Company Number: 06622127

GOLDMAN SACHS GROUP U.K. FINANCE LIMITED

ANNUAL REPORT

31 DECEMBER 2018

DIRECTORS' REPORT

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

1. Introduction

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

2. Financial overview

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

The results for the year are shown in the profit and loss account on page 6. The company reported a loss before taxation of US$13.3 million for the year ended 31 December 2018 (2017: profit before taxation of US$38.9 million). The company has total assets of US$161.9 million as at 31 December 2018 (31 December 2017: US$503.9 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. Dividends

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

5. Exchange rate

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

6. Financial risk management

The company's financial risk management objectives and policies, as well as its risk exposures, are described in note 16 to the financial statements.

DIRECTORS' REPORT (continued)

7. Disclosure of information to auditors

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

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he/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.

8. Independent auditors

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

9. Directors

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

Name	Appointed	Resigned
O. J. Bingham		
V. S. Chima	9 July 2019	
B. Dhesi		
W. T. Gasson		
R. M. Thomas		9 July 2019
C. A. Thorogood		15 July 2019

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

10. Statement of directors' responsibilities

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

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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (continued)

12. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 11 September 2019.

ON BEHALF OF THE BOARD

Director

Oliver Bingham

Independent auditors' report to the members of Goldman Sachs Group U.K. Finance Limited

Report on the audit of the financial statements

Our opinion

In our opinion, Goldman Sachs Group U.K. Finance Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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

Nick Morrison

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

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2018

	Note	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Income from shares in group undertakings	10	-	38,972
Interest receivable and similar income	4	3,590	-
Interest payable and similar expenses	5	(753)	-
Net (losses)/gains on derivative financial instruments at fair value	12	(16,198)	-
Administrative expenses	6	23	(42)
OPERATING (LOSS)/PROFIT AND (LOSS)/PROFIT BEFORE TAXATION		(13,338)	38,930
Tax on (loss)/profit	9	(546)	12
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(13,884)	38,942

The operating (losses)/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.

BALANCE SHEET

as at 31 December 2018

	Note	31 December 2018 US$'000	31 December 2017 US$'000
FIXED ASSETS			
Investments	10	-	203
CURRENT ASSETS			
Debtors	11	159,832	66,149
Derivative financial assets	12	-	437,486
Cash at bank and in hand		2,033	93
		161,865	503,728
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(42,801)	(437,963)
NET CURRENT ASSETS		119,064	65,765
NET ASSETS		119,064	65,968
CAPITAL AND RESERVES			
Called up share capital	14	54,401	27,000
Share premium account	14	39,579	-
Profit and loss account		25,084	38,968
TOTAL SHAREHOLDER'S FUNDS		119,064	65,968

The financial statements were approved by the Board of Directors on 11 September 2019 and signed on its behalf by:

Director

Oliver Bingham

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

Company number: 06622127

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Called up share capital	Share premium account	Profit and loss account	Total shareholder's funds
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2017	27,000	-	26	27,026
Profit for the financial year	-	-	38,942	38,942
Balance at 31 December 2017	27,000	-	38,968	65,968
Loss for the financial year	-	-	(13,884)	(13,884)
Proceeds from shares issued	27,401	39,579	-	66,980
Balance at 31 December 2018	54,401	39,579	25,084	119,064

No dividends were paid in 2018 and 2017.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

1. GENERAL INFORMATION

The company is a 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 Goldman Sachs Group Holdings (U.K.) Limited, a company incorporated and domiciled in England and Wales. The parent company of the smallest group for which consolidated financial statements are prepared is Goldman Sachs Group UK Limited, a company incorporated and domiciled in England and Wales. Copies of its consolidated financial statements are available on request from the Company Secretary, GSG UK, Plumtree Court, 25 Shoe Lane, London, EC4A 4AU, United Kingdom.

