Company Number: 9182214

ELQ INVESTORS VIII LTD

ANNUAL REPORT

31 DECEMBER 2018

STRATEGIC REPORT

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

1. Introduction

The principal activity of ELQ Investors VIII Ltd (the company) is to undertake investment business. The company holds investments in subsidiary undertakings which hold real estate assets and private equity investments, 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.

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

2. Financial overview

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

The results for the year are shown in the profit and loss account set out on page 6. Profit before taxation for the year ended 31 December 2018 was US$83.7 million (31 December 2017: loss of US$7.9 million).

The company has total assets of US$1,948.1 million (31 December 2017: US$1,967.9 million).

3. Exchange rate

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

4. Future outlook

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

5. 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 24 of the financial statements.

6. Date of authorisation of issue

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

ON BEHALF OF THE BOARD

Director

JEREMY WILTSHIRE

DIRECTORS' REPORT

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

1. Introduction

In accordance with section 414A of the Companies Act 2006, the directors have prepared a strategic report, which contains a review of the company's businesses 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 year (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 year and to the date of this report, except where noted, were:

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

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

DIRECTORS' REPORT (continued)

6. Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 2019 .

ON BEHALF OF THE BOARD

Director

JEREMY WILTSHIRE

Report on the audit of the financial statements

Opinion

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

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

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

Basis for opinion

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

Independence

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

Conclusion 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 year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financials statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financials 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
17 September 2019

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2018

	Note	Year Ended 31 December 2018 US$	Year Ended 31 December 2017 US$
Net revenues	4	117,579,754	95,054,415
Income from shares in group undertakings	5	74,624,959	15,471,809
Write down of shares in group undertakings	6	(5,213,977)	-
Interest receivable and similar income	7	11,198,183	6,222,291
Interest payable and similar expenses	8	(49,850,979)	(33,686,990)
Administrative expenses	9	(64,659,627)	(90,959,525)
OPERATING PROFIT/(LOSS)		83,678,313	(7,898,000)
Gain on sale of subsidiary undertakings	10	32,459	-
PROFIT/(LOSS) BEFORE TAXATION		83,710,772	(7,898,000)
Tax on profit/(loss)	13	12,059,662	3,022,356
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		95,770,434	(4,875,644)

The operating profits/losses 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 other comprehensive income has been presented.

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

BALANCE SHEET

as at 31 December 2018

	Note	31 December 2018 US$	31 December 2017 US$
FIXED ASSETS			
Investments	15	837,477,670	762,464,213
CURRENT ASSETS			
Investments	16	877,519,547	687,056,098
Debtors: Amounts falling due within one year	17	42,598,159	44,307,167
Debtors: Amounts falling due after more than one year	18	188,383,651	472,958,808
Cash at bank and in hand		2,144,508	1,101,682
		1,110,645,865	1,205,423,755
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	19	(43,739,190)	(650,869,683)
NET CURRENT ASSETS		1,066,906,675	554,554,072
TOTAL ASSETS LESS CURRENT LIABILITIES		1,904,384,345	1,317,018,285
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	20	(1,389,040,537)	(897,154,774)
PROVISION FOR LIABILITIES	14	(3,871,673)	(4,161,810)
NET ASSETS		511,472,135	415,701,701
CAPITAL AND RESERVES			
Called up share capital	21	347,000,002	347,000,002
Profit and loss account		164,472,133	68,701,699
TOTAL SHAREHOLDER'S FUNDS		511,472,135	415,701,701

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

Director

JEREMY WILTSHIRE

The accompanying notes are an integral part of these financial statements.
Company number :9182214

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Note	Called up share capital	Profit and loss account	Total shareholder's funds
		US$	US$	US$
Balance at 1 January 2017		347,000,002	73,577,343	420,577,345
Loss for the financial year		-	(4,875,644)	(4,875,644)
Balance at 31 December 2017	21	347,000,002	68,701,699	415,701,701
Profit for the financial year		-	95,770,434	95,770,434
Balance at 31 December 2018		347,000,002	164,472,133	511,472,135

No dividends were paid in 2018 or 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 2BB, 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, Peterborough Court, 133 Fleet Street, 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 (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 IFRS 9, the company continues to apply the hedge accounting requirements of IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39).

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 notes 2h 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$517.3 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.

