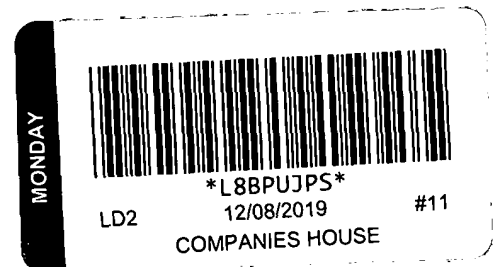


Company Number: 05308312

**GS FUNDING EUROPE**  
**(unlimited company)**

**ANNUAL REPORT**

**31 DECEMBER 2018**



# GS FUNDING EUROPE

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## STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2018.

### 1. Introduction

The principal activity of GS Funding Europe (the company) is to undertake investment business.

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's principal business is transacted in British pounds and accordingly the company's functional currency is the British pound 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 £204.1 million (31 December 2017: £74.6 million).

The company had total assets of £3,915.7 million as at 31 December 2018 (31 December 2017: £3,915.7 million).

### 3. 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.

### 4. Principal risks and uncertainties

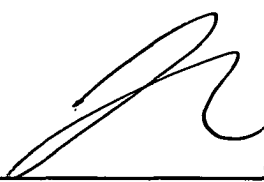
The directors consider that the most important component of the company's financial risk is liquidity risk. The company is also exposed to risk of decline in value of its non-financial assets, primarily investments in subsidiary undertakings. The company, as part of a global group, adheres to global risk management policies and procedures. The company's risk management objectives and policies are described in note 14 of the financial statements.

### 5. Date of authorisation of issue

The strategic report was authorised for issue by the Board of Directors on 23 July 2019.

ON BEHALF OF THE BOARD

Director

  
Oliver Bingham

**DIRECTORS' REPORT**

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

**1. Introduction**

In accordance with section 414A of the Companies Act 2006, the directors have prepared a strategic report, which contains a review of the company's business and a description of the principal risks and uncertainties facing the company. The directors have chosen to make reference to the company's risk management objectives and policies, as well as exposure to liquidity risk in the strategic report, in accordance with section 414C(11) of the Companies Act 2006, that would otherwise have been reported in the directors' report.

**2. Dividends**

The directors declared and paid an interim dividend of £251.4 million (31 December 2017: £133.9 million). The directors do not recommend the payment of a final dividend in respect of the year (31 December 2017: £nil).

**3. 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.

**4. Independent auditors**

Prior to 1 October 2007, the company passed an elective resolution under section 386 of the Companies Act 1985 to dispense with the annual reappointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the company pursuant to section 487(2) of the Companies Act 2006 and paragraph 44 of Schedule 3 to the Companies Act 2006 (Commencement No. 3 Consequential Amendment, Transitional Provisions and Savings) Order 2007.

**5. Directors**

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

**Name**

O. J. Bingham

W. T. Gasson

S. B. Scobie

V. S. Chima

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

**DIRECTORS' REPORT (continued)**

**6. Statement of directors' responsibilities**

The directors are responsible for preparing the strategic report, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and

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.

**7. Date of authorisation of issue**

The financial statements were authorised for issue by the Board of Directors on **23 July** 2019.

**ON BEHALF OF THE BOARD**



**Director**

Oliver Bingham

# Independent auditors' report to the members of GS Funding Europe

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## Report on the audit of the financial statements

### Opinion

In our opinion, GS Funding Europe'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 Strategic Report and 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.

## **Independent auditors' report to the members of GS Funding Europe**

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### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and 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 Strategic Report and 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 3, 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](http://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.

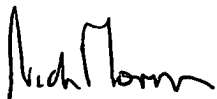
### **Other required reporting**

#### **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.



Nick Morrison (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

24 July 2019

## GS FUNDING EUROPE

### PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2018

|  |      | Year ended<br>31 December 2018 | Year ended<br>31 December 2017 |
|--|------|--------------------------------|--------------------------------|
|  | Note | £'000                          | £'000                          |
| Income from shares in group undertakings               | 4    | 251,388                        | 123,689                        |
| Interest payable and similar expenses                  | 5    | (47,264)                       | (49,137)                       |
| <b>OPERATING PROFIT AND PROFIT BEFORE<br/>TAXATION</b> |      | 204,124                        | 74,552                         |
| Tax on profit  | 9    | -                              | -                              |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                   |      | <u>204,124</u>                 | <u>74,552</u>                  |

The operating profits of the company are 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 comprehensive income has been presented.

