Company Number: 03541413

NUFCOR INTERNATIONAL LIMITED

ANNUAL REPORT

31 DECEMBER 2018

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2018. A strategic report has not been prepared as the company is entitled to the small companies exemption under section 414B of the Companies Act 2006.

1. Introduction

The principal activity for Nufcor International Limited (the company) is trading uranium, including U3O8 and UF6, and conversion services.

The company's ultimate parent undertaking and controlling entity is The Goldman Sachs Group, Inc. (Group Inc.). Group Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System. In relation to the company, 'group undertaking' means Group Inc. or any of its subsidiaries. Group Inc., together with its consolidated subsidiaries, form 'GS Group'. GS Group is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals.

The company primarily operates in a U.S. dollar environment as part of GS Group. Accordingly, the company's functional currency is the U.S. dollar and these financial statements have been prepared in that currency.

2. Financial overview

The financial statements have been drawn up for the year ended 31 December 2018. Comparative information has been presented for the year ended 31 December 2017.

The results for the year are shown in the profit and loss account on page 6. Profit before taxation for the year ended 31 December 2018 was US$2.0 million (year ended 31 December 2017: US$0.4 million).

The company has total assets of US$177.6 million (31 December 2017: US$53.3 million). The increase is primarily due to a new uranium trading contract entered into during the year.

3. Exchange rate

The British pound / U.S. dollar exchange rate at the balance sheet date was £ / US$1.2743 (31 December 2017: £ / US$1.3524). The average rate for the year was £ / US$1.3297 (year ended 31 December 2017: £ / US$1.3020).

4. Future outlook

The directors consider that the year end financial position of the company was satisfactory and do not anticipate any significant changes in its activities in the forthcoming year.

5. Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (year ended 31 December 2017: US$nil).

6. Financial risk management

The company's financial risk management objectives and policies, as well as its risk exposures, are described in note 19 to the financial statements.

DIRECTORS' REPORT (continued)

7. Disclosure of information to auditors

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

8. Independent auditors

The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

9. Directors

The directors of the company who served throughout the year and to the date of this report, except where noted, were:

Name	Appointed	Resigned
A. F. Von Moll	24 June 2019	
J. J. M. Gabillion		10 May 2019
J. M. Lomheim	13 June 2019	
J. R. Taylor	5 September 2018	
R. M. Thomas		

No director had, at the year end, any interest requiring note herein.

10. Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate 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 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.

DIRECTORS' REPORT (continued)

11. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 27 June 2019.

ON BEHALF OF THE BOARD

R. M. Thomas
Director

Independent auditors' report to the members of Nufcor International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Nufcor International Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2018; the Profit and Loss Account, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Nick Morrison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

27 June 2019

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2018

	Note	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Net revenues		2,895	1,622
Interest receivable and similar income	4	24	61
Interest payable and similar expenses	5	(913)	(1,239)
Administrative expenses	6	(43)	(75)
PROFIT BEFORE TAXATION		1,963	369
Tax on profit	9	(372)	(51)
PROFIT FOR THE FINANCIAL YEAR		**1,591**	**318**

The profit before taxation of the company is derived from continuing operations in the current and prior years.

The company has no recognised gains and losses other than those included in the profit and loss account for the years shown above and therefore no separate statement of other comprehensive income has been presented.

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET

as at 31 December 2018

	Note	31 December 2018 US$'000	31 December 2017 US$'000
CURRENT ASSETS			
Debtors	10	4,330	3,561
Derivative financial assets	11	32,929	19,247
Inventories	12	135,099	25,577
Cash at bank and in hand		5,282	4,904
		177,640	53,289
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors	13	(15,894)	(16,504)
Derivative financial liabilities	14	(32,241)	(1,468)
		(48,135)	(17,972)
NET CURRENT ASSETS		129,505	35,317
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(97,099)	(4,502)
NET ASSETS		**32,406**	**30,815**
CAPITAL AND RESERVES			
Called up share capital	17	6,000	6,000
Profit and loss account		26,406	24,815
TOTAL SHAREHOLDER'S FUNDS		**32,406**	**30,815**

The financial statements were approved by the Board of Directors on 27 June 2019 and signed on its behalf by:

R. M. Thomas
Director

The accompanying notes are an integral part of these financial statements.

