Company Number: 06375035

ELQ INVESTORS II LTD

ANNUAL REPORT

31 MARCH 2019

STRATEGIC REPORT

The directors present their strategic report for the period ended 31 March 2019.

1. Introduction

The principal activity of ELQ Investors II Ltd (the company) is to undertake investment business. The company holds investments in subsidiary undertakings which hold investments in loan portfolios and real estate assets and directly holds investments in equity and debt instruments.

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.

During the period the company extended its accounting reference date from 31 December 2018 to 31 March 2019 to allow the group to fully utilise foreign tax credits arising from UK taxes accrued by the company. As such, these financial statements have been prepared for the 65 week period ended March 31, 2019, with comparative information being presented for the 52 week period ended December 31, 2017. As a result, amounts presented in this annual report are not directly comparable. All references to March 2019 refer to the 65 week period ended, or the date, as the context requires, March 31, 2019. All references to December 2017 refer to the 52 week period ended, or the date, as the context requires, December 31, 2017.

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 period ended 31 March 2019. Comparative information has been presented for the period ended 31 December 2017.

The results for the period are shown in the profit and loss account set out on page 7. Profit before taxation for the period ended 31 March 2019 was US$36.2 million (31 December 2017: profit of US$66.1 million).

The company had total assets of US$2,338.6 million as at 31 March 2019 (31 December 2017: US$2,552.8 million).

3. Post balance sheet events

Subsequent to period end the following events took place:

- On 7 August 2019, the company received $207.9 million to extinguish its loan receivable from Beltanio Funding SRL;
- The company disposed of its shareholding in ELQ Omega UK Ltd and Ludgate Acquisitions 1 Ltd to a fellow group undertaking.

STRATEGIC REPORT (continued)

4. Exchange rate

The British pound / U.S. dollar exchange rate at the balance sheet date was £ / US$ 1.3006 (31 December 2017: 1.3524). The average rate for the period was £ / US$ 1.3263 (period ended 31 December 2017: £ / US$ 1.3020).

5. Future outlook

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

6. Principal risks and uncertainties

The directors consider that the most important components of the company's financial risk are market risk, credit risk and 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 23 of the financial statements.

7. Date of authorisation of issue

The strategic report was authorised for issue by the Board of Directors on 19th DECEMBER 2019.

ON BEHALF OF THE BOARD

M. Holmes

Director
MICHAEL HOLMES

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period ended 31 March 2019.

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 exposures to market risk, credit risk and 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 do not recommend the payment of a dividend in respect of the period (31 December 2017: US$ 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/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

4. Independent auditors

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

5. Directors

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

Name	Appointed	Resigned
B. Cabiallavetta		18 October 2019
T. Cannell		18 October 2019
W.T. Gasson		18 October 2019
M. Holmes		
G.G. Olafson		18 October 2019
N. Somaiya		18 October 2019
J.A. Wiltshire		
J. Moritz	1 July 2019	18 October 2019
T. Hilger	1 July 2019	18 October 2019
O.J. Bingham	1 July 2019	

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

DIRECTORS' REPORT (continued)

6. Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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.

7. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 19th DECEMBER 2019.

ON BEHALF OF THE BOARD

M. H

Director
MICHAEL HOLMES

Independent auditors' report to the members of ELQ Investors II Ltd

Opinion

In our opinion, ELQ Investors II Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the 65 week period (the "period") 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 profit and loss account for the 65 week period ended 31 March 2019; the balance sheet as at 31 March 2019, the Statement of Changes in Equity for the 65 week period ended 31 March 2019; and the notes to the financial statements.

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.

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 period ended 31 March 2019 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, 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.

Nick Morrison

Nick Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 December 2019

PROFIT AND LOSS ACCOUNT

For the 65 week period ended 31 March 2019

	Note	65 Week Period Ended 31 March 2019 US$	52 Week Period Ended 31 December 2017 US$
Net revenues	4	131,907,668	166,924,257
Income from shares in group undertakings	5	30,078,668	54,708,657
Write down of shares in group undertakings	6	(31,064,581)	(22,801,732)
Interest receivable and similar income	7	20,957,362	12,223,115
Interest payable and similar expenses	8	(28,613,734)	(40,618,466)
Impairment on financial assets		(12,560,695)	-
Administrative expenses	9	(74,456,990)	(104,326,289)
PROFIT BEFORE TAXATION		36,247,698	66,109,542
Tax on profit	12	(8,875,100)	(36,905,558)
PROFIT FOR THE FINANCIAL PERIOD		27,372,598	29,203,984

The operating profits of the company are derived from continuing operations in the current and prior period.

The company has no recognised gains and losses other than those included in the profit and loss account for the periods 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 March 2019

	Note	31 March 2019 US$	31 December 2017 US$
FIXED ASSETS			
Investments	14	298,781,078	411,938,585
CURRENT ASSETS			
Investments	15	1,366,856,845	1,098,106,780
Debtors: Amounts falling due within one year	16	21,993,053	50,657,511
Debtors: Amounts falling due after more than one year	17	645,885,030	990,668,423
Cash at bank and in hand		5,078,813	1,399,634
		2,039,813,741	2,140,832,348
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	18	(9,962,288)	(28,219,706)
NET CURRENT ASSETS		2,029,851,453	2,112,612,642
TOTAL ASSETS LESS CURRENT LIABILITIES		2,328,632,531	2,524,551,227
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	19	(1,469,350,855)	(1,687,296,626)
PROVISION FOR LIABILITIES	20	(3,777,887)	(5,422,040)
NET ASSETS		855,503,789	831,832,561
CAPITAL AND RESERVES			
Called up share capital	21	348,237,884	348,237,884
Profit and loss account		507,265,905	483,594,677
TOTAL SHAREHOLDER'S FUNDS		855,503,789	831,832,561