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

2. ACCOUNTING POLICIES

a. Basis of preparation

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

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

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

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

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

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

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

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

(vii) IAS 24 'Related Party Disclosures' requirements to disclose transactions with companies also wholly owned with the 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.

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 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 – refer to note 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 and, where required, subsequent analysis of cash flow characteristics on individual financial assets.

There were no changes to the carrying amount of financial assets as a result of the adoption of IFRS 9. At 1 January 2018, the company had US$66.2 million of financial assets classified as loans and receivables and US$437.5 million of financial assets classified as held for trading under IAS 39. These financial assets were reclassified as measured at amortised cost and mandatorily measured at fair value under IFRS 9, respectively.

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

(ii) Impairment

The company has developed and tested an impairment model that complies with the key requirements of IFRS9. The results calculated by the model were not material and therefore the company has not recorded any credit losses as a result of adopting IFRS 9.

c. 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.

d. Foreign currencies

The company's financial statements are presented in U.S. dollars, which is also the company's functional currency. Transactions denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are recognised in the profit and loss account.

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.

2. ACCOUNTING POLICIES (continued)

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.

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 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 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 measured at amortised cost**

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

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

- **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 gains/(losses) on financial instruments at fair value.

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

2. ACCOUNTING POLICIES (continued)

g. Financial assets and financial liabilities (continued)

- **Financial assets held for trading**

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

- **Loans and receivables**

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

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

- **Financial liabilities held for trading**

Financial liabilities held for trading are initially measured at fair value and subsequently at fair value through profit or loss, with gains or losses recognised in net gains/(losses) on financial instruments at fair value.

- **Financial liabilities measured at amortised cost**

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

(iii) Offsetting financial assets and financial liabilities

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

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

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

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

2. ACCOUNTING POLICIES (continued)

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 at the 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 timing 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. In the opinion of management, there were no judgements made that had a significant effect on amounts recognised in the financial statements, other than those mentioned in note 17 (c).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Interest on collateral held by group undertakings	486	-
Interest on loans to group undertakings (see note 11)	3,104	-
	3,590	-

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Interest on collateral from group undertakings	147	-
Interest on loans from group undertakings (see note 13)	606	-
	753	-

6. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Foreign exchange (gains)/losses	(26)	40
Bank fees	3	2
	(23)	**42**

The auditors' remuneration for the current year of £15,000 (US$19,946) (31 December 2017: £12,000 (US$15,624)) 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. The directors do not consider that more than an incidental amount of their remuneration relates to the qualifying services provided to the company.

9. TAX ON (LOSS)/PROFIT

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Current tax:		
U.K. corporation tax	543	(9)
Adjustments in respect of prior periods	3	(3)
Total tax on (loss)/profit	**546**	**(12)**

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

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
(Loss)/profit before taxation	(13,338)	38,930
(Loss)/profit before taxation multiplied by the weighted average rate in the U.K. of 19% (2017: 19.25%)	(2,534)	7,494
Permanent differences	3,077	(7,503)
Adjustments in respect of prior periods	3	(3)
Total tax on (loss)/profit	**546**	**(12)**

10. FIXED ASSET INVESTMENTS

Fixed asset investments in the prior year, which were unlisted and stated at cost less provision for any impairment, comprised investments in subsidiary undertakings:

	Cost and Net book value US$'000
At 1 January 2017	25,765
Distributions (see below)	(25,562)
At 31 December 2017	203
Distributions (see below)	(203)
At 31 December 2018	-

During the prior year, the company received dividends totalling US$64.5 million from a subsidiary undertaking, Beheer-en Beleggingsmaatschappij Befraco B.V. (Befraco B.V.). The company treated US$25.6 million of these dividends as a return of capital and reduced the value of its investment to US$0.2 million, representing the net asset value of the subsidiary as of 31 December 2017.

During the current year, the company received a further distribution of US$0.2 million from Befraco B.V., which was subsequently dissolved.