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, debt investments and investments in associates and joint ventures.

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.

Net revenues from investments in associates and joint ventures includes changes in fair value and the 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 comprise investments in subsidiary undertakings and are stated cost less provision for any impairments. Where hedge accounting is applied the carrying value is adjusted for changes in fair value due to foreign exchange. Dividends receivable are recognised when the right to receive payment has been established.

The company applies fair value hedge accounting under IAS 39 for certain foreign currency forward contracts used to manage the foreign currency exposure of certain non-USD fixed asset investments. To qualify for hedge accounting, the derivative hedge must be highly effective at reducing the risk from the exposure being hedged. Additionally, the company must formally document the hedging relationship at inception and test the hedging relationship to ensure the derivative hedge continues to be highly effective over the life of the hedging relationship.

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

(ii) Classification and measurement

Financial assests 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.

2. ACCOUNTING POLICIES (continued)

h. Financial assets and financial liabilities (continued)

• 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, including derivative instruments, are initially measured at fair value and subsequently at fair value through profit or loss, with gains or losses recognised in net revenues.

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

• Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss comprise equity, debt investments and investments in associates and joint ventures. These investments are designated at fair value as they are managed and their performance is evaluated on a fair value basis. Financial assets and financial liabilities designated at fair value through profit or loss are initially recognised at fair value with transaction costs 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.

• 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.

2. ACCOUNTING POLICIES (continued)

h. Financial assets and financial liabilities (continued)

• Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss comprise amounts due to group undertakings. These financial liabilities are designed at fair value as they are managed and their performance is evaluated on a fair value basis. Financial liabilities designated at fair value through profit or loss are initially measured at fair value and subsequently at fair value through profit or loss, with the changes in fair value attributable to the changes in own credit risk being recognised in other comprehensive income, if it does not create or enlarge accounting mismatch.

• 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.

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. 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.

b. 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.

4. NET REVENUES

	Year Ended 31 December 2018 US$	Year Ended 31 December 2017 US$
Net revenues from equity investments	66,079,124	74,261,773
Net revenues from debt investments	44,569,506	15,783,519
Net revenues from derivatives	76,730,479	-
Hedge accounting adjustments	(76,730,479)	-
Income from associates and joint ventures	6,931,123	5,009,123
	117,579,754	**95,054,415**

5. INCOME FROM SHARES IN GROUP UNDERTAKINGS

In the current year, income from shares in group undertakings of US$74,624,959 (31 December 2017: US$15,471,809) comprises dividend income from PIL Holdings 2 Limited.

In 2017, the income from shares in group undertakings comprises income from PIL Holdings 2 Limited of US$9,149,397, CDV-3 Ltd of US$4,891,929, Parrot B.V of US$1,030,021 and Uberior Special Situations Limited of US$400,462.

6. WRITE DOWN OF SHARES IN GROUP UNDERTAKINGS

As part of the year end assessment of subsidiary performance, the company recorded a total impairment of US$5,213,977 (31 December 2017: US$ nil) comprising impairments mainly in Obsidian Irish Collective Asset-Management Vehicle of $4,103,340, ELQ VIII Acquisitions S.A.R.L. of US$775,817 and Parrot B.V. of US$334,820.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2018 US$	Year Ended 31 December 2017 US$
Interest on loans to group undertakings (see note 18)	11,198,183	6,222,291
	11,198,183	**6,222,291**

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31 December 2018 US$	Year Ended 31 December 2017 US$
Interest on short-term loans from group undertakings (see note 19)	-	15,577,280
Interest on long-term loans from group undertakings (see note 20)	49,850,979	18,109,710
	49,850,979	**33,686,990**

9. ADMINISTRATIVE EXPENSES

	Year Ended 31 December 2018 US$	Year Ended 31 December 2017 US$
Management fees charged by group undertakings	62,056,531	65,212,189
Arrangement and management fees charged by third party	6,300,000	13,904,951
Legal and professional fees	(3,784,720)	8,602,325
Foreign exchange (gains)/losses	(50,633)	3,113,599
Other expenses	138,449	126,461
	64,659,627	**90,959,525**

The auditors' remuneration for the current year of £45,000 (US$57,341) (31 December 2017: £45,000 (US$58,590)) has been borne by a group undertaking.

Arrangement and management fees charged by third party relate to fees paid in relation to equity investments.