The financial statements were approved by the Board of Directors on 19th DECEMBER 2019 and signed on its behalf by:

M. H

Director

MICHAEL HOLMES

The accompanying notes are an integral part of these financial statements.
Company number : 06375035

STATEMENT OF CHANGES IN EQUITY

For the 65 week period ended 31 March 2019

	Note	Called up share capital US$	Profit and loss account US$	Total shareholder's funds US$
Balance at 1 January 2017		268,237,884	454,390,693	722,628,577
Profit for the financial year		-	29,203,984	29,203,984
Proceeds from shares issued		80,000,000	-	80,000,000
Balance at 31 December 2017	21	348,237,884	483,594,677	831,832,561
Cumulative effect on retained earnings due to adoption of IFRS 9, net of tax		-	(3,701,370)	(3,701,370)
Profit for the financial period		-	27,372,598	27,372,598
Balance at 31 March 2019		348,237,884	507,265,905	855,503,789

No dividends were paid in current and prior periods.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2019

1. GENERAL INFORMATION

The company is a private limited company and is incorporated and domiciled in England and Wales. The address of its registered office is Plumtree Court, 25 Shoe Lane, London, EC4A 4AU, United Kingdom.

The immediate parent undertaking is ELQ Investors IX 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/.

2. ACCOUNTING POLICIES

a. Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention (modified as explained in note 2h) 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.

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 its subsidiaries 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.

2. ACCOUNTING POLICIES (continued)

b. 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 period.

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 2h and 3 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.

At 1 January 2018, all investments and debtors categorized as loans and receivables under IAS 39 were recategorised to amortised cost under IFRS 9 and all investments designated at fair value under IAS 39 were recategorised to mandatorily at fair value under IFRS 9.

As a result of the adoption of IFRS 9, the carrying amount of financial assets decreased by US$4.5 million due to an increase in impairment allowance in respect of debt investments at amortised cost. At 1 January 2018, the company had US$1,289.0 million 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.

(ii) Impairment

The company has developed and tested an impairment model that complies with the key requirements of IFRS 9. The cumulative effect on retained earnings due to adoption of IFRS 9 was US$4.5 million (see page 9) as a result of the increase in the impairment allowance in respect of debt investments. Further information on the measurement of the impairment allowance under IFRS 9 can be found in note 23.

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 revenue from equity investments and debt investments.

Net revenues from equity investments includes dividend income, changes in fair value and gains and losses on sale of investments. Dividends receivable are recognised as income when the right to receive the payment has been established.

Net revenues from debt investments includes accrued interest, changes in fair value and gains and losses on sale of investments.

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 sharesholders. Interim equity dividends are recognised and deducted from equity when paid.

2. ACCOUNTING POLICIES (continued)

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, and non-monetary assets and liabilities measured at fair value, 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. 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.

g. Cash at bank and in hand

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

h. 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.

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 derecognition. 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 tax assets) and financial liabilities comprise all of the company's creditors (with the exception of 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.

2. ACCOUNTING POLICIES (continued)

h. Financial assets and financial liabilities (continued)

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.

• Financial assets mandatorily measured at fair value through profit or 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:

• 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 assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss comprised equity and debt investments. These investments were designated at fair value as they were managed and their performance evaluated on a fair value basis.

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 designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss comprise intercompany financing arrangements. The company has recognised the intercompany multi-currency financing arrangements at fair value where the arrangements contain embedded foreign exchange features.

Financial liabilities designated at fair value through profit or loss are initially recognised at fair value with transaction cost expensed in profit or loss. They are measured in the balance sheet at fair value and all subsequent gains or losses are recognised in the profit and loss account.

• 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.

2. **ACCOUNTING POLICIES (continued)**

h. Financial assets and financial liabilities (continued)

(iii) Impairment (IFRS9)

From January 1, 2018, the company has adopted IFRS 9 and assesses on a forward-looking basis the Expected Credit Loss (ECL) associated with financial assets measured at amortised cost. The measurement of ECL reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. ECL are recorded in impairments on financial assets. See note 2b for further information about the adoption impact of IFRS 9.

The company's impairment model is based on changes in credit quality since initial recognition of the relevant assets and incorporates the following three stages:

- **Stage 1.** Financial assets measured at amortised cost that are not credit-impaired on initial recognition and there has been no significant increase in credit risk since initiation. The ECL is measured at an amount equal to the expected credit losses that result from default events possible within the next twelve months.

- **Stage 2.** Financial assets measured at amortised cost where there has been a significant increase in credit risk since initiation, however not yet deemed to be credit-impaired. The ECL is measured based on expected credit losses on a lifetime basis.

- **Stage 3.** Financial assets measured at amortised cost that are in default, or are defined as credit-impaired. The ECL is measured based on expected credit losses on a lifetime basis.

Determination of the relevant staging for each financial instrument is dependent on the definition of 'significant increase in credit risk' (stage 1 to stage 2) and the definition of 'credit-impaired' (stage 2 to stage 3). The company considers a financial instrument to have experienced a significant increase in credit risk when certain quantitative or qualitative conditions are met. Quantitative thresholds include absolute probability of default thresholds on investment-grade financial assets and relative probability of default thresholds on non-investment grade financial assets. Qualitative review is also performed as part of the company's credit risk management process, including a back-stop consideration of 30 days past due. The company considers a financial instrument to be credit-impaired when it meets Credit Risk Management's definition of default, which is either when the company considers that the obligor is unlikely to pay its credit obligations to GS Group in full, without recourse by the company to actions such as realising security (if held), or the obligor has defaulted on a payment and/or is past due more than 90 days.

