new and revised 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 January 1, 2005

As of 30 April 2007, the following Standards and Interpretations were issued but not adopted

IFRS 7, Financial instruments Disclosure,

Amendments to IAS 1 Capital Disclosures,

IFRS 8, Operating Segments,

IFRIC 7, Financial Reporting in Hyperinflationary Economies,

IFRIC 8, Scope of IFRS 2,

IFRIC 9, Reassessment of Embedded Derivatives,

IFRIC 10, Interim Financial Reporting and Impairment,

IFRS 11, IFRS 2 – Group and Treasury Share Transactions, and

IFRIC 12, Service Concession Arrangements

IFRIC 13, Customer Loyalty Programmes

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset and Minimum Funding Requirements

Management considers that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. However, additional disclosures in the financial statements may be required

Accounting convention

The consolidated financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at fair value: certain financial assets and financial liabilities

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (the “Group”). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

All intra-group transactions, balances, income and expenses are eliminated on consolidation

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

1. Principal accounting policies (continued)

Sale of Trade and Development Bank of Mongolia (TDB)

As disclosed in note 16, in FY2006 the Group entered into a related party transaction and exchanged its equity interest in TDB for an interest in preferred shares of Globull Sarl. These shares were subsequently sold in FY07. Therefore, the Group ceased consolidating TDB from 27 April 2006. Certain accounting policies explained below relate to TDB and are included here for the 2006 comparatives.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. 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.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Foreign exchange

Assets and liabilities in foreign currencies are expressed in United States dollars (USD) at the rate of exchange ruling at the balance sheet date. Share capital denominated in foreign currencies is stated in USD at the rates ruling on the dates at which the transactions were originally recorded. The results for the year are expressed in United States dollars using rates of exchange ruling at the date of the transactions.

All differences arising from translation are dealt with in the income statement.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately as a gain in income statement.

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

1. Principal accounting policies (continued)

Loans and advances to customers and provision for bad and doubtful debts

Loans are stated at amortised cost less allowance for impairment

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loan. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

Specific loan impairment allowance covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and the current economic climate in which the borrowers operate. In addition to the specific provisions, collective provision is made for 1% of the outstanding loan amount in accordance with the historical pattern of the bad debts. When a loan is uncollectible, it is written off against the related allowance for impairment or recognised as an expense in the income statement. Subsequent recoveries are credited to the provisions in the income statement.

If the amount of the impairment subsequently decreases due to an event occurring after the write down, the release of the allowance is credited as a reduction in the provisions.

Financial assets

Financial assets are classified as loans and receivables, held to maturity, fair value through profit or loss, or available for sale.

Loans and receivables - non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment losses.

Held to maturity - financial instruments with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method.

Held for trading - a financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative. Held for trading financial assets are measured at fair value with gains and losses recognised in profit or loss as they arise.

Fair value through profit or loss - any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes accounted for in profit or loss.

Available for sale - those non-derivative financial assets that are not classified as loans and receivables, held to maturity, or not held for trading and are not designated as at fair value through profit or loss on initial recognition. Available for sale financial assets are measured at fair value with fair value gains or losses recognised directly in equity through the statement of changes in equity. Interest is calculated using the effective interest method and is recognised in profit or loss along with impairment losses.

On implementation of IFRS, no financial assets were designated as fair value through profit or loss or held for trading. Debt securities are classified as held-to-maturity investments and unlisted investments are classified as available for sale.

Regular way purchases of financial assets classified as loans and receivables are recognised on settlement date, all other regular way purchases are recognised on trade date.

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

1 Principal accounting policies (continued)

Debt securities

Investments in debt securities held as fixed assets are stated at cost less provision for any permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date. The Group is subject to UK and the Mongolian tax laws.

Derivative contracts

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the income statement, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's financial statements.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the period of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

Pension plans

The subsidiary in Mongolia, the Trade and Development Bank of Mongolia, which was sold in prior period, sponsored a defined contribution scheme for all of its qualified employees. In accordance with the scheme, defined contributions were made to a government pension scheme. These contributions were determined as a percentage of each covered employee's salary and are recognised as an operating expense in the income statement as incurred. In addition, contributions were made towards the Social Security and Health fund, which were charged to the income statement as incurred.