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


## GS FUNDING EUROPE

### BALANCE SHEET

as at 31 December 2018

|  | Note | 31 December 2018<br>£'000 | 31 December 2017<br>£'000 |
|--|------|---------------------------|---------------------------|
| <b>FIXED ASSETS</b>  |      |                           |                           |
| Investments  | 10   | 3,915,723                 | 3,915,723                 |
| <b>CURRENT ASSETS</b>  |      |                           |                           |
| Cash at bank and in hand                                       |      | 4                         | 4                         |
| <b>NET CURRENT ASSETS</b>                                      |      | 4                         | 4                         |
| <b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b> |      |                           |                           |
|  | 11   | (2,493,026)               | (2,445,762)               |
| <b>NET ASSETS</b>  |      | 1,422,701                 | 1,469,965                 |
| <b>CAPITAL AND RESERVES</b>                                    |      |                           |                           |
| Called up share capital  | 12   | 12                        | 12                        |
| Share premium account  |      | 1,394,915                 | 1,394,915                 |
| Profit and loss account  |      | 27,774                    | 75,038                    |
| <b>TOTAL SHAREHOLDER'S FUNDS</b>                               |      | 1,422,701                 | 1,469,965                 |

The financial statements were approved by the Board of Directors on 23 July 2019 and signed on its behalf by:



Director

Oliver Bingham

The accompanying notes are an integral part of these financial statements.  
Company number: 05308312



## GS FUNDING EUROPE

### STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

|                                    | Note | Called up share<br>capital<br>£'000 | Share premium<br>account<br>£'000 | Profit and loss<br>account<br>£'000 | Total<br>shareholder's<br>funds<br>£'000 |
|------------------------------------|------|-------------------------------------|-----------------------------------|-------------------------------------|--|
| <b>Balance at 1 January 2017</b>   |      | 5                                   | 266,541                           | 134,383                             | 400,929                                  |
| Profit for the financial year      |      | -                                   | -                                 | 74,552                              | 74,552                                   |
| Proceeds from shares issued        |      | 7                                   | 1,128,374                         | -                                   | 1,128,381                                |
| Dividends                          | 13   | -                                   | -                                 | (133,897)                           | (133,897)                                |
| <b>Balance at 31 December 2017</b> |      | 12                                  | 1,394,915                         | 75,038                              | 1,469,965                                |
| Profit for the financial year      |      | -                                   | -                                 | 204,124                             | 204,124                                  |
| Dividends                          | 13   | -                                   | -                                 | (251,388)                           | (251,388)                                |
| <b>Balance at 31 December 2018</b> |      | 12                                  | 1,394,915                         | 27,774                              | 1,422,701                                |

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

# GS FUNDING EUROPE

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

### 1. GENERAL INFORMATION

The company is a private unlimited 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 immediate parent undertaking is GS Europe Funding VI Ltd., a company incorporated and domiciled in England and Wales.

The ultimate parent undertaking and the parent company of the smallest and 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, or at [www.goldmansachs.com/shareholders/](http://www.goldmansachs.com/shareholders/).

### 2. ACCOUNTING POLICIES

#### a. Basis of preparation

These financial statements have been prepared on the going concern basis, under historical cost convention 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) IAS 24 'Related Party Disclosures' paragraph 17; and
- (vii) IAS 24 'Related Party Disclosures' requirements to disclose transactions with companies also wholly owned within GS group.

The company is a subsidiary undertaking of Group Inc., a company incorporated within the United States of America, whose consolidated financial statements include the company and are publicly available. As a result the company has elected not to prepare consolidated financial statements as permitted by section 401 of the Companies Act 2006.

#### b. 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.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (continued)**

**c. Changes in accounting policies**

From 1 January 2018 the company adopted IFRS 9 'Financial Instruments' 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.

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

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\$4,267 of financial assets classified as loans and receivables under IAS 39. These financial assets were reclassified as measured at amortised cost under IFRS 9.

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

**d. Foreign currencies**

The company's financial statements are presented in British pounds, which is also the company's functional currency.

Transactions denominated in foreign currencies are translated into British pounds at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into British pounds at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are recognised in operating profit/(loss).

**e. Fixed asset investments**

Fixed asset investments comprises investments in subsidiary undertakings and is stated at cost less provision for any impairment. Dividends receivable are recognised when the right to receive payment has been established.

**f. Cash at bank and in hand**

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

**g. Financial assets and financial liabilities**

**(i) Recognition and derecognition**

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

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and substantially all the risks and rewards of ownership of that financial asset. A financial liability is derecognised only when it is extinguished (i.e. when the obligation specified in the contract is discharged or cancelled or expires).

# GS FUNDING EUROPE

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

### 2. ACCOUNTING POLICIES (continued)

#### g. Financial assets and financial liabilities (continued)

##### (ii) Classification and measurement

Financial assets comprise all of the company's current assets, and financial liabilities comprise all of the company's creditors.