The ECL is determined by projecting the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for each individual exposure. To calculate ECL these three components are multiplied together and discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate. The PD represents the likelihood of a borrower defaulting on its financial obligation. The LGD is the company's expectation of the extent of loss on the default exposure, and takes into consideration amongst other things, collateral on the financial instrument. The EAD is the amount the company expects to be owed at the time the financial obligation defaults. The company uses internal credit risk ratings that reflect the assessment of the probability of default of individual counterparties. The company uses multiple macroeconomic scenarios within the ECL calculation, the weightings for which are subject to ongoing internal review and approval. Forward-looking information, such as key economic variables impacting credit risk and expected credit losses, is incorporated into both the assessment of staging and the calculation of ECL. Economic variables have been forecasted using internally generated projections to provide an estimated view of the economy over the next nine quarters. After nine quarters a mean reversion approach has been used, which means that economic variables tend to either a long run average rate or a long run growth rate.

2. ACCOUNTING POLICIES (continued)

h. Financial assets and financial liabilities (continued)

The company writes off financial assets, in whole or in part, when it has concluded that there is no reasonable expectation of recovery. When a financial asset is deemed to be uncollectable, the company concludes this to be an indicator that there is no reasonable expectation of recovery. The company still seeks to recover amounts it is legally owed in full, but which have been wholly or partially written off due to no reasonable expectation of full recovery.

Prior to January 1, 2018, the company assessed its loans and receivables at each balance sheet date for any objective evidence of impairment. If there was no objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the financial asset's carrying amount and the present value of estimated future cashflows discounted at the financial asset's original effective interest rate. The amount of the loss was included within impairments on financial assets.

(iv) 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.

i. 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 at 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 are expected to 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 judgements have had the most significant effect on amounts recognised in the financial statements:

a. Deferred tax

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.

b. Fair value measurement

Certain of the company's financial assets include significant unobservable inputs (i.e. level 3). See note 24 for information about the carrying value, valuation techniques and significant inputs of these instruments.

c. Allowance for impairment

The allowance for impairment of financial assets held at amortised cost (see note 2) is determined by an expected credit loss (ECL) model internally developed to meet the impairment requirements of IFRS 9. The measurement of ECL for financial assets classified at amortised cost requires the use of a complex model and significant assumptions about future economic conditions and credit behaviour. Significant judgements are also required in applying the accounting requirements for measuring ECL including determining criteria for significant increases in credit risk and establishing the number and weighting of forward looking scenarios.

4. NET REVENUES

	65 Week Period Ended 31 March 2019 US$	52 Week Period Ended 31 December 2017 US$
Net revenues from equity investments	(15,798,505)	(8,973,591)
Net revenues from debt investments	147,706,173	175,897,848
	131,907,668	**166,924,257**

5. INCOME FROM SHARES IN GROUP UNDERTAKINGS

In the current period, income from shares in group undertakings of US$30,078,668 comprised dividend income from PIL Acquisitions 1 Ltd (31 December 2017: US$ 49,135,732).

The prior period income from shares in group undertakings also comprised GS EMEA Funding Limited Partnership of US$5,572,925.

6. WRITE DOWN OF SHARES IN GROUP UNDERTAKINGS

As part of the assessment of subsidiary performance in the period, the company recorded an impairment of US$31,064,581 (31 December 2017: US$22,801,732) comprising impairments in Montserrat Acquisitions Ltd of $10,893,065 (31 December 2017: US$22,801,732), Pyrenees Acquisitions Ltd of US$16,150,127 (31 December 2017: US$nil) and Castile Acquisitions Ltd of US$4,021,389 (31 December 2017: US$nil).

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2019

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	65 Week Period Ended 31 March 2019 US$	52 Week Period Ended 31 December 2017 US$
Interest on loans to group undertakings (see note 17)	20,951,758	12,219,941
Bank interest income	5,604	3,174
	20,957,362	**12,223,115**

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	65 Week Period Ended 31 March 2019 US$	52 Week Period Ended 31 December 2017 US$
Interest on loans from group undertakings (see note 19)	28,613,734	40,618,466
	28,613,734	**40,618,466**

9. ADMINISTRATIVE EXPENSES

	65 Week Period Ended 31 March 2019 US$	52 Week Period Ended 31 December 2017 US$
Foreign exchange (gains)/losses	(9,803,102)	16,864,576
Management fees charged by group undertakings	73,622,096	75,714,274
Legal and professional fees	9,490,308	9,302,222
Other expenses	1,147,688	2,445,217
	74,456,990	**104,326,289**

The auditors' remuneration for the current period of £249,000 (US$330,249) (31 December 2017: £112,000 (US$145,828)) has been borne by a group undertaking.

10. STAFF COSTS

As in the prior period, the company has no employees. All persons involved in the company's operations are employed by group undertakings. The charges made by these group undertakings for all services provided to the company are included in management fees charged by group undertakings (see note 9).

11. DIRECTORS' EMOLUMENTS

The directors did not receive any remuneration from the company in the current or prior period 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 an incidental amount of their remuneration relates to the qualifying services provided to the company.