Company number: 03541413

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Called up share capital	Profit and loss account	Total shareholder's funds
	US$'000	US$'000	US$'000
Balance at 1 January 2017	6,000	24,497	30,497
Profit for the financial year	-	318	318
Balance at 31 December 2017	6,000	24,815	30,815
Profit for the financial year	-	1,591	1,591
Balance at 31 December 2018	**6,000**	**26,406**	**32,406**

No dividends were paid in 2018 and 2017.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

1. GENERAL INFORMATION

The company is a limited liability company and is incorporated and domiciled in England and Wales. The address of its registered office is Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom.

The company's immediate parent undertaking and the parent company of the smallest group for which consolidated financial statements are prepared is Goldman Sachs Group UK Limited (GSG UK), a company incorporated and domiciled in England and Wales. Copies of its consolidated financial statements are avaliable on request from the Company Secretary, GSG UK, Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom.

The ultimate parent undertaking and the parent company of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., a company incorporated in the United States of America. Copies of its consolidated financial statements can be obtained from Investor Relations, 200 West Street, New York, NY 10282, United States of America, GS Group's principal place of business or at www.goldmansachs.com/shareholders/.

2. ACCOUNTING POLICIES

a. Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention, except for the revaluation of inventory and derivative financial instruments, and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006.

The following exemptions from disclosure requirements of International Financial Reporting Standards (IFRS) as adopted by the E.U. have been applied in the preparation of these financial statements in accordance with FRS 101:

(i) IFRS 2 'Share-based Payment' paragraph 45(b) and 46 to 52. These disclosures are provided in the consolidated financial statements of Group Inc.;

(ii) IAS 1 'Presentation of Financial Statements' paragraph 38 to present comparative information in respect of IAS 1 'Presentation of Financial Statements' paragraph 79(a)(iv);

(iii) IAS 1 'Presentation of Financial Statements' paragraphs 10(f), 16 and 40A-D;

(iv) IAS 7 'Statement of Cash Flows';

(v) IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;

(vi) IFRS 15 'Revenue from Contracts with Customers' second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129;

(vii) IAS 24 'Related Party Disclosures' paragraph 17; and

(viii) IAS 24 'Related Party Disclosures' requirements to disclose transactions with companies also wholly owned within GS Group.

b. Changes in accounting policies

From 1 January 2018 the company adopted IFRS 9 'Financial Instruments' (IFRS 9) as issued by the IASB in July 2014.

As permitted by the transitional provisions of IFRS 9, the company elected not to restate comparative figures. The consequential amendments to IFRS 7 disclosures have only been applied in the current year.

2. ACCOUNTING POLICIES (continued)

b. Changes in accounting policies (continued)

The adoption of IFRS 9 has resulted in changes in the company's accounting policies for classification and measurement of financial assets and financial liabilities and impairment of financial assets – refer to note 2.h for further details.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the company.

(i) Classification and measurement

The company performed a detailed analysis of its business models for managing financial assets and, where required, subsequent analysis of cash flow characteristics on individual financial assets.

There were no changes to the carrying amount of financial assets as a result of the adoption of IFRS 9. At 1 January 2018, the company had US$8.5 million of financial assets classified as loans and receivables and US$19.2 million of financial assets classified as held for trading under IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39). These financial assets were reclassified as measured at amortised cost and mandatorily at fair value under IFRS 9, respectively.

There were no changes to the classification and measurement of financial liabilities.

(ii) Impairment

The company has developed and tested an impairment model that complies with the key requirements of IFRS 9. The results calculated by the model were not material and therefore the company has not recorded any credit losses as a result of adopting IFRS 9.

c. Revenue recognition

Net revenues have been disclosed instead of turnover as this more meaningfully reflects the nature and results of the company's activities. This includes trading profits from transactions in physical uranium and related services and other financial instruments.

d. Dividends

Final equity dividends are recognised as a liability and deducted from equity in the period in which the dividends are approved by the company's shareholder. Interim equity dividends are recognised and deducted from equity when paid.

e. Foreign currencies

The company's financial statements are presented in U.S. dollars, which is also the company's functional currency.

Transactions denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are recognised in the profit and loss account.

f. Cash at bank and in hand

Cash at bank and in hand represents highly liquid overnight deposits held in the ordinary course of business.