From 1 January 2018 the company has adopted IFRS 9 and classifies financial assets into financial assets measured at amortised cost 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 company's business model is to hold the assets to collect contractual cash flows and the cash flows represent solely payments of principal and interest. If these conditions were not met, the financial assets would be mandatorily 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.

Prior to 1 January 2018, the company classified its financial assets as 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.

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.

#### h. Current and deferred tax

The tax expense comprises current and deferred tax. Tax is recognised 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 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 are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## GS FUNDING EUROPE

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

#### 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. In the opinion of management, there were no judgements made that had a significant effect on amounts recognised in the financial statements.

#### 4. INCOME FROM SHARES IN GROUP UNDERTAKINGS

|  | Year ended<br>31 December 2018<br>£'000 | Year ended<br>31 December 2017<br>£'000 |
|--|---|---|
| Income from shares in group undertakings | 251,388                                 | 123,689                                 |

During the year the company received dividends totalling £251.4 million from GS Funding Europe I Ltd.

In the prior year, the company received dividends totalling £123.7 million from GS Funding Europe I Ltd and £2,705 from Amagansett Funding Ltd, a subsidiary of the company that was placed into voluntary liquidation in the prior year.

#### 5. INTEREST PAYABLE AND SIMILAR EXPENSES

|   | Year ended<br>31 December 2018<br>£'000 | Year ended<br>31 December 2017<br>£'000 |
|---|---|---|
| Interest on loans from group undertakings (see note 11) | 47,264                                  | 49,137                                  |

#### 6. AUDITORS' REMUNERATION

The auditors' remuneration for the current year of £5,000 (31 December 2017: £5,000) has been borne by a group undertaking.

#### 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.

## GS FUNDING EUROPE

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

#### 9. TAX ON PROFIT

|                            | <b>Year ended</b>       | <b>Year ended</b>       |
|----------------------------|-------------------------|-------------------------|
|                            | <b>31 December 2018</b> | <b>31 December 2017</b> |
|                            | <b>£'000</b>            | <b>£'000</b>            |
| <b>Current tax:</b>        |                         |                         |
| U.K. corporation tax       | -                       | -                       |
| <b>Total tax on profit</b> | -                       | -                       |

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 19.00% (2017: 19.25%) to the profit before taxation.

|   | <b>Year ended</b>       | <b>Year ended</b>       |
|---|-------------------------|-------------------------|
|   | <b>31 December 2018</b> | <b>31 December 2017</b> |
|   | <b>£'000</b>            | <b>£'000</b>            |
| Profit before taxation  | 204,124                 | 74,552                  |
| Profit multiplied by the weighted average rate in the U.K. of 19.00% (2017: 19.25%) | 38,784                  | 14,351                  |
| Permanent differences   | (38,784)                | (15,629)                |
| Tax losses surrendered to group undertakings for nil consideration                  | -                       | 1,278                   |
| <b>Total tax on profit</b>  | -                       | -                       |

## GS FUNDING EUROPE

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

#### 10. FIXED ASSET INVESTMENTS

Fixed asset investments, which are unlisted and stated at cost less provision for any impairment, comprise investments in group undertakings:

|   | Cost and net book<br>value<br>£'000 |
|---|-------------------------------------|
| <b>At 31 December 2017 and 31 December 2018</b> | <b>3,915,723</b>                    |

In the prior year Amagansett Funding Limited, a subsidiary of the company, was dissolved. The carrying value of this entity as at 31 December 2016 was £nil.

In the prior year the company's direct investment in GS Funding Europe II Ltd was transferred to GS Funding Europe I Ltd, a fellow subsidiary undertaking, in return for new ordinary shares in GS Funding Europe I Ltd for a total consideration of £391.6m.

The subsidiary, over which the company exercises control via ordinary shares held directly by the company at the year end, is:

| <u>Name of company</u>                | <u>Nature of business</u> | <u>Proportion of nominal value held</u> | <u>Class of shares held</u>                                     |
|---------------------------------------|---------------------------|---|---|
| GS Funding Europe I Ltd. <sup>1</sup> | Investment Company        | 100%<br>100%                            | Ordinary shares<br>Mandatorily<br>redeemable<br>ordinary shares |

The subsidiaries, over which the company exercises control via ordinary shares held by subsidiary undertakings at the year end, are:

| <u>Name of company</u>                   | <u>Nature of business</u> | <u>Proportion of nominal value held</u> | <u>Class of shares held</u>   |
|--|---------------------------|---|-------------------------------|
| GS Funding Europe II Ltd. <sup>1</sup>   | Investment Company        | 75%                                     | Redeemable<br>Ordinary shares |
| GS Funding Europe V Limited <sup>2</sup> | Investment Company        | 100%                                    | Ordinary shares               |