12. TAX ON PROFIT

	65 Week Period Ended 31 March 2019 US$	52 Week Period Ended 31 December 2017 US$
Current tax:		
U.K. corporation tax	10,915,167	10,931,060
Adjustments in respect of prior periods	(1,178,336)	6,827,460
Total current tax	**9,736,831**	**17,758,520**
Deferred tax		
Timing differences in respect of investments	(861,731)	(854,994)
Adjustment in respect of prior periods	-	20,002,032
Total deferred tax	**(861,731)**	**19,147,038**
Total tax on profit	**8,875,100**	**36,905,558**

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

	65 Week Period Ended 31 March 2019 US$	52 Week Period Ended 31 December 2017 US$
Profit before taxation	36,247,698	66,109,542
Profit multiplied by the weighted average rate in the U.K. of 19.00% (2017: 19.25%)	6,887,063	12,726,087
Permanent differences	(1,070,873)	-
Non-deductible losses on equity investments	3,001,716	1,737,036
Non-taxable dividend income	(5,714,947)	(10,531,417)
Non-deductible equity impairment investments in subsidiary undertakings	5,902,270	4,389,333
Allocation of taxable partnership income	-	930,053
Expenses not deductible for tax purposes	1,048,207	895,339
Effect of change in U.K. corporation tax rate	-	(70,365)
Adjustments in respect of prior periods	(1,178,336)	26,829,492
Total tax on profit	**8,875,100**	**36,905,558**

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2019

13. DEFERRED TAX LIABILITY

	31 March 2019	31 December 2017
	US$	US$
Deferred tax liability comprises		
Timing differences in respect of debt investments (see note 12)	(3,777,887)	(5,422,040)
	(3,777,887)	**(5,422,040)**

	US$
The movements in the deferred tax balance were as follows:	
At 1 January 2017	13,724,998
Debited to the profit and loss account (see note 12)	(19,147,038)
At 31 December 2017	(5,422,040)
Credited to the profit and loss account (see note 12)	861,731
Credited to retained earnings due to adoption of IFRS 9	782,422
At 31 March 2019	**(3,777,887)**

14. FIXED ASSET INVESTMENTS

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

	52 Week Period Ended US$
At 1 January 2017	816,219,590
Additions	47,318,073
Distributions	(262,130,678)
Disposals	(166,666,668)
Impairment	(22,801,732)
At 31 December 2017	411,938,585
Additions	139,251,604
Distributions	(162,124,368)
Share repurchases	(59,220,162)
Impairment	(31,064,581)
At 31 March 2019	**298,781,078**

During the period, the following key additions took place:

(i) The company incorporated Ludgate Acquisitions 1 Ltd and was allotted 66,003,699 ordinary shares of GBP 1 each for a total consideration of US$86,629,856.

(ii) The company was allotted EUR 45,200,000 ordinary shares of EUR 1 each in ELQ Omega UK Ltd for a total consideration of US$52,617,320.

(iii) The company was allotted EUR 3,600 ordinary shares of EUR 1 each in RP Alcorcon Acquisitions, S.L. for a total consideration of US$4,428.

During the period, the following key distributions and share repurchases took place:

(iv) The company received distribution of US$140,603,396 from ELQ Omega UK Ltd following capital reductions. It was determined that the distribution represented a return of capital and the company reduced its investment by the same amount.

(v) The company received proceeds of US$40,554,437 from PIL Acquisitions 1 Ltd following a share repurchase of US$19,033,464 and a capital reduction of $21,520,973. It was determined that the proceeds represented a return of capital and the company reduced its investment by the same amount.

(vi) The company received proceeds of US$40,186,698 from Ludgate Acquisitions 1 Ltd following a share repurchase. It was determined that the proceeds represented a return of capital and the company reduced its investment by the same amount.

For impairment details, see note 6.

14. FIXED ASSET INVESTMENTS (continued)

The subsidiaries, over which the company exercises control via ordinary shares held directly by the company at the period end, are:

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
Montserrat Acquisitions Ltd[1]	Holds loan portfolios	100%	Ordinary shares
Castile Acquisitions Ltd[1]	Holds loan portfolios	100%	Ordinary shares
PIL Acquisitions 1 Ltd[2]	Holds real estate	99.59%	Ordinary shares
Beltanio Funding SRL[3]	Holds loan portfolios	100%	Ordinary shares
ELQ Omega UK Ltd[1]	Investment company	99.68%	Ordinary shares
Kensington 1[4]	Holds real estate	100%	Ordinary shares
Kensington 2[4]	Holds real estate	100%	Ordinary shares
Pyrenees Acquisitions Ltd[1]	Holds loan portfolios	100%	Ordinary shares
RP Alcorcon Acquisitions, S.L.[6]	Holds real estate	100%	Ordinary shares
Ludgate Acquisitions 1 Ltd[10]	Holds real estate	97.73%	Ordinary shares

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

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
Teide Acquisitions S.L[5]	Holds real estate	80%	Ordinary shares
Aragon Acquisitions S.L. [6]	Holds real estate	80%	Ordinary shares
PIL Kingston Limited[2]	Dormant	100%	Ordinary shares
PIL Evesham Limited[2]	Dormant	100%	Ordinary shares
PIL Burgess Hill Limited[2]	Dormant	100%	Ordinary shares
PIL Maidenhead Ltd[2]	Dormant	100%	Ordinary shares
Sivipre Oy[7]	Holds real estate	100%	Ordinary shares
Kensington ISSY[4]	Holds real estate	100%	Ordinary shares
Turia Acquisitions S.L. [4]	Holds real estate	100%	Ordinary shares
Turia Development Acquisitions S.L.[3]	Holds real estate	100%	Ordinary shares
Avenida Barcelona 111, S.L.[8]	Holds real estate	100%	Ordinary shares
Henry Investments Oy[9]	Holds real estate	100%	Ordinary shares
Kiinteistö Oy Sinimäentie 10[9]	Holds real estate	100%	Ordinary shares
Kiinteistö Oy Helsingin Elimäenkatu 26[9]	Holds real estate	100%	Ordinary shares
Kiinteistö Oy Pasilanraitio 5[9]	Holds real estate	100%	Ordinary shares
Kiinteistö Oy Tapiontuuli[9]	Holds real estate	100%	Ordinary shares
Kiinteistö Oy Satomalmi[9]	Holds real estate	100%	Ordinary shares
Ludgate Acquisitions 2 Ltd[10]	Holds real estate	100%	Ordinary shares
The Procession House One Unit Trust[10]	Holds real estate	99.99%	Ordinary shares