Legal and professional fees represent expenses incurred in relation to the acquisition of new investments. In the current year, it includes reversal of accrued expenses from previous years where the expenses were recharged to fellow group undertakings.

10. GAIN ON SALE OF SUBSIDIARY UNDERTAKINGS

In the current year, the company made a net gain on sale of subsidiary undertakings of US$32,459 from a partial sale of its holding in Prosta Acquisitions Limited to co-investors.

11. 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. 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).

12. DIRECTORS' EMOLUMENTS

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

13. TAX ON PROFIT/(LOSS)

	Year Ended 31 December 2018 US$	Year Ended 31 December 2017 US$
Current tax:		
U.K. corporation tax	(15,102,410)	(14,489,965)
Adjustments in respect of prior periods	3,332,885	7,305,799
Total current tax	**(11,769,525)**	**(7,184,166)**
Deferred tax		
Timing differences in respect of investments	(290,137)	-
Adjustment in respect of prior periods	-	4,161,810
Total deferred tax	**(290,137)**	**4,161,810**
Total tax on profit/(loss)	**(12,059,662)**	**(3,022,356)**

The table below presents a reconciliation between tax on profit/(loss) and the amount calculated by applying the weighted average rate of U.K. corporation tax applicable to the company for the year of 19.00% (2017: 19.25%) to the profit/(loss) before taxation.

	Year Ended 31 December 2018 US$	Year Ended 31 December 2017 US$
Profit/(loss) before taxation	83,710,772	(7,898,000)
Profit/(loss) multiplied by the weighted average rate in the U.K. of 19.00% (2017: 19.25%)	15,905,046	(1,520,365)
Non-taxable gains on equity investments	(13,302,810)	(14,463,242)
Non-deductible equity losses on impairment of subsidiary undertakings	990,656	-
Non-taxable gains on sale of subsidiaries	(6,167)	-
Allocation of taxable partnership income	1,316,913	964,257
Non-taxable dividend income from subsidiary undertakings	(14,178,741)	(2,978,323)
Expenses not deductible for tax purposes	838,464	3,507,708
Effect of change in U.K. corporation tax rate	(512,427)	-
Changes in recognition and measurement of deferred tax liabilities	222,289	-
Adjustments in respect of prior periods	(3,332,885)	11,467,609
Total tax on profit/(loss)	**(12,059,662)**	**(3,022,356)**

14. PROVISION FOR LIABILITIES

	31 December 2018 US$	31 December 2017 US$
Deferred tax liability comprises		
Timing differences in respect of equity investments and debt investments (see note 13)	3,871,673	4,161,810
	3,871,673	**4,161,810**

	US$
The movements in the deferred tax balance were as follows:	
At 1 January 2017	-
Charged to the profit and loss account (see note 13)	4,161,810
At 31 December 2017	4,161,810
Credited to the profit and loss account (see note 13)	(290,137)
At 31 December 2018	**3,871,673**

15. FIXED ASSET INVESTMENTS

Fixed asset investments, which are unlisted and stated at cost less provision for any impairments, comprise investments in subsidiary undertakings. Where hedge accounting is applied the carrying value is adjusted for changes in fair value due to foreign exchange.

	Year Ended US$
At 1 January 2017	824,707,156
Additions	79,486,838
Disposals	(141,729,781)
At 31 December 2017	762,464,213
Additions	188,903,043
Distributions	(28,736,185)
Disposals	(3,208,945)
Impairment	(5,213,977)
Foreign exchange revaluation	(76,730,479)
At 31 December 2018	**837,477,670**

During the year, the following key additions took place:

a. The company was alloted GBP 130,240,057 ordinary shares of GBP 1 each in Titanium UK Holdco 1 Limited for a total consideration of US$181,092,288.

b. The company was alloted EUR 6,500,000 ordinary shares of EUR 1 each in ELQ VIII Acquisitions S.A.R.L. for a total consideration of US$7,512,700.

c. The company was alloted USD 250,000 ordinary shares of USD 1 each in Sky Mundi S.A.R.L for a total consideration of US$250,000.

d. The company was alloted EUR 4,147,500 ordinary shares of EUR 0.01 each in Parrot B.V. for a total consideration of US$48,055.