There are no pension plans.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank.

Provisions

The Group records provisions when it has an obligation to satisfy a claim, it is probable that an outflow of Group 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 informed judgment about the circumstances surrounding the past provision of services. It also relies on expert legal advice and actuarial assessments. Changes in estimates are reflected in the income statement in the period in which the change occurs.

Investments in subsidiaries

The carrying value of the company's investments in subsidiaries is stated at historical cost less any provisions for impairment.

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

2. Critical accounting estimates and judgements

The reported results of the Group for 2007 are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The Group's principal accounting policies are set out above. UK company law requires the directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgments and estimates that are reasonable and prudent. In the absence of an applicable standard of interpretation, International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements.

Judgments

In the process of applying the Company's accounting policies, 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 bad debt provisions on trade receivables, commodities owned, allowances, taxes, provisions, and contingencies.

Allowances

The Group is subject to litigation and other claims. Management bases its judgments on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedents.

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.

Recoverability of trade accounts and notes receivables

Trade accounts and notes receivable are reflected net of an estimated allowance for doubtful accounts. These allowances are estimated based primarily on the Group's aging policy guidelines, individual client analysis and an analysis of the underlying risk profile of each major revenue stream by business and geography.

3. Interest receivable

Included within interest receivable are the following amounts:

	Group 2007 US\$000	Group 2006 US\$000
From banks	221	96
From affiliated undertakings and others	2,412	2,065
	<u>2,633</u>	<u>2,161</u>

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

4. Interest payable

	Group 2007 US\$'000	Group 2006 US\$'000
Payable to affiliated undertakings	1,002	1,059
	<u>1,002</u>	<u>1,059</u>

5. Administrative and other expenses

	Group 2007 US\$000	Company 2007 US\$000	Group 2006 US\$000	Company 2006 US\$000
Professional fees	697	319	320	-
Other administrative expenses	287	-	6,502	-
Expense on disposal of investments	8,600	-	-	-
	<u>9,584</u>	<u>319</u>	<u>6,822</u>	<u>-</u>

Expense on disposal of investments in 2007 consisted of a settlement fee paid in connection with the sale of the Trade and Development Bank of Mongolia

6. Emoluments of directors and staff particulars

During the year directors received no remuneration for their services to the Group (2006 \$nil) No directors received any remuneration or pension contributions in respect of their services to any of the Group companies The directors were remunerated by the ultimate parent company of the Group, Gerald Metal Inc

The Group had no employees during the period (2006 - nil)

7. Profit on ordinary activities before taxation

This is stated after charging

	Group 2007 US\$000	Group 2006 US\$000
Fee payable to the Company's auditors for the audit of Company's annual report	20	38
Company's subsidiary financial statements	80	33
Fee payable to the Company's auditors for tax services	-	47
	<u>100</u>	<u>118</u>

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

8. Taxation

Tax on profit on ordinary activities

The tax charge is made up as follows

	Group 2007 US\$000	Group 2006 US\$000
UK corporation tax	<u>43</u>	<u>53</u>

a) Factors affecting current tax charge

The current taxation charge for the year is different to the standard rate of corporation tax in the UK (30%)

The differences are explained below

	Group 2007 US\$000	Group 2006 US\$000
Theoretical tax at UK corporation tax rate of 30% (2006 – 30%)	937	(872)
Effect of		
Non taxable gain	(3,152)	(844)
Adjustments in respect of prior years	43	-
Unrelieved losses	2,215	1,871
Other adjustments		(102)
Actual current tax charge	<u>43</u>	<u>53</u>

The Group has carried forward trading losses of approximately \$4 3m (2006 \$5 5m) and surplus management expenses of \$8 1m (2006 \$nil) which will be available to offset against future income

9. Loans and advances

	Group 2007 US\$000	Group 2006 US\$000
Less than 3 months	<u>-</u>	<u>13,948</u>
	<u>-</u>	<u>13,948</u>