2. ACCOUNTING POLICIES (continued)

g. Inventory

The company trades commodity inventory on account of others. Inventory is measured at fair value less costs to sell. Realised and unrealised gains and losses from changes in fair value are reported in net revenues.

h. Financial assets and financial liabilities

(i) Recognition and derecognition

Financial assets and financial liabilities, including derivative instruments, are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and the transfer qualifies for derecogniton. A transferred financial asset qualifies for derecognition if the company transfers substantially all the risks and rewards of ownership of the financial asset or does not retain control. Financial liabilities are derecognised only when they are extinguished (i.e. when the obligation specified in the contract is discharged or cancelled or expires).

(ii) Classification and measurement

Financial assets comprise all of the company's current assets (with the exception of inventories), and financial liabilities comprise all of the company's creditors (with the exception of deferred tax liabilities).

From 1 January 2018 the company has adopted IFRS 9 and classifies financial assets into the below categories on the basis of both the company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The business model reflects how the company manages particular groups of assets in order to generate future cash flows. Where the business model is to hold the assets to collect contractual cash flows, the company subsequently assesses whether the cash flows represent solely payments of principal and interest. Financial assets with embedded derivatives (hybrid instruments) that are not bifurcated from their host are also subject to the same assessment.

• Financial assets measured at amortised cost

Financial assets that are held for the collection of contractual cash flows and have cash flows that represent solely payments of principal and interest are measured at amortised cost, unless they are designated at fair value through profit or loss. The company considers whether the cash flows represent basic lending arrangements and where contractual terms introduce exposure to risk or volatility inconsistent with a basic lending arrangement, the financial asset is classified and measured at fair value through profit or loss.

Financial assets measured at amortised cost are initially measured at fair value plus transaction costs and subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial asset but does not consider future credit losses. All finance income is recognised in the profit and loss account.

2. ACCOUNTING POLICIES (continued)

h. Financial assets and financial liabilities (continued)

• Financial assets mandatorily measured at fair value through profit and loss

Financial assets that do not meet the criteria for amortised cost are mandatorily measured at fair value through profit or loss. Such financial assets are initially measured at fair value and subsequently at fair value through profit or loss, with gains or losses recognised in net revenues.

Prior to 1 January 2018, the company classified its financial assets into the following categories under IAS 39:

• Financial assets held for trading

Financial assets held for trading included derivative financial assets. Derivative financial assets were initially recognised at fair value with transaction costs expensed in profit or loss. Such financial assets were subsequently measured at fair value with gains or losses recognised in the profit and loss account.

• Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. Such financial assets were initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. All finance income was recognised in the profit and loss account.

The company classifies its financial liabilities into the below categories. The classification, which is determined at initial recognition, depends on the purpose for which they were acquired or originated.

• Financial liabilities held for trading

Financial liabilities held for trading are initially measured at fair value and subsequently at fair value through profit or loss, with gains or losses recognised in net revenues.

• Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method (see above). Finance costs, including discounts allowed on issue, are recorded in interest payable and similar expenses.

(iii) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet where there is:

(i) currently a legally enforceable right to set off the recognised amounts; and

(ii) intent to settle on a net basis or to realise the asset and settle the liability simultaneously.

Where these conditions are not met, financial assets and financial liabilities are presented on a gross basis on the balance sheet.

2. ACCOUNTING POLICIES (continued)

i. Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is rccognised in the profit and loss account.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all temporary differences that have originated, but not reversed at the balance sheet date, where transactions or events have occurred by that date that will result in an obligation to pay more tax in the future or a right to pay less tax in the future with the following exceptions:

(i) Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying temporary differences can be deducted.

(ii) Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in these financial statements. The nature of estimation means that actual outcomes could differ from those estimates. The following judgement has had the most significant effect on the amounts recognised in the financial statements:

Fair value measurement

Certain of the company's financial assets include significant unobservable inputs (i.e. level 3). See note 20 for information about the carrying value, valuation techniques and significant inputs of these instruments.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Interest on short-term deposits	24	61

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Interest on loans from group undertakings (see notes 13 and 15)	913	1,239

6. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Foreign exchange losses	2	47
Auditors' remuneration - audit services	23	22
Other expenses	18	6
	43	**75**

7. STAFF COSTS

As in the prior year, the company has no employees. All persons involved in the company's operations are employed by group undertakings and no costs are borne by the company.