During the year, the following key distributions, conversions and disposals took place:

e. The company received a distribution of US$28,736,185 from PIL Holding 2 Limited following a capital reduction. It was determined that the distribution represented a return of capital and the company reduced its investment by the same amount.

f. The company converted EUR 2,369,534 ordinary shares of EUR 1 each in ELQ VIII Acquisitions S.A.R.L. into a loan for a total consideration of US$2,777,805.

g. The company disposed of EUR 400,000 ordinary shares of EUR 1 each in Prosta Acquisitions Ltd for a total consideration of US$431,140 for a gain of US$ 32,459 (see note 10).

For impairment details, see note 6.

The company also designated the foreign exchange exposure of Titanium UK Holdco 1 Limited, ELQ VIII Acquisitions S.A.R.L., PIL Holding 2 Limited, Obsidian Irish Collective Asset-Management Vehicle and Prosta Acquisitions Limited in a fair value hedge accounting relationship, refer to note 25 for further details.

15. FIXED ASSET INVESTMENTS (continued)

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

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
Titanium UK Holdco 1 Limited[1]	Investment company	94.23%	Ordinary shares
ELQ VIII Acquisitions S.A.R.L.[6]	Investment company	100%	Ordinary shares
Sky Mundi SARL[6]	Investment company	100%	Ordinary shares
PIL Holding 2 Limited[4]	Holds real estate	99.59%	Ordinary shares
Prosta Acquistions Limited[1]	Investment company	97%	Ordinary shares
Obsidian Irish Collective Asset-Management Vehicle[5]	Holds real estate	100%	Ordinary shares
CDV-3 Ltd [9]	In liquidation	97%	Ordinary shares
Parrot B.V.[2]	Dormant	82.95%	Ordinary shares
Uberior Special Situations Limited[3]	In liquidation	100%	Ordinary shares

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

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
PIL Newbury Limited[4]	Holds real estate	100%	Ordinary shares
Prosta Investments SP. Z O.O.[8]	Holds real estate	100%	Ordinary shares
Trinity II Investments SP. Z O.O.[8]	Holds real estate	100%	Ordinary shares
OBSF (I) Limited[5]	Holds real estate	100%	Ordinary shares
ENOP 1 S.A.R.L.[6]	Holds real estate	100%	Ordinary shares
ENOP 2 S.A.R.L.[6]	Holds real estate	100%	Ordinary shares
ENOP 3 S.A.R.L.[6]	Holds real estate	100%	Ordinary shares
Syrdall Properties S.A.R.L.[6]	Holds real estate	100%	Ordinary shares
Titanium Luxco 2 S.A.R.L. [6]	Holds real estate	95%	Ordinary shares
PIL Acquisitions 2 Limited[4]	Holds real estate	100%	Ordinary shares
Parrot Management B.V.[2]	Dormant	100%	Ordinary shares
PIL Uxbridge Limited[4]	Dormant	100%	Ordinary shares
PIL Clacton Limited[4]	Dormant	100%	Ordinary shares
Titanium UK Asset Co Limited[7]	In liquidation	100%	Ordinary shares
The Place For Living Limited[7]	In liquidation	100%	Ordinary shares

15. FIXED ASSET INVESTMENTS (continued)

Registered office address at:

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

2 Strawinskylaan 3127, Amsterdam 1077 ZY, Netherlands

3 20 Castle Terrace, Edinburgh EH1 2EG, United Kingdom

4 26 New Street, St Helier JE2 3RA, Jersey

5 Earlsfort Centre, Dublin 2, Ireland

6 2, Rue du Fossé, Luxembourg L-1536, Luxembourg

7 15 Canada Square, London E14 5GL, United Kingdom

8 Zlota 59, Warsaw 00-120, Poland

9 The Zenith Building, 26 Spring Gardens, Manchester M2 1AB, United Kingdom

16. CURRENT ASSET INVESTMENTS

	31 December 2018 US$	31 December 2017 US$
Equity investments	750,642,039	503,883,639
Debt investments	126,877,508	183,115,062
Associates and joint ventures	-	57,397
	877,519,547	**687,056,098**

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2018 US$	31 December 2017 US$
Accrued interest due from subsidiary undertakings	10,937,399	23,056,384
Group relief receivable	28,853,931	20,584,830
Amounts due from group undertakings	165,613	588,711
Other debtors	2,641,216	77,242
	42,598,159	**44,307,167**

Amounts due from group undertakings includes US$159,588 (31 December 2017: US$ nil) in cash balances held on account by a fellow group undertaking.