#### Registered office address at:

<sup>1</sup> P.O. Box, Uglan House, South Church Street, George Town, KY1-1104, Cayman Islands

<sup>2</sup> Peterborough Court, 133 Fleet Street, London, EC4V 2BB, United Kingdom

## GS FUNDING EUROPE

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

#### 11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|  | 31 December 2018<br>£'000 | 31 December 2017<br>£'000 |
|--|---------------------------|---------------------------|
| Liability component of mandatorily redeemable shares (see note 12) | 2,493,026                 | 2,445,762                 |

#### 12. CALLED UP SHARE CAPITAL

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

|  | 31 December 2018 |       | 31 December 2017 |       |
|--|------------------|-------|------------------|-------|
|  | No.              | £'000 | No.              | £'000 |
| <b><u>Allotted, called up and fully paid</u></b> |                  |       |                  |       |
| Ordinary shares of £0.01 each                    | 528,343          | 5     | 528,343          | 5     |
| Mandatorily redeemable shares of £0.01 each      | 640,633          | 7     | 640,633          | 7     |
|  |                  | 12    |                  | 12    |

Ordinary shares and mandatorily redeemable shares rank pari passu in respect of dividends and voting rights. In the event of winding up or other return of capital, the mandatorily redeemable shareholders are entitled to receive payment of the amount paid up on those shares in priority to any repayment to the holders of the ordinary shareholders and thereafter any surplus shall be distributed pari passu among the mandatorily redeemable shareholders and the ordinary shareholders.

The redeemable shares must be redeemed no later than 20 years after the date of issuance. Due to the mandatory redemption requirements, the redeemable shares are classified as a compound instrument, with the liability component included within Creditors: Amounts falling due after more than one year (see note 11), determined at issuance as the net present value of the amount payable upon redemption.

Share capital issued is translated at the historical rates prevailing on the date of issuance..

#### 13. DIVIDENDS PAID

|                        | Year ended<br>31 December 2018<br>£'000 | Year ended<br>31 December 2017<br>£'000 |
|------------------------|---|---|
| Interim dividends paid | 251,388                                 | 133,897                                 |



**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

**14. 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 component of the company's financial risk is liquidity risk. The company, as part of a global group, adheres to global risk management policies and procedures.

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.

**15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

**a. Financial assets and financial liabilities by category**

All financial assets are categorised as financial assets at amortised cost in the current year and loans and receivables in prior year. All liabilities are categorised as liabilities measured at amortised cost in the current and prior years.

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

The company has £3,976 (31 December 2017: £4,276) of current financial assets 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 company has £2,493.0 million (31 December 2017: £2,445.8 million) of financial liabilities due after more than one year that are not measured at fair value and relate to mandatorily redeemable shares. The estimated fair value of financial liabilities as at 31 December 2018 was £1,994.8 million.

## GS FUNDING EUROPE

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

#### 15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

##### c. Maturity of financial liabilities

The tables below present the undiscounted cash flows of the company's financial liabilities by contractual maturity including interest that will accrue.

| 31 December 2018  |                                  |                        |                                |                    |                   |                  |
|---|----------------------------------|------------------------|--------------------------------|--------------------|-------------------|------------------|
|   | Less<br>than 1<br>month<br>£'000 | 1-3<br>months<br>£'000 | 3 months<br>to 1 year<br>£'000 | 1-5 years<br>£'000 | 5+ years<br>£'000 | Total<br>£'000   |
| <b>Financial liabilities</b>                            |                                  |                        |                                |                    |                   |                  |
| Creditors: amounts falling due after more than one year | -                                | -                      | -                              | -                  | 3,524,150         | 3,524,150        |
|   | -                                | -                      | -                              | -                  | <b>3,524,150</b>  | <b>3,524,150</b> |

| 31 December 2017  |                                  |                        |                                |                    |                   |                  |
|---|----------------------------------|------------------------|--------------------------------|--------------------|-------------------|------------------|
|   | Less<br>than 1<br>month<br>£'000 | 1-3<br>months<br>£'000 | 3 months<br>to 1 year<br>£'000 | 1-5 years<br>£'000 | 5+ years<br>£'000 | Total<br>£'000   |
| <b>Financial liabilities</b>                            |                                  |                        |                                |                    |                   |                  |
| Creditors: amounts falling due after more than one year | -                                | -                      | -                              | -                  | 3,524,150         | 3,524,150        |
|   | -                                | -                      | -                              | -                  | <b>3,524,150</b>  | <b>3,524,150</b> |