8. DIRECTORS' EMOLUMENTS

The directors did not receive any remuneration from the company in the current or prior years and no contributions were made by the company under defined benefit or defined contribution pension schemes. The directors are employed by other group undertakings and their remuneration is borne by those companies and not re-charged. The directors do not consider that more than a trivial amount of their remuneration relates to the qualifying services provided to the company.

9. TAX ON PROFIT

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Current tax:		
U.K. corporation tax	1,066	795
Adjustments in respect of prior periods	(1)	(2,247)
Total current tax	1,065	(1,452)
Deferred tax:		
Deferred tax accrual on transition adjustments	(693)	(702)
Adjustments in respect of prior periods	-	2,205
Total deferred tax	(693)	1,503
Total tax on profit	**372**	**51**

The table below presents a reconciliation between tax on profit and the amount calculated by applying the weighted average rate of U.K. corporation tax applicable to the company for the year of 19% (2017: 19.25%) to the profit before taxation.

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Profit before taxation	1,963	369
Profit multiplied by the weighted average rate in the U.K. 19% (2017: 19.25%)	373	71
Exchange differences and other	-	22
Adjustments in respect of prior periods	(1)	(42)
Total tax on profit	**372**	**51**

10. DEBTORS

Debtors, all of which are due within one year of the balance sheet date, comprise:

	31 December 2018	31 December 2017
	US$'000	US$'000
Amounts due from group undertakings	4,330	3,523
Prepayments and accrued income	-	38
	4,330	**3,561**

11. DERIVATIVE FINANCIAL ASSETS

The company's derivative financial assets of US$32.9 million (31 December 2017: US$19.2 million) are commodity-related derivative instruments.

12. INVENTORIES

The company's inventory comprises of uranium. Inventory of US$135.1 million (31 December 2017: US$25.6 million) is carried at fair value less costs to sell.

13. OTHER CREDITORS

	31 December 2018	31 December 2017
	US$'000	US$'000
Amounts due to group undertakings	13,335	14,414
Group relief payable	2,559	2,077
Accruals	-	13
	15,894	**16,504**

Amounts due to group undertakings as at 31 December 2017 includes a loan of US$6.8 million advanced by Group Inc. under the terms of an existing loan agreement. The loan was unsecured and carried interest at a variable margin over the U.S. Federal Reserve's federal funds rate. The loan was repayable on demand.

14. DERIVATIVE FINANCIAL LIABILITIES

The company's derivative financial liabilities of US$32.2 million (31 December 2017: US$1.5 million) are commodity-related derivative instruments.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2018	31 December 2017
	US$'000	US$'000
Amounts due to group undertakings	93,290	-
Deferred tax (see note 16)	3,809	4,502
	97,099	**4,502**

Amounts due to group undertakings as at 31 December 2018 includes a loan of US$93.3 million advanced by Group Inc. under the terms of a new loan agreement. The loan is unsecured and carries interest at a variable margin over the U.S. Federal Reserve's federal funds rate. The loan is repayable with notice of 367 days.

16. DEFERRED TAX

The table below presents the components of the company's deferred tax liability.

	31 December 2018 US$'000	31 December 2017 US$'000
Other transitional differences	**3,809**	**4,502**

Other transitional differences are a result of FRS 101 transitional adjustments in respect of derivative contracts, in accordance with Change of Accounting Practice Regulations (SI 2004/3271). The tax effect of the transitional adjustments will be spread over 10 years.

The table below presents changes in the company's deferred tax liability.

	31 December 2018 US$'000	31 December 2017 US$'000
As of 1 January	4,502	2,999
Transfer from/(to) the profit and loss account	(693)	1,503
As of 31 December	**3,809**	**4,502**

17. CALLED UP SHARE CAPITAL

At 31 December 2018 and 31 December 2017 called up share capital comprised:

	31 December 2018		31 December 2017	
	No.	US$'000	No.	US$'000
<u>Allotted, called up and fully paid</u>				
Ordinary shares of US$1 each	6,000,000	6,000	6,000,000	6,000
		6,000		**6,000**

18. FINANCIAL COMMITMENTS AND CONTINGENCIES

The company had no financial commitments or contingencies outstanding at year end (31 December 2017: US$nil).

19. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The company monitors its capital on an ongoing basis. The company's objective is to be prudently capitalised in terms of the amount and composition of its equity base compared to the company's risk exposures. The appropriate level and composition of equity capital is determined by considering multiple factors including the business environment, conditions in the financial markets and assessments of potential future losses due to adverse changes in market environments.

The company is not subject to any externally imposed capital requirements.

The directors consider that the most important components of the company's financial risk are market risk, credit risk and liquidity risk. The company, as part of a global group, adheres to global risk management policies and procedures.

19. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

a. Market risk

Market risk is the risk of loss in value of certain financial assets and financial liabilities due to changes in market conditions. Risks are monitored and controlled through strong firmwide oversight and independent control and support functions across the company's business. Relevant market risks for the company are commodity price risk, interest rate risk and currency risk.

Commodity price risk results from exposures to changes in spot prices, forward prices and volatilities of commodities, such as uranium.

Interest rate risk results from exposures to changes in level, slope and curvature of yield curves, volatilities of interest rates and credit spreads.

Currency risk results from changes in spot prices, forward prices and volatilities of currency rates.

In addition to applying business judgement, senior management uses a number of quantitative tools to manage the company's exposure to market risk for financial instruments. These tools include risk limits based on a summary measure of market risk exposure referred to as Value-at-Risk (VaR) which are updated and monitored on a daily basis.

Value-at-Risk

VaR is the potential loss in value of trading positions due to adverse market movements over a defined time horizon with a specified confidence level. A one-day time horizon with a 95% confidence level is typically employed. The VaR model is a single model that captures risks including commodity prices, interest rates and currency rates. VaR also captures the diversification of aggregated risk across the GS Group.

The VaR is US$0.8 million as at 31 December 2018 and US$0.5 million as at 31 December 2017.

Historical data is used to estimate VaR and, to better reflect current asset volatilities, historical data is generally weighted to give greater importance to more recent observations.

Inherent limitations to VaR include:

- VaR does not estimate potential losses over longer time horizons where moves may be extreme;
- VaR does not take account of the relative liquidity of different risk positions; and
- previous moves in market risk factors may not produce accurate predictions of all future market moves.

Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions. Different VaR methodologies and distributional assumptions could produce a materially different VaR. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day.

The VaR model is applied consistently across GS Group. Daily back testing of the VaR model is performed (i.e. comparing daily trading net revenues to the VaR measure calculated as of the prior business day) at the GS Group level and for each of the GS Group's businesses.

b. Credit risk

Credit risk represents the potential for loss due to the default or deterioration in the credit quality of a counterparty. Credit risk is managed by reviewing the credit quality of the counterparties and reviewing, if applicable, the underlying collateral against which the financial assets are secured.

19. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

b. Credit risk (continued)

Credit exposures

The company's credit exposures are described further below.

Cash at bank and in hand. Cash at bank and in hand include both interest-bearing and non-interest-bearing deposits. To mitigate the risk of credit loss, the company places substantially all of its deposits with highly-rated banks. The company's maximum exposure to credit risk is equivalent to the carrying value of its cash at bank and in hand as at 31 December 2018 and 31 December 2017.

Derivative financial assets. The company is exposed to credit risk from its derivative contracts with group undertakings and its customers. The company's gross exposure to credit risk is equivalent to the carrying value of its derivative financial assets as at 31 December 2018 and 31 December 2017.

Debtors. The company is exposed to credit risk from its amounts due from group undertakings for which the credit risk is considered minimal. The company's maximum exposure to credit risk is equivalent to the carrying value of its debtors as at 31 December 2018 and 31 December 2017. As at 31 December 2018, the company had no debtors past due or impaired (31 December 2017: US$nil).

c. Liquidity risk

Liquidity risk is the risk that the company does not have sufficient cash or collateral to make payments to its counterparties or customers as they fall due. The company manages its liquidity risk in accordance with GS Group's comprehensive and conservative set of liquidity and funding policies to address both company specific and broader industry or market liquidity events.