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

10. Accounts receivable

	Group 2007 US\$000	Company 2007 US\$000	Group 2006 US\$000	Company 2006 US\$000
Amounts owed by affiliated undertakings	31,518	2,705	26,674	2,767
Trade receivables	30	-	82	-
	<u>31,548</u>	<u>2,705</u>	<u>26,756</u>	<u>2,767</u>

Accounts receivable from affiliated undertakings include a receivable from Globull LLC, a related company with common shareholders, for the sale of the shares in Globull Sarl for \$31.5 million (2006: \$nil)

11. Investment in subsidiaries and available-for-sale investments

Investment in subsidiaries

	Company 2007 US\$000	Company 2006 US\$000
Shares in subsidiary undertakings at:		
Cost at 1 May and 30 April	<u>6,379</u>	<u>6,379</u>

The company has investments in the following direct and indirectly held subsidiary undertakings

Name of interest	Ordinary shares %	Principal activities	Country of registration
Gerald Limited (1)	100	Investment holding company	United Kingdom
Gerald UK Limited (2)	100	Trading and investment holding company	United Kingdom
Gerald Metals Limited (3)	100	Investment holding company	United Kingdom
Gerald Capital Investment Limited (3)	100	Investment holding company	British Virgin Islands
Gerald Finance Port Limited (3)	100	Investment holding company	British Virgin Islands
Gerald Investment Limited (3)	100	Investment holding company	Cayman Islands

- (1) Held directly by Gerald Holdings Limited
- (2) Held indirectly through Gerald Limited
- (3) Held indirectly through Gerald UK Limited

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

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

11. Investment in subsidiaries and unlisted investments (continued)

Available-for-sale investments

	Group 2007 US\$000	Group 2006 US\$000
Cost as at 1 May	33,718	-
Additions	-	33,718
Disposals	(33,718)	-
Cost at 30 April	<u>-</u>	<u>33,718</u>

The Group realised capital gains of \$4.7m and \$6.4m (total \$11.1m) on the sale of its investments as follows

The Group previously held a preferred interest in Globull Sarl, a related company, with a book value of \$26.8 million. These preferred shares were sold at management's estimated fair value, equaling face value plus participating interest, to an affiliate in 2007 for \$31.5 million. A gain of \$4.7 million was recorded in the current year income statement.

The Group held a 12% equity interest in the East Hope (Sanmenxia) Aluminium Industry Co., Ltd. ("Mianchi") with the East Hope Group in China. In the fiscal year ended April 2005, the carrying value of the investment was \$4.35 million. In the fiscal year ended 2006, the Group increased its cash investment by \$1.48 million to \$5.83 million. In February 2006 the Group entered into an agreement to sell its interest in Mianchi to a third party for an amount greater than the carrying value of the investment, which was to be determined conditional on the performance of another third party. Since the sale was conditional, no gain was realised in 2006. In August 2006 the Group finalised its sale of Mianchi and as of 30 April 2007, the Group no longer held this investment. A gain of \$6.4 million on the sale of the Mianchi shares was recorded as a gain on disposal investment.

Other investment activity during the year also included

The Group sold its \$1.2 million investment representing a 40% interest in a cashmere and garment company in Mongolia formed in 2006 at its carrying amount to the majority shareholder of this investment as part of a settlement on sale of Trade and Development Bank of Mongolia.

The Group has a 10% equity interest in an Asian joint venture with an investment book value of \$6.0 million. The investment remains fully reserved for at 30 April 2007 to reflect its estimated recoverable value as the Group is currently in litigation with the other stakeholders. The Group is pursuing all available legal remedies to gain restitution.

