

Company Registration No. 3961277

Gerald UK Limited

Report and Financial Statements

30 April 2013

FRIDAY



L2ZRM9JV

LD4

17/01/2014

#4

COMPANIES HOUSE

Gerald UK Limited

Report and financial statements 2013

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Income Statement	6
Balance sheet	7
Cash flow statement	8
Statement of changes in equity	9
Notes to the financial statements	10-20

Gerald UK Limited

Report and financial statements 2013

Officers and professional advisers

Directors

C Dean (Appointed January 30, 2013)

L Lander (Retired January 30, 2013)

F Calia

D M Rahaghiati

Secretary

A B R Meads

Registered Office

The Broadgate Tower

20 Primrose Street

London EC2A 2LW

Independent Auditors

Deloitte LLP

Chartered Accountants and Statutory Auditors

London

Gerald UK Limited

Report and financial statements 2013

Directors' report

The directors present their report and financial statements for the year ended 30 April 2013

This directors' report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime

Results and dividends

The loss after tax amounts to US\$21,000 (2012 – loss of US\$101,000) and has been transferred from reserves. No dividends (2012 - US\$ nil) were paid to Gerald Limited (the immediate parent undertaking) during the year ended 30 April 2013.

Principal activities and review of business developments

During the period the Company was involved in providing financing to affiliated entities. The company had no trading activities during the current year. The Company continues to seek and develop new business opportunities.

As of 30 April 2013, the Company held no investments besides wholly owned subsidiaries (listed in note 8 to the accounts).

The company has taken the exemption allowed to small companies under section 417 of the Companies Act 2006 from the requirement to prepare an enhanced business review.

Directors

The directors of the company during the year and up to the approval of the financial statements were Craig Dean appointed January 30, 2013, Lloyd Lander retired January 30, 2013, Fabio Calia and David Rabagliati.

Independent Auditors

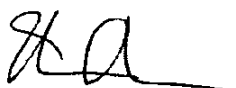
Each of the persons who is a director at the date of approval of this report confirms that

- (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 s418 of the Companies Act 2006.

Deloitte 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.

By order of the Board,



Director
Fabio Calia
January 14, 2014

Gerald UK Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, 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 auditors' report to the members of Gerald UK Limited

We have audited the financial statements of Gerald UK Limited for the year ended 30 April 2013 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity, and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 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

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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 April 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditors' report to the members of
Gerald UK Limited (continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors report.



Christopher Jones FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

 17 July 2014

Gerald UK Limited

**Income Statement
Year ended 30 April 2013**

	Notes	2013 US\$000	2012 US\$000
Administrative expenses		(137)	(217)
Interest receivable and similar income	3	348	362
Interest payable and similar charges	4	(232)	(246)
Loss before tax	5	<u>(21)</u>	<u>(101)</u>
Tax credit	7	<u>-</u>	<u>-</u>
Loss for the financial year attributable to equity holders of the company		<u>(21)</u>	<u>(101)</u>

All the amounts in the current and the previous year 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 on pages 10 to 20 form an integral part of the financial statements.

Gerald UK Limited
 REGISTRATION NO: 3961277
 Balance sheet
 30 April 2013

	Notes	2013 US\$000	2012 US\$000
Non-current assets			
Investments in subsidiary undertakings	8	<u>18,859</u>	<u>18,859</u>
Current assets			
Trade and other receivables	9	55,106	53,801
Cash and cash equivalents		<u>802</u>	<u>921</u>
Total Current Assets		<u>55,908</u>	<u>54,722</u>
Current liabilities			
Trade and other payables	10	<u>(61,956)</u>	<u>(60,749)</u>
Net current (liabilities)		<u>(6,048)</u>	<u>(6,027)</u>
Net assets		<u>12,811</u>	<u>12,832</u>
Capital and reserves			
Called up share capital	11	35,000	35,000
Other reserves	12	852	852
Due from parent	14	(19,024)	(19,024)
Accumulated deficit		<u>(4,017)</u>	<u>(3,996)</u>
Total equity shareholders' funds		<u>12,811</u>	<u>12,832</u>

The notes on pages 10 to 20 form an integral part of the financial statements. These financial statements were approved by the Board of Directors and authorised for issue on January 14, 2014.