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

	31 December 2018	31 December 2017
	US$	US$
Long-term loans due from group undertakings	188,352,692	472,958,808
Accrued interest on long-term loans due from group undertakings	30,959	-
	188,383,651	**472,958,808**

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

(i) A loan of US$84.6 million (31 December 2017: US$88.8 million) advanced by the company to Obsidian Irish Collective Asset-Management Vehicle, a fellow group undertaking, under the terms of an existing loan agreement dated July 2017. The loan is unsecured and carries interest at a fixed rate. The loan is repayable in July 2022.

(ii) A loan of US$101.1 million (31 December 2017: US$35.9 million) advanced by the company to Titanium Luxco 2 S.A.R.L., a fellow group undertaking, under the terms of an existing loan agreement dated April 2017. The loan is unsecured and carries interest at a variable margin over the GBP overnight interest rate. The loan is repayable in April 2066.

(iii) A loan of US$2.7 million (31 December 2017: US$ nil) advanced by the company to ELQ VIII Acquisitions S.A.R.L., a fellow group undertaking, under the terms of a new loan agreement dated May 2018. The loan is unsecured and carries interest at a variable margin over the EUR overnight interest rate. The loan is repayable in January 2038.

In the prior year, loan-term loans due to group undertakings included a loan of US$274.6 million advanced by the company to Titanium UK Holdco 1 Limited. The loan was fully repaid in March 2018.

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2018	31 December 2017
	US$	US$
Short-term loans due to group undertakings	-	472,772,389
Accrued interest due to group undertakings	-	91,791,573
Amounts due to group undertakings	10,904,047	24,747,179
Corporation tax payable	9,669,863	27,486,600
Derivative financial liabilities	1,543,355	-
Other creditors and accruals	21,621,925	34,071,942
	43,739,190	**650,869,683**

In the prior year, short-term loans due to group undertakings included a loan of US$472.8 million advanced by Group Inc., under the terms of an existing loan agreement dated December 2014. During the year, the company has changed the terms of the agreement to amend to a long-term loan with a maturity of January 2038 (see note 20).

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

	31 December 2018	31 December 2017
	US$	US$
Accrued interest due to group undertakings	37,198,905	-
Long-term loans due to group undertakings	1,351,841,632	897,154,774
	1,389,040,537	**897,154,774**

In the current year, long-term loans due to group undertaking of US$1,351.8 million represents a multi-currency long-term loan advanced by Group Inc. During the year 2018, the company has changed the terms of the agreement, with a final maturity of January 2038. The loan is unsecured and carries interest at a variable margin over the applicable currency's overnight interest rate (see note 19).

In the prior year, long-term loans due to group undertakings included a loan of US$897.2 million advanced by ELQ Holdings (UK) Ltd. The loan was fully repaid in November 2018.

21. 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$	No.	US$
Allotted, called up and fully paid				
Ordinary shares of £1 each	1	2	1	2
Ordinary shares of US$1 each	347,000,000	347,000,000	347,000,000	347,000,000
		347,000,002		**347,000,002**

The redeemable shares issued to date are redeemable at par, there is no fixed expiry date on their redemption and they are redeemable at the option of the company. The redeemable shares have the same rights to dividends, voting rights and priority on winding up as ordinary shares.

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

22. FINANCIAL COMMITMENTS AND CONTINGENCIES

The company had US$11.4 million of financial commitments outstanding at year end (31 December 2017: US$298.9 million) related to equity investments.

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.

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 year ended 31 December 2018 would have been US$193,264 lower (2017: loss before tax US$137,323 higher). 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 exposures to changes in spot prices, forward prices and volatilities of currency rates.

23. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

a. Market risk (continued)

The company's functional currency is the U.S. dollar. At 31 December 2018, the company had net British pound denominated assets of US$4.5 million (2017: US$2.8 million).

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.