12. Other Assets

	Group 2007 US\$000	Group 2006 US\$000
Prepaid expenses and other receivables	95	35
Total	<u>95</u>	<u>35</u>

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

13. Trade and other payables

	Group 2007 US\$000	Company 2007 US\$000	Group 2006 US\$000	Company 2006 US\$000
Amount due to affiliated undertakings	31,440	67	1,116	-
Trade payables	12	190	27,421	-
Sundry payables and accruals	940	-	436	-
	<u>32,392</u>	<u>257</u>	<u>28,973</u>	<u>-</u>

14. Called up share capital

	Group 2007 US\$000	Company 2007 US\$000	Group 2006 US\$000	Company 2006 US\$000
Authorised, issued and fully paid 500,000 ordinary shares of £1 each	774	774	774	774

15. Discontinued operations

On 27 April 2006 the Group entered into an agreement to dispose of Trade and Development Bank of Mongolia together with the related holding structure of this investment, Globull SCA, Globull SA and its Mongolia Representative Office

The results of the discontinued operations which have been included in the consolidated income statement were as follows

	Group 2007 US\$000	Group 2006 US\$000
Interest payable	-	(6,896)
Interest receivable	-	20,558
Fees and commissions	-	7,055
Provisions	-	(1,871)
Administrative expenses	-	(9,433)
Profit before taxation	-	9,413
Tax on profit	-	(2,944)
Profit after taxation	-	6,469
Minority interest	-	3,006
Profit attributable to the shareholders' of parent company	-	3,463

During the year the Trade and Development Bank of Mongolia contributed nil (2006 - \$26 84 million) to the Group's net operating cash flows, absorbed no cash (2006 used \$7 16 million) for investing activities, and required no financing (2006 \$1 38 million) from financing operations

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

16. Sale of TDB

On 27 April 2006, GHL transferred its 65.5% share capital interest in TDB and its interest in Globull SCA and Globull SA in exchange for 29.6 million non-voting 7% cumulative preference shares in Globull Sarl. The disposal was made at the management's estimated fair value of \$29.6 million. The book value at the date of sale was \$26.8 million.

	Group 2006 US\$000
Net assets disposed	
Property, plant & equipment	(9,487)
Goodwill	(4,642)
Other investments	
Cash	(14,933)
Deposits and placements	(60,269)
Trade receivables	(13,178)
Investments in securities	(25,174)
Loans and advances	(160,574)
Sundry receivables	(14)
Other assets	(4,120)
Due to affiliates	853
Deposits from customers	220,751
Deposits from banks	6,456
Loans from financial institutions	9,663
Accrued expenses	1
Taxes payable	1,205
Other liabilities	7,224
Other liabilities	
Subordinated debt	7,993
Minority interests	11,460
Total consideration satisfied by preference shares	26,785

The impact of TDB on the Group's results in the current and prior periods is disclosed in note 15.

Gerald Holdings Limited

Notes to the accounts Year ended 30 April 2007

17. Related party

The Group had the following related party transactions during the current and the previous year

	Group 2007 US\$000	Group 2006 US\$000
Turnover		
Gerald Metals SA	<u>112,753</u>	<u>43,511</u>
Interest expense:		
Gerald Metals SA	(800)	(1,060)
Globull Sarl	<u>(202)</u>	<u>-</u>
	<u>(1,002)</u>	<u>(1,060)</u>

The Group purchases metals from third party suppliers and sells them to its immediate parent company Gerald Metals SA at nil profit

Interest paid represents the amount paid to Gerald Metals SA for the advances received from it in respect of the sales of metals Globull Sarl is a wholly owned subsidiary of Globull LLC which is owned by the directors of the company

Amounts due to and receivable from Gerald Metals SA are included in amounts due to/and from Group undertakings

18. Events after balance sheet date

The receivable arising from the sale of the Sarl shares by GML was collected in May 2007

19. Ultimate holding company

Until 27 April 2006, the parent undertaking of the largest and smallest Group of undertakings for which Group financial statements are drawn up and of which the Group is a member was Gerald Metals Inc , incorporated in the USA Subsequent to 27 April, 2006, the Group was reorganised and the immediate parent company of the Group is now Gerald Metals S A , a company incorporated in Switzerland, with its principal office at 29, Rue de la Gare, Morges Switzerland 1110 The ultimate parent company continues to be Gerald Metals Inc

Copies of the financial statements of Gerald Metals Inc are not publicly available