Signed on behalf of the Board of Directors,


 Director
 Fabio Calia

Gerald UK Limited**Cash flow statement
For the year ended 30 April 2013**

	2013 US\$000	2012 US\$000
Cash flows from operating activities:		
(Loss) for the year	(21)	(101)
Adjustments for:		
Interest received	(348)	(362)
Interest paid	232	246
	<u>(137)</u>	<u>(217)</u>
Operating cash flows before movements in working capital		
Working capital movements:		
Increase (Decrease) in accrued expenses and sundry payables	10	(14)
Net cash flow (used in) operating activities	<u>(127)</u>	<u>(231)</u>
Investing activities:		
Interest received	348	467
Cash flow from investing activities	<u>348</u>	<u>467</u>
Financing activities:		
Loans paid to affiliated companies, net	(26)	(15,050)
Interest paid	(314)	(94)
Cash flow (used in) financing activities	<u>(340)</u>	<u>(15,144)</u>
Net (decrease) in cash and cash equivalents	(119)	(14,908)
Cash and cash equivalents at 1 May	<u>921</u>	<u>15,829</u>
Cash and cash equivalents at 30 April	<u><u>802</u></u>	<u><u>921</u></u>

Gerald UK Limited

**Statement of changes in equity
For the year ended 30 April 2013**

	Share Capital US \$000	Other reserves US \$000	Due From Parent US \$000	Accumulated deficit US \$000	Total US \$000
Balance at 30 April 2011	35,000	852	(19,024)	(3,895)	12,933
Loss for the year	-	-	-	(101)	(101)
Balance at 30 April 2012	<u>35,000</u>	<u>852</u>	<u>(19,024)</u>	<u>(3,996)</u>	<u>12,832</u>
Loss for the year	-	-	-	(21)	(21)
Balance at 30 April 2013	<u>35,000</u>	<u>852</u>	<u>(19,024)</u>	<u>(4,017)</u>	<u>12,811</u>

Gerald UK Limited

**Notes to the financial statements
Year ended 30 April 2013**

1. Principal accounting policies

Adoption of International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB

In the current year, the company has adopted all of 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

As of 30 April 2013, the following Standards and Interpretations were issued but not effective.

Effective for annual periods beginning on or after		
Amendments to Standards		
IFRS 7 (amendment)	Financial Instruments: Disclosures	1 January 2013
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2015
	Additions to IFRS 9 for Financial Liability Accounting	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1 (amendment 2011)	Presentation of Financial Statements	1 July 2012
IAS 19 (revised 2011)	Employee Benefits	1 January 2013
IAS 27 (May 2011)	Separate Financial Statements	1 January 2013
IAS 28 (May 2011)	Investments in Associates and Joint Ventures	1 January 2013
IAS 32 (Amendments)	Offsetting Financial Assets and Liabilities	1 January 2014
IAS 36 (amendment)	Impairment of Assets	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27	Investments in Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013
Annual Improvements 2009-2011	Annual Improvements to IFRSs 2009-2011 Cycle (Amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34)	1 January 2013
New Interpretations		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IFRIC 21	Leases	1 January 2014

Gerald UK Limited

Notes to the financial statements (continued) Year ended 30 April 2013

1. Principal accounting policies (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report. In addition the financial statements include the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The group of which the company is part has considerable financial resources together with long-term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Accounting convention

The financial statements have been prepared on a historical cost basis as modified by the recognition of derivative financial assets and liabilities at fair value.

Group financial statements

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 Holdings Limited, which is incorporated in the United Kingdom.

Revenue recognition

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

Interest income is recognised on an accrual basis.

Turnover comprises sales of metal during the year and is recognised when title and risk pass to the customer and the price is determinable.

Investments in subsidiaries

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

Foreign currencies

The financial statements have been presented in United States dollars which is the functional currency of the company.

Assets and liabilities in foreign currencies are expressed in the United States dollar at the rate of exchange ruling at the balance sheet date. The results for the year are expressed in United States dollar using rates of exchange ruling at the date of the transactions.

All differences arising from translation are dealt with in the Income Statement.

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 Company 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

Gerald UK Limited

Notes to the financial statements (continued) Year ended 30 April 2013

1 Principal accounting policies (continued)

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. 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.

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 Company is subject to UK tax laws.

Cash and cash equivalents

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

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, held for trading and are not designated as 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.

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.

Derivative contracts

Derivative contracts consist of contracts for the future physical sale or purchase of metal.

Gerald UK Limited

Notes to the financial statements (continued)

Year ended 30 April 2013

2 Critical accounting estimates and judgments

The reported results of the company for the year ended 30 April 2012 and 30 April 2011 are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The company's principal accounting policies are set out above. UK company law requires the directors, in preparing the company'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 or 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 light of the requirements and guidance in IFRSs 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 derivative assets and liabilities, bad debt provisions on trade receivables, commodities owned, allowances, depreciation, taxes, provisions and contingencies.