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a. Financial assets and financial liabilities by category

The table below presents the carrying value of the company's financial assets and financial liabilities by category.

	31 December 2018		
	Mandatorily at fair value	**Amortised cost**	**Total**
Financial assets	**US$'000**	**US$'000**	**US$'000**
Cash at bank and in hand	-	5,282	5,282
Debtors	-	4,330	4,330
Derivative financial assets	32,929	-	32,929
	32,929	9,612	42,541
	Held for trading	**Amortised cost**	**Total**
Financial liabilities	**US$'000**	**US$'000**	**US$'000**
Other creditors	-	(15,894)	(15,894)
Derivative financial liabilities	(32,241)	-	(32,241)
Creditors: Amounts falling due after more than one year	-	(93,290)	(93,290)
	(32,241)	(109,184)	(141,425)

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

a. Financial assets and financial liabilities by category (continued)

	31 December 2017		
	Held for trading	**Loans and receivables**	**Total**
Financial assets	**US$'000**	**US$'000**	**US$'000**
Cash at bank and in hand	-	4,904	4,904
Debtors	-	3,561	3,561
Derivative financial assets	19,247	-	19,247
	19,247	8,465	27,712
	Held for trading	**Amortised cost**	**Total**
Financial liabilities	**US$'000**	**US$'000**	**US$'000**
Other creditors	-	(16,504)	(16,504)
Derivative financial liabilities	(1,468)	-	(1,468)
	(1,468)	(16,504)	(17,972)

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

b. Fair value hierarchy

FRS 101 has a three level fair value hierarchy for disclosure of fair value measurements. The fair value hierarchy prioritises inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and lowest priority to level 3 inputs. A financial instrument's level in the fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement.

The fair value hierarchy is as follows:

- Level 1 - Inputs are unadjusted quoted prices in active markets to which GS Group has access at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs to valuation techniques are observable, either directly or indirectly.
- Level 3 - One or more inputs to valuation techniques are significant and unobservable.

Certain level 2 and level 3 financial assets and financial liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors such as counterparty and the company's and GS Group's credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

c. Valuation techniques and significant inputs

Derivative instruments

Derivative instruments may be traded on an exchange (exchange traded) or they may be privately negotiated contracts, which are usually referred to as over the counter (OTC) derivatives. The company did not have any exchange-traded derivatives as at 31 December 2018. All of the company's derivative instruments are OTC derivatives.

The company's level 2 and level 3 derivatives are valued using derivative pricing models (e.g., discounted cash flow models, correlation models, and models that incorporate option pricing methodologies, such as Monte Carlo simulations). Price transparency of derivatives can generally be characterised by product type, as described below.

- **Commodity**

Commodity derivatives include transactions referenced to uranium. Price transparency varies based on the underlying commodity, delivery location, tenor and product quality. In general, price transparency for commodity derivatives is greater for contracts with shorter tenors and contracts that are more closely aligned with major and/or benchmark commodity indices.

Liquidity is essential to observability of all product types. If transaction volumes decline, previously transparent prices and other inputs may become unobservable. Conversely, even highly structured products may at times have trading volumes large enough to provide observability of prices and other inputs.

Valuation techniques and significant inputs for each level of the fair value hierarchy include:

- Level 2 derivatives include OTC derivatives for which all significant valuation inputs are corroborated by market evidence. In evaluating the significance of a valuation input, the company considers, among other factors, a portfolio's net risk exposure to that input.

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

c. Valuation techniques and significant inputs (continued)

Derivative instruments (continued)

The selection of a particular model to value a derivative depends on the contractual terms of and specific risks inherent in the instrument, as well as the availability of pricing information in the market. For derivatives that trade in liquid markets, model selection does not involve significant management judgement because outputs of models can be calibrated to market-clearing levels.

Valuation models require a variety of inputs, such as contractual terms, market prices, yield curves, discount rates (including those derived from interest rates on collateral received and posted as specified in credit support agreements for collateralised derivatives), credit curves, measures of volatility and correlations of such inputs. Significant inputs to the valuations of level 2 derivatives can be verified to market transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g. indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources. In addition, for derivative financial instruments that include significant unobservable inputs, the company makes model or exit price adjustments for the valuation uncertainty present in the transaction.