During the current year, the company also disposed of the entire share capital of Pumbaa Luxembourg S.A R.L at no profit or loss.

11. DEBTORS

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

	31 December 2018 US$'000	31 December 2017 US$'000
Amounts due from group undertakings	159,823	66,149
Group relief receivable	9	-
	159,832	**66,149**

Amounts due from group undertakings includes US$23.8 million (31 December 2017: US$66.1 million) in cash and collateral balances held on account by a fellow group undertaking.

Amounts due from group undertakings in the current year also includes a loan of US$132.8 million advanced by the company to Goldman Sachs Group Holdings (U.K.) Limited, a parent undertaking, under a loan agreement dated 18 January 2018. The loan is unsecured and carries interest at a variable margin over the U.S. Federal Reserve's federal funds rate. The loan is repayable at the earlier of 94 days from when the company demands repayment or 18 January 2028.

12. FINANCIAL INSTRUMENTS AT FAIR VALUE

In a prior period the company issued a convertible loan with a notional value of US$509.5 million (€445.0 million) (31 December 2017: US$535.0 million (€445.0 million)) to its subsidiary Pumbaa Luxembourg S.A R.L (Pumbaa), which was fully collateralised by European government bonds under a CSA attached to the loan. All rights and obligations in relation to the loan and associated CSA were hedged via a derivative hedge with Goldman Sachs International (GSI), a fellow group undertaking.

The loan paid interest at a rate of 4.7913% per annum which was subjcct to dcfcrral dcpendent on the performance of an underlying interest rate index and was convertible into ordinary equity at the discretion of the company. The embedded derivatives in this loan were bifurcated and accounted for at fair value. The CSA required the company to make manufactured interest payments of 3.0810% per annum.

During the year, the company incurred fair value gains of US$21.3 million (2017: losses of US$50.5 million) and gains of US$17.0 million (2017: US$11.8 million) on the derivative and the CSA, respectively. These gains were fully offset by the derivative hedge.

On 6 November 2018, the company converted the convertible loan into 551,808,062 ordinary shares in Pumbaa, under the terms of the settlement agreement these shares were issued directly to a 3rd party and the CSA and derivative hedge were settled. There were no outstanding balances as at 31 December 2018.

On 22 January 2018 and 29 March 2018, the company entered into new forward derivatives with GSI to acquire the entire share capital of Goldman Sachs Investments Holdings (Asia) Limited (GSIHAL), a group undertaking, for a total consideration of US$245.4 million. The derivatives are to be settled at the earlier of 22 January 2028 and such date elected by GSI. Under the agreements, GSI can settle the derivatives with the GSIHAL shares, cash or shares of another group undertaking. The settlement value must be equivalent to the fair market value of the GSIHAL shares but cannot be less than than US$200.0 million or exceed US$450.0 million.

During the year, the company incurred fair value losses of US$16.2 million under the forward derivatives.

	31 December 2018 US$'000	31 December 2017 US$'000
Financial assets at fair value		
Opening balance	437,486	398,751
Change in fair value of derivative hedge	(38,250)	38,735
Settlements	(399,236)	-
	-	**437,486**
Financial liabilities at fair value		
Opening balance	(437,486)	(398,751)
Change in fair value of convertible loan embedded derivative	21,274	(50,537)
Change in fair value of CSA	16,976	11,802
Change in fair value of forward derivatives	(16,198)	-
Settlements	399,236	-
	(16,198)	**(437,486)**
Net movement in the profit and loss account	**(16,198)**	-

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2018	31 December 2017
	US$'000	US$'000
Derivative financial liabilities		
Embedded derivatives on convertible loans (see note 12)	-	404,627
Net payable under CSA's (see note 12)	-	32,859
Forward derivatives (see note 12)	16,198	-
Amounts due to group undertakings	26,082	477
Group relief payable	521	-
	42,801	437,963

Amounts due to group undertakings in the current year also includes a loan of US$25.1 million advanced to the company by Goldman Sachs International, a group undertaking, under the terms of a loan agreement dated 18 January 2018. The loan is unsecured and carries interest at a variable margin over the U.S. Federal Reserve's federal funds rate. The loan is repayable at the earlier of 94 days from when the lender demands repayment or 18 January 2028.