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 other receivables

Trade accounts and other receivables 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 and similar income

Included within interest receivable are the following amounts:

	2013 US\$000	2012 US\$000
From group undertakings and others	<u>748</u>	<u>362</u>

4. Interest payable and similar charges

	2013 US\$000	2012 US\$000
Payable to group undertakings	<u>232</u>	<u>246</u>

Gerald UK Limited

Notes to the financial statements (continued) **Year ended 30 April 2013**

5 Loss on ordinary activities before tax

This is stated after charging

	2013 US\$000	2012 US\$000
Fee payable to the Company's auditors for the audit of the Company's annual report	12	12
Foreign exchange losses	1	6
	<u>13</u>	<u>18</u>

6. Emoluments of directors and staff particulars

No directors' emoluments were payable for the year (2012 - US\$nil) There were no employees in 2013 (2012 - nil)

7. Taxation

a) Tax on profit on ordinary activities

The tax credit is made up as follows

	2013 US\$000	2012 US\$000
UK corporation tax	-	-
Current year	-	-
Prior year	-	-
Total current tax	<u>-</u>	<u>-</u>

b) Factors affecting current tax credit

The current taxation credit for the year is calculated per the standard rate of corporation tax in the UK (23.9%) as explained below

	2013 US\$000	2012 US\$000
Theoretical tax (credit)/charge at UK corporation tax rate of 23.9% (2012 - 25.8%)	(6)	(26)
Effect of		
Unused surplus management expense not recognised as deferred tax assets	6	26
Other	-	-
Actual current year tax charge/(credit)	<u>-</u>	<u>-</u>

The company has surplus management expense carry forward of US\$4.6 million (2012 - US\$4.7 million)
These surplus management expenses do not expire

Gerald UK Limited

Notes to the financial statements (continued) Year ended 30 April 2013

8. Investments in subsidiary undertakings

	2013 US\$000	2012 US\$000
Cost		
Opening and closing balance	<u>18'859</u>	<u>18'859</u>

The company has investments in the following subsidiary undertakings and associates:

Name of interest	Ordinary shares %	Principal activities	Country of registration	Capital & Reserves 2013 US\$000	Profit 2013 US\$000
Gerald Metals Limited	100	Investment holding company	England and Wales	31,050	133
Gerald Capital Investments Limited	100	Investment holding company	British Virgin Islands	6,361	-
Gerald Finance Port Limited	100	Investment holding company	British Virgin Islands	(1)	-
Gerald Investments Limited	100	Investment holding company	Cayman Islands	-	-

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

9 Trade and other receivables

	2013 US\$000	2012 US\$000
Amount owed by group undertakings	55,105	53,800
Other receivables	<u>1</u>	<u>1</u>
	<u>55,106</u>	<u>53,801</u>

10. Trade and other payables

	2013 US\$000	2012 US\$000
Amount due to group undertakings	61,936	60,738
Sundry accruals	<u>20</u>	<u>11</u>
	<u>61,956</u>	<u>60,749</u>

Gerald UK Limited

Notes to the financial statements (continued) Year ended 30 April 2013

13. Financial risk factors (continued)

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

FY 2013	Note	Loans and receivables	Measured at fair value through P&L	Financial liabilities measured at amortized cost	Total Carrying Amount
Financial assets					
Trade and other receivables	9	1	-	-	1
Intercompany trade and other receivables	9	55,105	-	-	55,105
Cash equivalents		802	-	-	802
Financial liabilities					
Trade and other payables	10	-	-	(20)	(20)
Intercompany trade and other payables	10	-	-	(61,936)	(61,936)
		<u>55,908</u>	<u>-</u>	<u>(61,956)</u>	<u>(6,048)</u>

FY 2012	Note	Loans and receivables	Measured at fair value through P&L	Financial liabilities measured at amortized cost	Total Carrying Amount
Financial assets					
Trade and other receivables	9	1	-	-	1
Intercompany trade and other receivables	9	53,800	-	-	53,800
Cash equivalents		921	-	-	921
Financial liabilities					
Trade and other payables	10	-	-	(11)	(11)
Intercompany trade and other payables	10	-	-	(60,738)	(60,738)
		<u>54,722</u>	<u>-</u>	<u>(60,749)</u>	<u>(6,027)</u>

The financial instrument carrying amount is either the fair value, or approximates the fair value

Gerald UK Limited

Notes to the financial statements (continued) Year ended 30 April 2013

13. Financial risk factors (continued)

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 may expose it primarily to the financial risks from changes in foreign currency exchange rates, interest rates, and commodity prices.