- Level 3 derivatives are valued using models which utilise observable level 2 inputs, as well as unobservable level 3 inputs. Unobservable inputs include volatilities for derivatives with strike prices that differ from current market prices.

  Subsequent to the initial valuation of a level 3 derivative, the company updates the level 2 inputs to reflect observable market changes and any resulting gains and losses are recorded in level 3. Level 3 inputs are changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. In circumstances where the company cannot verify the model value by reference to market transactions, it is possible that a difference valuation model could produce a materially different estimate of fair value.

Where there is a difference between the initial transaction price and the fair value calculated by internal models, a gain or loss is recognised after initial recognition only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

Valuation adjustments are integral to determining the fair value of derivatives and are used to adjust the market valuations produced by derivative pricing models to the appropriate exit price valuation. These adjustments incorporate bid/offer spreads, the cost of liquidity, credit valuation adjustments and funding valuation adjustments, which account for the credit and funding risk inherent in the uncollateralised portion of derivatives. The company also makes funding valuation adjustments to collateralised derivatives where the terms of the agreement do not permit the company to deliver or repledge collateral received. Market-based inputs are generally used when calibrating valuation adjustments to market-clearing levels.

In addition, for derivative financial instruments that include significant unobservable inputs, the company makes model or exit price adjustments for the valuation uncertainty present in the transaction.

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

d. Significant unobservable inputs used in Level 3 fair value measurement

The company had net level 3 derivative financial assets of US$22.3 million as at 31 December 2018 (31 December 2017: US$nil). The table below presents the ranges of significant unobservable inputs used to value the net level 3 financial assets, and the related weighted averages.

Net level 3 financial assets *measured at fair value through* the profit and loss	**Valuation techniques and *significant unobservable* inputs**	**Significant unobservable inputs (where a range, weighted average)**	
		As of 31 December 2018	**As of 31 December 2017**
Commodities (US$22.3 million and US$nil of net level 3 financial assets as of 31 December 2018 and 31 December 2017, respectively)	Forward uranium rate	3.8% - 6.5% (5.1%/5.1%)	-

e. Fair value of financial assets and financial liabilities by level

The table below presents, by level within the fair value hierarchy, financial assets and financial liabilities measured at fair value on a recurring basis as at 31 December 2018.

	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets			
Derivative instruments	10,638	22,291	32,929
	10,638	**22,291**	**32,929**
Financial liabilities			
Derivative instruments	(32,240)	(1)	(32,241)
	(32,240)	**(1)**	**(32,241)**
Net derivative instruments	**(21,602)**	**22,290**	**688**

As at 31 December 2017 all derivative instruments were level 2.

f. Level 3 rollforward

During the year the company entered into derivative contracts that were measured at fair value at level 3. The net gains on these financial assets and financial liabilities of US$22.3 million were recognised in profit and loss during the year ended 31 December 2018 (year ended 31 December 2017: US$nil).

g. Fair value of financial assets and financial liabilities valued using techniques that incorporate unobservable inputs

The fair value of financial assets and financial liabilities may be determined in whole or part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument or based on available observable market data and changing these assumptions will change the resultant estimate of fair value. The potential impact of using reasonable possible alternative assumptions for the valuation, including significant unobservable inputs was not material as of 31 December 2018.

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

h. Fair value of financial assets and financial liabilities not measured at fair value

The company has US$9.6 million (31 December 2017: US$8.5 million) of current financial assets and US$15.9 million (31 December 2017: US$16.5 million) of current financial liabilities that are not measured at fair value. Given the short-term nature of these instruments, their carrying amounts in the balance sheet are a reasonable approximation of fair value. The interest rate associated with the loan to Group Inc. is variable in nature and approximates prevailing market interest rates for instruments with similar terms and characteristics. As such, the carrying amount in the balance sheet is a reasonable approximation of fair value.

i. Maturity of financial liabilities

The company classifies the contractual maturity of its derivative financial liabilities as trading/on demand as of 31 December 2018 and 31 December 2017, respectively. The loan due to Group Inc. is repayable in more than one year and less than five years as of 31 December 2018 and repayable on demand as of 31 December 2017. The company's remaining financial liabilities, including interest that will accrue, are due within one month of the balance sheet date for the current and prior year.