14. FIXED ASSET INVESTMENTS (continued)

Registered office address at:

1 Plumtree Court, 25 Shoe Lane, London EC4A 4AU, United Kingdom

2 26 New Street, St. Helier, JE2 3RA, Jersey

3 Piazzetta Maurilio Bossi 3, Milan, CAP 20121, Italy

4 78 Avenue Raymond Poincare, Paris, 75116, France

5 Pradilo No 5, Bajo Exterior Derecha, Madrid, 28002, Spain

6 Maria de Molina, 6-5a, Madrid, 28006, Spain

7 Scandinavian Trust CMS, Oy Fredrikinkatu, 61 00140, Helsinki, Finland

8 113, Esc A, Pl. Bja. Pt. 1 Sant Joan Desp, Barcelona, Spain

9 Kluuvikatu 7, 4th Floor, Helsinki, 00100, Finland

10 Grenville Street, St. Helier, JE4 8PX, Jersey

15. CURRENT ASSET INVESTMENTS

	31 March 2019	31 December 2017
	US$	US$
Equity investments	380,806,846	186,717,794
Debt investments at fair value	515,793,270	665,116,566
Debt investments at amortised cost	470,256,729	246,272,420
	1,366,856,845	**1,098,106,780**

In the table above, debt investments include an allowance for impairment of $23.8 million as of March 2019.

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2019	31 December 2017
	US$	US$
Accrued interest on investments	6,537,289	3,869,838
Amounts due from group undertakings	15,207,122	23,134,686
Accrued interest on long term loans due from group undertakings (see note 17)	-	17,581,249
Other debtors	248,642	6,071,738
	21,993,053	**50,657,511**

Amounts due from group undertakings includes US$7,774,607 (31 December 2017: US$13,491,532) in cash balances held on account by a fellow group undertaking.

17. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2019	31 December 2017
	US$	US$
Long-term loans due from group undertakings	629,429,703	990,668,423
Accrued interest on long-term loans due from group undertakings	16,455,327	-
	645,885,030	**990,668,423**

Long-term loans due from group undertakings comprise the following loans:

(i) A loan of US$225,283,128 (31 December 2017: US$270,543,088) advanced by the company to Beltanio Funding S.R.L., a fellow group undertaking under the terms of an existing loan agreement dated September 2017. The loan is unsecured and carries interest at a variable margin over the Euro overnight interest rate. The loan is repayable in September 2066.

(ii) A loan of US$171,819,763 (31 December 2017: US$235,066,945) advanced by the company to Pyrenees Acquisitions Ltd, a fellow group undertaking. During the period, the company has changed the terms of the agreement with a final maturity of January 2038, replacing the existing agreement. The loan is unsecured and carries interest at a variable margin over the Euro overnight interest rate.

(iii) A loan of US$124,850,786 (31 December 2017 US$230,677,264) advanced by the company to Montserrat Acquisitions Ltd, a fellow group undertaking. During the period, the company has changed the terms of the agreement with a final maturity of January 2038, replacing the existing agreement. The loan is unsecured and carries interest at a variable margin over the Euro overnight interest rate.

(iv) A loan of US$61,958,238 (31 December 2017: US$159,556,510) advanced by the company to Castile Acquisitions Ltd, a fellow group undertaking. During the period, the company has changed the terms of the agreement with a final maturity of January 2038, replacing the existing agreement. The loan is unsecured and carries interest at a variable margin over the Euro overnight interest rate.

(v) A loan of US$32,293,303 (31 December 2017: US$31,557,750) advanced by the company to RP Alcorcon Acquisitions S.L., a fellow group undertaking. During the period, the company has changed the terms of the agreement with a final maturity of January 2038, replacing the existing agreement. The loan is unsecured and carries interest at a variable margin over the Euro overnight interest rate.

(vi) A loan of US$13,176,983 (31 December 2017: US$63,218,778) advanced by the company to Kensington 1, a fellow group undertaking. During the period, the company has changed the terms of the agreement with a final maturity of January 2038, replacing the existing agreement. The loan is unsecured and carries interest at a fixed rate.

(vii) A loan of US$47,502 (31 December 2017: US$48,088) advanced by the company to Kensington 2, a fellow group undertaking. During the period, the company has changed the terms of the agreement with a final maturity of January 2038, replacing the existing agreement. The loan is unsecured and carries interest at a fixed rate.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2019	31 December 2017
	US$	US$
Accrued interest due to group undertakings	-	5,494,358
Amounts due to group undertakings	3,884,497	7,491,836
Group relief payable	-	1,195,082
Corporation tax payable	2,351,361	166,611
Other creditors and accruals	3,726,430	13,871,819
	9,962,288	**28,219,706**

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

	31 March 2019	31 December 2017
	US$	US$
Long-term loans due to group undertakings	1,463,241,264	1,687,296,626
Accrued interest due to group undertakings	6,109,591	-
	1,469,350,855	**1,687,296,626**

Long-term loans due to group undertakings comprise the following loans:

(i) A loan of US$53,541,334 (31 December 2017: US$1,173,371,728) advanced by Group Inc. During the period, the company has changed the terms of the agreement with a final maturity of January 2038, replacing the existing agreement. The loan is unsecured and carries interest at a variable margin over the applicable currency's overnight interest rate. The loan represents a multi-currency facility which is recognised at fair value. During the period, the loan was partially repaid using proceeds from notes issued to GLQ International Ltd (see note 19 (vii)).