Foreign currency risk

The Company is exposed to the effects of fluctuations in exchange rates of foreign currencies such as GBP. At 30 April 2013, the exposure for the Company by currency was assessed as negligible.

Interest rate risk

The Company's interest rate risk arises primarily from intercompany lending and borrowing as well as cash deposited in financial institutions. These short-term loans and the cash deposited are primarily arranged at floating rates based on LIBOR. Therefore, the Company is exposed to cash flow interest rate risk.

Considering the balance sheet positions at the end of the current fiscal year, if the interest rate had increased / decreased by 50 bps at April 30, 2013 and all other variables were constant, the Company's profit and loss for the fiscal year would have decreased / increased by US\$28,000 (2012 - US\$34,000) due to its exposure to variable interest rates. These sensitivities are hypothetical and should not be considered predictive of future performances.

Commodity price risk

As at 30 April 2013 the Company held no physical forward positions. Market risk arises from the potential for changes in their value resulting from fluctuations in metals prices.

It is the Company's policy to hedge substantially its commitments for forward deliveries of metal. For this purpose, the Company enters into off-setting sales and purchase agreements. The Company has not elected to apply hedge accounting as defined by IAS 39. Therefore, the Group follows the guidance of IAS 39 and recognizes derivative instruments as either assets or liabilities on the consolidated financial statements and measures those instruments at fair value. The unrealized gains and losses are recorded through the income statement.

At the balance sheet date the Company was not exposed to changes in commodity prices and its exposure was nil (2012 - nil exposure).

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. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable, and derivative financial instruments. As of 30 April 2013, the maximum credit exposure was US\$55.9 million (2012 - US\$54.7 million) referring to the carrying value of financial assets.

The Company's cash and cash equivalents are deposited in high-quality financial institutions with S&P ratings greater than A. Advances made by the Company to certain suppliers are reported in the balance sheet under "Loans and advances to customers." The amounts advanced vary with the financial strength of the producer along with other business and operational considerations and are reimbursed through the sale of commodities owned by the producer to the Company pursuant to the underlying contract. 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.

In 2013 and 2012, the Company held no third-party receivable balances and there were no advances to suppliers.

Gerald UK Limited

Notes to the financial statements (continued)

Year ended 30 April 2013

13 Financial risk factors (continued)

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when due. The Gerald Group's Treasury department monitors the liquidity risk and manages the Company's short and medium term funding and liquidity requirements as part of its Group-wide liquidity management program. 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 Group 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. In 2013 and 2012, the Company held no payment obligations beyond a year.

14. Related party transactions

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

	2013 US\$000	2012 US\$000
Interest expense		
Gerald Metals SA	(84)	(86)
Gerald Metals Limited	<u>(148)</u>	<u>(160)</u>
	<u>(232)</u>	<u>(246)</u>
Professional Fees		
Gerald Metals SA	<u>(99)</u>	<u>(209)</u>

The Company previously purchased metals from third party suppliers and sold them to Gerald Metals SA at nil profit.

Interest expense represents the amount paid to Gerald Metals SA for the advances received from it in respect of the sales of metals and deposits. Interest expense from Gerald Metals Limited relates to intercompany loans.

Professional fees are charged by Gerald Metals SA as a recharged of the cost of personnel time used in the management of Gerald UK Limited.

Amounts due to and receivable from subsidiary undertakings are included in amounts due to and from group undertakings.

Amounts due from the ultimate parent company, Gerald Holdings LLC (GH LLC) are included in the contra equity account Due from Parent. During FY 2010, the Company entered into a subordinated loan agreement with GH LLC for US\$19 million. The loan bears interest at a rate of LIBOR plus 0.25%. The principal amount, plus any unpaid interest, is payable in full on 16 April 2085. GH LLC has the right to prepay in whole or in part the outstanding principal plus unpaid interest at any time. Management has presented these balances within equity (contra-equity) as the cash was loaned to the parent company and Management does not anticipate its repayment.

Gerald UK Limited

Notes to the financial statements (continued)

Year ended 30 April 2013

15. Ultimate holding company

The company's immediate holding company is Gerald Limited, a company incorporated in Great Britain and registered in England and Wales. The smallest company in which the financial statements of the company are consolidated is Gerald Holdings Limited. The consolidated financial statements are filed at Companies House, Crown Way, Maundy, Cardiff, CF14 3UZ.

The Company's ultimate Parent and controlling party is Gerald Holdings LLC, an entity formed during fiscal year 2010 to hold the worldwide Gerald group of companies. The Company's former ultimate Parent was Gerald Metals Inc., now Gerald Metals LLC, a company registered in the United States of America. Copies of the financial statements of GH LLC are not publicly available.