Equity price risk arises from exposures to changes in prices and interest rate volatilities of individual investments. The sensitivity analysis below has been determined based on the company's exposure to equity and debt price risk at the balance sheet date. If equity values had been 10 per cent higher/lower, profit/loss before taxation for the year ended 31 December 2018 would have increased/decreased by US$87.6 million (2017: US$68.7 million) 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 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 December 2018 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 December 2018, the company had no debtors past due (31 December 2017: nil).

c. Liquidity risk

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

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 December 2018		
	Mandatorily at fair value	Amortised cost	Total
Financial assets	US$	US$	US$
Investments	877,519,547	-	**877,519,547**
Debtors: amounts falling due within one year	-	42,598,159	**42,598,159**
Debtors: amounts falling due after more than one year	-	188,383,651	**188,383,651**
Cash at bank and in hand	-	2,144,508	**2,144,508**
	877,519,547	**233,126,318**	**1,110,645,865**

	Mandatorily at fair value	Amortised cost	Total
Financial liabilities	US$	US$	US$
Creditors: amounts falling due within one year	(1,543,355)	(32,525,972)	**(34,069,328)**
Creditors: amounts falling due greater than one year	-	(1,389,040,537)	**(1,389,040,537)**
	(1,543,355)	**(1,421,566,509)**	**(1,423,109,865)**

	31 December 2017		
	Designated at fair value	Loans and receivables	Total
Financial assets	US$	US$	US$
Investments	687,056,098	-	**687,056,098**
Debtors: amounts falling due within one year	-	44,307,167	**44,307,167**
Debtors: amounts falling due after more than one year	-	472,958,808	**472,958,808**
Cash at bank and in hand	-	1,101,682	**1,101,682**
	687,056,098	**518,367,657**	**1,205,423,755**

	Designated at fair value	Amortised cost	Total
Financial liabilities	US$	US$	US$
Creditors: Amounts falling due within one year	-	(623,383,083)	**(623,383,083)**
Creditors: Amounts falling due after more than one year	-	(897,154,774)	**(897,154,774)**
	-	**(1,520,537,857)**	**(1,520,537,857)**

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.

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.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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.

Derivative instruments

Derivative instruments may be traded on an exchange (exchange-traded) or they may be privately negotiated contracts, which are usually referred to as 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 companies derivative 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). Price transparency of derivatives can generally be characterised by product type, as described below:

- **Currency**

  Prices for currency derivatives based on the exchange rates of leading industrialised nations, including those with longer tenors, are generally transparent.

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

- Level 1 derivatives include short-term contracts for future delivery of securities when the underlying security is a level 1 instrument, and exchange-traded derivatives if they are actively traded and are valued at their quoted market price.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

c. Valuation techniques and significant inputs (continued)

- Level 2 derivatives include OTC derivatives for which all significant valuation inputs are corroborated by market evidence and exchange-traded derivatives that are not actively traded and/or that are valued using models that calibrate to market-clearing levels of OTC derivatives. In evaluating the significance of a valuation input, the company considers, among other factors, a portfolio's net risk exposure to that input.

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

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

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

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

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

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 December 2018			
	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Equity investments	-	107,204,322	643,437,717	**750,642,039**
Debt instruments	-	32,228,570	94,648,939	**126,877,509**
Total financial assets at fair value	**-**	**139,432,892**	**738,086,656**	**877,519,548**
Financial liabilities at fair value				
Derivative instruments	-	(1,543,355)	-	**(1,543,355)**
Total financial liabilities at fair value	**-**	**(1,543,355)**	**-**	**(1,543,355)**

	As of 31 December 2017			
	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Equity investments	-	128,046,110	375,837,529	**503,883,639**
Debt investments	-	87,278,461	95,836,601	**183,115,062**
Investment in associates and joint ventures	-	-	57,397	**57,397**
	-	**215,324,571**	**471,731,527**	**687,056,098**

During 2018 and 2017, there were no transfers between level 1 and level 2 financial assets and financial liabilities measured at fair value on a recurring basis. There were no financial liabilities at fair value in the prior year.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

As of 31 December 2018, the company had level 3 asset cash instruments measured at fair value through profit and loss of US$738 million (31 December 2017: US$472 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 December 2018	As of December 2017
Equity investments and investments in associates and joint ventures (US$643 million and US$376 million of net level 3 assets as of December 2018 and December 2017, respectively)	Market comparable: • Multiples	2.75x - 12.5x (6.1x)	3.0x - 13.0x (7.9x)
Debt investments (US$95 million and US$96 million of net level 3 assets as of December 2018 and December 2017, respectively)	Market comparable: • Multiples	8.4x - 8.4x (8.4x)	5.2x - 5.2x (5.2x)

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.