(ii) A loan of US$53,601,135 (31 December 2017: US$nil) advanced by Beltany Property Finance Designated Activity Company under the terms of a new loan agreement dated November 2018. The loan is unsecured and carries interest at a variable margin over the applicable currency's overnight interest rate. The loan is repayable in January 2038.

(iii) A loan of US$15,700,696 (31 December 2017: US$nil) advanced by Liffey Acquisitions Designated Activity Company under the terms of a new loan agreement dated November 2018. The loan is unsecured and carries interest at a variable margin over the applicable currency's overnight interest rate. The loan is repayable in January 2038.

(iv) A loan of US$33,229,865 (31 December 2017: US$nil) advanced by Ennis Property Finance Designated Activity Company under the terms of a new loan agreement dated November 2018. The loan is unsecured and carries interest at a variable margin over the applicable currency's overnight interest rate. The loan is repayable in January 2038.

(v) A loan of US$7,546,622 (31 December 2017: US$nil) advanced by Kenmare Property Finance Designated Activity Company under the terms of a new loan agreement dated November 2018. The loan is unsecured and carries interest at a variable margin over the applicable currency's overnight interest rate. The loan is repayable in January 2038.

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

(vi) A loan of US$1,121,612 (31 December 2017: US$nil) advanced by Riverglyde Property Finance Designated Activity Company under the terms of a new loan agreement dated November 2018. The loan is unsecured and carries interest at a variable margin over the applicable currency's overnight interest rate. The loan is repayable in January 2038.

(vii) Notes of $1,298,500,000 subscribed by GLQ International Ltd. The notes are secured and carry interest at a variable margin over the applicable currency's overnight interest rate. The loan is repayable in November 2023. During the period, proceeds from the issuance of the notes were used to repay the loan payable to Group Inc. (see note 19 (i)).

In the prior year, long-term loans due to group undertakings also included a loan of US$513,924,898 advanced by ELQ Holdings (UK) Ltd under the terms of an existing loan agreement dated June 2015. The loan was fully repaid in November 2018.

20. PROVISION FOR LIABILITIES

	31 March 2019	31 December 2017
	US$	US$
Deferred tax liability (see note 13)	3,777,887	5,422,040

21. CALLED UP SHARE CAPITAL

At 31 March 2019 and 31 December 2017 called up share capital comprised:

	31 March 2019		31 December 2017	
	No.	US$	No.	US$
Allotted, called up and fully paid				
Ordinary shares of £1 each	1	2	1	2
Redeemable shares of US$1 each	348,237,882	348,237,882	348,237,882	348,237,882
		348,237,884		**348,237,884**

22. FINANCIAL COMMITMENTS AND CONTINGENCIES

The table below presents the company's commitments and contingencies.

	31 March 2019	31 December 2017
	US$	US$
Maturity of loan commitments		
Less than one year	7,852,835	56,623,620
Between two and five years	162,584,331	66,274,657
More than five years	17,195,937	19,565,996
	187,633,103	**142,464,273**

23. 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.

a. Market risk

Market risk is the risk of loss in value of investments, as well as certain other 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.

The principal market risk of the company is the risk of loss in the value of its equity investments and debt investments. Due to the nature of the investments of the company, market risk is measured using a 10% sensitivity measure. Market risk is determined by estimating the potential reduction in revenue of a 10% decline in the underlying asset value without reflecting the diversification benefits across asset categories or across other risk measures. This would have been a loss of US$136.7 million (31 December 2017: US$109.8 million) based on the carrying value of the investments.

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

If interest rates had been 0.5 percent higher and all other variables were held constant, the company's profit before taxation for the period ended 31 March 2019 would have been US$38,282 lower (2017: US$141,993 lower). This has been determined by assuming that the company's exposure to interest rate risk at balance sheet date was consistent for the whole period.

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

The company's functional currency is the U.S. dollar. At 31 March 2019, the company had net British pound denominated liabilities of US$267 million (2017: US$255 million) and had net Euro denominated assets of $14 million (2017: US$1 million).

If currency rates had been 0.5 percent higher and all other variables were held constant, the company's profit before taxation for the period ended 31 March 2019 would have been US$1.3 million lower (2017: US$1.3 million lower). This has been determined by assuming that the company's exposure to currency rate risk at balance sheet date was consistent for the whole period.

The company manages its interest rate and currency risks as part of GS Group's risk management policy, by establishing economic hedges as appropriate to the circumstances of the company.

23. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

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. The company's maximum exposure to credit risk is equivalent to the carrying value of its financial assets as at 31 March 2019 and 31 December 2017. 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.

Debtors. The company is exposed to credit risk from its amounts due from group undertakings, for which the credit risk is considered minimal. As at 31 March 2019, the company had no debtors past due (31 December 2017: Nil).

Maximum exposure to credit risk – Financial instruments subject to impairment. The following tables contain an analysis of the credit risk exposure of each financial instruments type for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the company's maximum exposure to credit risk on these assets.