14. CALLED UP SHARE CAPITAL

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

	31 December 2018		31 December 2017	
	No.	US$'000	No.	US$'000
Allotted, called up and fully paid				
Ordinary shares of £1 each	1	-	1	-
Ordinary shares of US$1 each	54,400,999	54,401	26,999,999	27,000
		54,401		27,000

On 18 January 2018, the company issued 27,401,000 ordinary shares of US$1 each to Goldman Sachs Group Holdings (U.K.) Limited. The company received a total consideration of US$67.0 million for the shares and recognised US$39.6 million as share premium.

15. FINANCIAL COMMITMENTS AND CONTINGENCIES

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

16. 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.

16. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

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. Relevant market risks for the company are interest rate risk, currency risk and equity price risk.

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/lower and all other variables were held constant, the company's loss before taxation for the year ended 31 December 2018 would have been US$0.7 million lower/higher (2017: US$nil). This has been determined by assuming that the company's exposure to interest rate risk at balance sheet date was consistent for the whole year.

Currency risk results from changes in spot prices, forward prices and volatilities of currency rates. The company's functional currency is the U.S. dollar. At 31 December 2018, the company had no material net exposures to other currencies (2017: none). The company manages its currency risks as part of the group's risk management policy, by establishing economic hedges as appropriate to the circumstances of the company.

Equity price risk arises from the company's forward derivatives sensitive to changes in prices and volatilities of individual investments. The sensitivity analysis below has been determined based on the company's exposure to equity price risk at the balance sheet date. If the underlying equity values had been 10 per cent higher/lower, loss before taxation for the year ended 31 December 2018 would decrease/increase by US$22.9 million (2017: increase/decrease by US$ nil) as a result of the changes in fair value.

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 counterparties and reviewing, if applicable, the underlying collateral against which the assets are secured. The company's maximum exposure to credit risk is equivalent to the carrying value of its financial assets as at 31 December 2018. 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 December 2018, the company had no debtors past due (31 December 2017: none).

As at 31 December 2017, the company was also exposed to credit risk from its convertible loan. The loan was fully collateralised with European government bonds posted under a CSA attached to the loan. The collateral received in the form of European government bonds had a fair value of US$567.8 million (€472.3 million). The company was permitted by the terms of the CSA to pledge these financial instruments as collateral for the company's obligations under the intragroup hedge.

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.

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a. Financial assets and financial liabilities by category

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

	31 December 2018		
	Mandatorily at fair value	Amortised cost	Total
Financial assets	US$'000	US$'000	US$'000
Amounts due from group undertakings	-	159,823	159,823
Group relief receivable	-	9	9
Cash at bank and in hand	-	2,033	2,033
	-	161,865	161,865

	Held for trading	Amortised cost	Total
Financial liabilities	US$'000	US$'000	US$'000
Derivative financial liabilities	16,198	-	16,198
Amounts due to group undertakings	-	26,082	26,082
Group relief payable	-	521	521
	16,198	26,603	42,801

	31 December 2017		
	Held for trading	Loans and receivables	Total
Financial assets at fair value	US$'000	US$'000	US$'000
Amounts due from group undertakings	-	66,149	66,149
Derivative financial assets	437,486	-	437,486
Cash at bank and in hand	-	93	93
	437,486	66,242	503,728

	Held for trading	Amortised cost	Total
Financial liabilities	US$'000	US$'000	US$'000
Derivative financial liabilities	437,486	-	437,486
Amounts due to group undertakings	-	477	477
	437,486	477	437,963

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.