	Year ended 31 December 2018 US$	Year ended 31 December 2017 US$
Level 3, financial assets at fair value		
Balance, beginning of year	471,731,527	131,988,506
Gains	25,159,968	72,546,720
Purchases	47,620,807	30,569,747
Sales	(187,786)	-
Settlements	(2,425,456)	(37,345,793)
Transfers into level 3	196,187,596	273,972,347
Balance, end of year	**738,086,656**	**471,731,527**

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 valuation, including significant unobservable inputs, has been quantified as of 31 December 2018, as approximately US$ 61 million (2017 US$ 47 million) for favourable changes and US$ 70 million (2017: US$ 27 million) for unfavourable changes.

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

The company has US$44.7 million (31 December 2017: US$45.4 million) of current financial assets and US$32.5 million (31 December 2017: US$623.4 million) of current financial liabilities that are not measured at fair value. Given the short-term nature of these instruments, their carrying amounts in the balance sheet are a reasonable approximation of fair value.

The company has US$188.4 million (2017: US$ 473.0 million) of financial assets due after more than one year that are not measured at fair value and relate to long-term intercompany borrowings. The interest rate associated with the remaining borrowings is predominantly variable in nature and approximates prevailing market interest rates for instruments with similar terms and characteristics. As such, the carrying amount in the balance sheet is a reasonable approximation of fair value.

The company has US$1,389.0 million (2017: US$ 897.2 million) of financial liabilities due after more than one year that are not measured at fair value and relate to long-term intercompany borrowings. The interest rate associated with such borrowings is variable in nature and approximates prevailing market interest rates for instruments with similar terms and characteristics. As such, the carrying amount in the balance sheet is a reasonable approximation of fair value.

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 (excluding derivative instruments) by contractual maturity including interest that will accrue.

	31 December 2018				
	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	US$	US$	US$	US$	US$
Financial liabilities					
Creditors: amounts falling due within one year	-	32,525,972	-	-	**32,525,972**
Creditors: amounts falling due after one year	-	83,622,556	232,118,256	2,001,772,749	**2,317,513,560**
Total	**-**	**116,148,528**	**232,118,256**	**2,001,772,749**	**2,350,039,532**

	31 December 2017				
	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	US$	US$	US$	US$	US$
Financial liabilities					
Creditors: amounts falling due within one year	150,610,693	472,772,390	-	-	**623,383,083**
Creditors: amounts falling due after one year	-	18,953,220	94,766,098	1,674,236,777	**1,787,956,095**
Total	**150,610,693**	**491,725,610**	**94,766,098**	**1,674,236,777**	**2,411,339,178**

j. Hedge accounting

The company designates certain foreign currency forward contracts as fair value hedges that are used to manage the foreign currency exposure of certain fixed asset investments. These forward contracts hedge changes in fair value attributable to changes in the USD/GBP exchange rate, effectively converting the GBP exposure into USD.

The company assesses the effectiveness of the hedge in achieving offsetting changes in the fair values of the hedging instrument and the risk being hedged based on changes in spot rates. A foreign currency forward contract is considered highly effective in offsetting changes in fair value attributable to changes in the hedged risk when the effectiveness assessment results in a coefficient of determination of 80% or greater and a slope between 80% and 125%. The hedge is expected to have minimal ineffectiveness.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

j. Hedge accounting (continued)

The hedging instruments have a maturity of 1 to 3 months. The notional amount of the hedging instruments were $1,111 million (2017: $nil). The table below presents the carrying amount of the hedged items that are currently designated in a hedging relationship and the related cumulative hedging adjustment (increase/(decrease)) from current and prior hedging relationships included in such carrying amounts.

	Carrying value	Cumulative Hedging Adjustment
	US$	US$
Hedged fixed assets	893,319,651	76,730,479

The table below presents the gains/(losses) from derivatives accounted for as hedges, the related hedged fixed asset investments and the hedge ineffectiveness on these derivatives, recognised in net gains on financial instruments measured at fair value.

	31 December 2018
	US$
Foreign exchange hedges	76,730,479
Hedged fixed assets	(76,730,479)
Hedge ineffectiveness	-