	31 March 2019			
	Stage 1 US$	Stage 2 US$	Purchase Credit Impaired US$	Total US$
Non-investment grade	392,469,754	66,767,793	34,778,125	494,015,672
Gross carrying value	**392,469,754**	**66,767,793**	**34,778,125**	**494,015,672**
Allowance for impairment	(7,710,539)	(16,048,404)	-	(23,758,943)
Carrying value	**384,759,215**	**50,719,389**	**34,778,125**	**470,256,729**

Allowance for impairment. The allowance for impairment recorded in the period is impacted by a variety of factors including transfers between stages as a result of financial instruments experiencing significant increases in credit risk or becoming credit-impaired, new financial instruments recognised during the year and changes in modelling assumptions such as PDs, LGDs and EADs. Other factors include foreign exchange revaluations and de-recognition of financial instruments.

The following tables explain the changes in the allowance for impairment between the beginning and the end of the annual period due to these factors:

	Investments			
	Stage 1 12m ECL US$	Stage 2 Lifetime ECL US$	Purchase Credit Impaired US$	Total US$
As at 1 January 2018	4,483,792	6,714,456	-	11,198,248
New financial assets originated or purchased	8,056,347	-		8,056,347
Transfers from Stage 1 to Stage 2	(2,735,841)	2,735,841	-	-
Changes in PDs/LGDs/EADs	356,496	6,598,107	-	6,954,603
Financial assets de-recognised during the period	(2,450,255)	-	-	(2,450,255)
As at 31 March 2019	**7,710,539**	**16,048,404**	**-**	**23,758,943**

23. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

At 31 March 2019, the cumulative allowance for impairment was US$23.8 million. At 1 January 2018, the cumulative allowance for impairment was US$11.2 million, of which US$4.5 million was recognised in retained earnings upon adoption of IFRS 9 (see note 2b(ii)) and US$6.7 million had been recognised in prior years.

The company also holds US$5.1 million of credit risk exposure in 'Cash at Bank and in Hand' (2017: US$1.4 million). The loss-allowance is determined to be immaterial.

Gross carrying value. The following table further explains changes in the gross carrying amount of Investments/Debtors.

	Investments			
	Stage 1 US$	**Stage 2 US$**	**Purchase Credit Impaired US$**	**Total US$**
As at 1 January 2018	217,885,497	39,585,171	82,371,054	339,841,722
Transfers from Stage 1 to Stage 2	(29,787,399)	29,787,399		-
Financial assets de-recognised during the period other than write-offs	(106,895,590)	-	-	(106,895,590)
New financial assets originated or purchased	312,594,440	-	-	312,594,440
Collections and other movements	(1,327,194)	(2,604,777)	(47,592,929)	(51,524,900)
As at 31 March 2019	**392,469,754**	**66,767,793**	**34,778,125**	**494,015,672**

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.

24. 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 March 2019		
	Mandatorily at fair value	Amortised cost	Total
Financial assets	US$	US$	US$
Investments	896,600,116	470,256,729	**1,366,856,845**
Debtors: amounts falling due within one year	-	21,993,053	**21,993,053**
Debtors: amounts falling due after more than one year	-	645,885,030	**645,885,030**
Cash at bank and in hand	-	5,078,813	**5,078,813**
	896,600,116	**1,143,213,625**	**2,039,813,741**

	Designated at fair value	Amortised cost	Total
Financial liabilities	US$	US$	US$
Creditors: amounts falling due within one year	-	(7,610,927)	**(7,610,927)**
Creditors: amounts falling due greater than one year	(1,352,041,334)	(117,309,521)	**(1,469,350,855)**
	(1,352,041,334)	**(124,920,448)**	**(1,476,961,782)**

	31 December 2017		
	Designated at fair value	Loans and receivables	Total
Financial assets	US$	US$	US$
Investments	851,834,360	246,272,420	**1,098,106,780**
Debtors: amounts falling due within one year	-	50,657,511	**50,657,511**
Debtors: amounts falling due after more than one year	-	990,668,423	**990,668,423**
Cash at bank and in hand	-	1,399,634	**1,399,634**
	851,834,360	**1,288,997,988**	**2,140,832,348**

	Designated at fair value	Amortised cost	Total
Financial liabilities	US$	US$	US$
Creditors: amounts falling due within one year	-	(28,053,095)	**(28,053,095)**
Creditors: amounts falling due after more than one year	(1,173,371,728)	(513,924,898)	**(1,687,296,626)**
	(1,173,371,728)	**(541,977,993)**	**(1,715,349,721)**

24. 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.

The fair values for substantially all of the company's financial assets and financial liabilities are based on observable prices and inputs and are classified in levels 1 and 2 of the fair value hierarchy. 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

Debt investments and equity investments

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

- Level 1 financial instruments are valued using quoted prices for identical unrestricted instruments in active markets. The company defines active markets for financial instruments based on both average daily trading volume and number of days with trading activity.

- Level 2 financial instruments can be verified to quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or 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.

  Valuation adjustments are typically made to level 2 financial instruments (i) if the financial instrument is subject to transfer restrictions and/or (ii) for other premiums and liquidity discounts that a market participant would require to arrive at fair value. Valuation adjustments are generally based on market evidence.

- Level 3 financial instruments have one or more significant valuation inputs that are not observable. Absent evidence to the contrary, level 3 financial instruments are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequently, the company uses other methodologies to determine fair value, which vary based on the type of instrument. Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realised on sales of financial assets.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

The tables below present, by level within the fair value hierarchy, financial assets and financial liabilities measured at fair value on a recurring basis.