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

b. Fair value hierarchy (continued)

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

c. Valuation techniques and significant inputs

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

All of the company's derivative financial instruments are level 2 and are valued using derivative pricing models (e.g., discounted cash flow models, correlation models, and models that incorporate option pricing methodologies, such as Monte Carlo simulations). The selection of a particular model to value a derivative depends on the contractual terms of and specific risks inherent in the instrument, as well as the availability of pricing information in the market.

Valuation models require a variety of inputs, such as contractual terms, market prices, yield curves, discount rates (including those derived from interest rates on collateral received and posted as specified in the CSA for collateralised derivatives), credit curves, measures of volatility and correlations of such inputs. Significant inputs to the valuations of level 2 derivatives can be verified to market transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g. indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Valuation adjustments are integral to determining the fair value of derivatives and are used to adjust the market valuations produced by derivative pricing models to the appropriate exit price valuation. These adjustments incorporate bid/offer spreads, the cost of liquidity, credit valuation adjustments and funding valuation adjustments, which account for the credit and funding risk inherent in the uncollateralised portion of derivatives. Market-based inputs are generally used when calibrating valuation adjustments to market-clearing levels.

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

As of 31 December 2018 and 31 December 2017, the company had no level 3 financial assets and financial liabilities. Accordingly the range of significant unobservable inputs has not been disclosed.

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

The company measures its derivative financial instruments at fair value on a recurring basis. All of the company's derivative financial assets and derivative financial liabilities were classified as Level 2 in the current and prior years.

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

The company has US$161.9 million (31 December 2017: US$66.2 million) of current financial assets and US$26.6 million (31 December 2017: US$0.5 million) of current financial liabilities that are not measured at fair value. Given the short-term nature of these instruments, their carrying amounts in the balance sheet are a reasonable approximation of fair value.

g. 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 than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	5+ years US$'000	Total US$'000
Creditors: amounts falling due within one year	17,104	-	25,875	-	-	42,979
Total	**17,104**	**-**	**25,875**	**-**	**-**	**42,979**

All financial liabilities in the prior year were due within one month of the balance sheet date.

18. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table shows the company's financial assets and financial liabilities that are subject to enforceable netting agreements and offsetting. Gross amounts exclude the effects of both counterparty netting and collateral, and therefore are not representative of the company's exposure. Amounts are only offset in the balance sheet when the company currently has a legally enforceable right to set off the recognised amounts and an intention to either settle on a net basis, or to realise the asset and liability simultaneously.

	As of 31 December 2018				
	Gross amount US$'000	Amounts offset in the balance sheet US$'000	Net amount presented in the balance sheet US$'000	Cash collateral not offset in the balance sheet US$'000	Net amount US$'000
Financial liabilities:					
Derivative financial instruments	(16,198)	-	(16,198)	16,198	-
Total financial liabilities	**(16,198)**	**-**	**(16,198)**	**16,198**	**-**

18. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	As of 31 December 2017				
Financial assets	**Gross amount US$'000**	**Amounts offset in the balance sheet US$'000**	**Net amount presented in the balance sheet US$'000**	**Cash collateral not offset in the balance sheet US$'000**	**Net amount US$'000**
Convertible loan	130,350	(130,350)	-	-	-
Financial assets subject to enforceable netting agreements	130,350	(130,350)	-	-	-
Financial assets not subject to enforceable netting agreements	503,728	-	503,728	-	503,728
Total financial assets	**634,078**	**(130,350)**	**503,728**	**-**	**503,728**
Financial liabilities:					
Derivative financial instruments	(567,836)	130,350	(437,486)	-	(437,486)
Financial liabilities subject to enforceable netting agreement	(567,836)	130,350	(437,486)	-	(437,486)
Financial liabilities not subject to enforceable netting agreements	(477)	-	(477)	-	(477)
Total financial liabilities	**(568,313)**	**130,350**	**(437,963)**	**-**	**(437,963)**