	As of 31 March 2019			
	Level 1 **US$**	**Level 2** **US$**	**Level 3** **US$**	**Total** **US$**
Investments	-	547,184,320	349,415,796	**896,600,116**
Total financial assets at fair value	**-**	**547,184,320**	**349,415,796**	**896,600,116**
Financial liabilities at fair value				
Creditors: amounts falling due after more than one year	-	(1,352,041,334)	-	**(1,352,041,334)**
Total financial liabilities at fair value	**-**	**(1,352,041,334)**	**-**	**(1,352,041,334)**

	As of 31 December 2017			
	Level 1 **US$**	**Level 2** **US$**	**Level 3** **US$**	**Total** **US$**
Investments	-	665,448,184	186,386,176	**851,834,360**
Total financial assets at fair value	**-**	**665,448,184**	**186,386,176**	**851,834,360**
Financial liabilities at fair value				
Creditors: amounts falling due after more than one year	-	(1,173,371,728)	-	**(1,173,371,728)**
Total financial liabilities at fair value	**-**	**(1,173,371,728)**	**-**	**(1,173,371,728)**

During current and prior periods, there were no transfers between level 1 and level 2 financial assets and financial liabilities measured at fair value on a recurring basis.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

As of 31 March 2019, the company had level 3 asset cash instruments measured at fair value through profit and loss of US$349 million (31 December 2017: US$186 million). The table below presents the ranges of significant unobservable inputs used to value the level 3 asset cash instruments, and the weighted averages.

Level 3 cash instruments	Valuation techniques and significant unobservable inputs	Significant unobservable inputs (where a range, weighted average)	
		As of March 2019	As of December 2017
Equity investments	Market comparable:		
(US$246 million and US$46 million of net level 3 assets as of March 2019 and December 2017, respectively)	• Earnings multiple	0.4x - 5.6x (2.7x)	2.2x - 5.9x (3.5x)
	• Price to book multiple	1.8x - 1.8x (1.8x)	1x - 1x (1x)
Debt investments			
(US$104 million and US$140 million of net level 3 assets as of March 2019 and December 2017, respectively)	• Yield	6.7% - 22.1% (10.0%)	n/a
	• Earnings multiple	7.3x - 7.3x (7.3x)	n/a
	• DCF	n/a	18% - 18% (18%)
	• Recovery rate	10.5% - 88% (50.6%)	34.6% - 71.2% (64.6%)

f. Level 3 rollforward

The tables below present the changes in fair value for all level 3 financial assets and financial liabilities. Gains and losses arising on level 3 assets are recognised within net revenues in the profit and loss account.

	65 Week Period Ended 31 March 2019 US$	52 Week Period Ended 31 December 2017 US$
Level 3, financial assets at fair value		
Balance, beginning of period	186,386,176	448,500,479
Gains/(Loss)	31,699,337	(14,655,497)
Purchases	132,471,022	19,289,172
Sales	(15,828,310)	(16,487,049)
Settlements	(95,315,661)	(103,703,732)
Transfers into level 3	141,575,610	-
Transfers out of level 3	(31,572,378)	(146,557,197)
Balance, end of period	**349,415,796**	**186,386,176**

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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 in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on 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 valuations, including significant unobservable inputs, has been quantified as of 31 March 2019 approximately US$45 million (31 December 2017: US$19 million) for favourable changes and US$30 million (31 December 2017: US$17 million) for unfavourable changes.

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

The company has US$22 million (31 December 2017: US$51 million) of current financial assets (excluding investments and cash) and US$8 million (31 December 2017: US$28 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.

Additionally, the company has debt investments carried at amortised cost included within current financial assets of US$470 million (31 December 2017: US$246 million). These investments have a fair value of US$492 million (31 December 2017: US$251 million).

The company had US$646 million (31 December 2017: US$991 million) of financial assets and US$117 million (31 December 2017: US$514 million) of financial liabilities that were due after more than one year, that were not measured at fair value and relate to long-term intercompany borrowings. The interest rates of these borrowings are predominantly variable in nature and approximate 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2019

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

i. 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 March 2019				
	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	US$	US$	US$	US$	US$
Financial liabilities					
Amounts due to group undertakings	3,884,497	-	-	-	**3,884,497**
Group relief payable	-	-	-	-	-
Other creditors and accruals	3,726,430	-	-	-	**3,726,430**
Accrued interest due to group undertakings	-	-	6,109,591	-	**6,109,591**
Long term loan due to group undertakings	8,457,198	25,841,439	1,424,328,224	235,439,807	**1,694,066,668**
Total	**16,068,125**	**25,841,439**	**1,430,437,815**	**235,439,807**	**1,707,787,186**

	Investments				
	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	US$	US$	US$	US$	US$
Financial liabilities					
Accrued interest due to group undertakings	5,494,358	-	-	-	**5,494,358**
Amount due to group undertakings	7,491,836	-	-	-	**7,491,836**
Group relief payable	1,195,082	-	-	-	**1,195,082**
Other creditors and accruals	13,871,820	-	-	-	**13,871,820**
Long term loan due to group undertakings	5,987,100	17,961,301	95,793,605	2,700,255,106	**2,819,997,112**
Total	**34,040,196**	**17,961,301**	**95,793,605**	**2,700,255,106**	**2,848,050,208**

25. POST BALANCE SHEET EVENTS

Subsequent to period end the following events took place:

- On 7 August 2019, the company received $207.9 million to extinguish its loan receivable from Beltanio Funding SRL.
- The company disposed of its shareholding in ELQ Omega UK Ltd and Ludgate Acquisitions 1 Ltd to a fellow group undertaking.