Company Number: 11063572

GS EM LIMITED

ANNUAL REPORT

31 DECEMBER 2018

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 59 week period 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**

GS EM Limited (the company) was incorporated on 14 November 2017. The principal activity of 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 59 week period ended 31 December 2018. No comparative information has been presented as this is the first accounting period of the company.

The results for the period are shown in the profit and loss account on page 6. Profit before taxation for the 59 week period ended 31 December 2018 was US$0.1 million.

The company had total assets of US$24.9 million as at 31 December 2018.

3. **Future outlook**

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

4. **Dividends**

The directors do not recommend the payment of a final dividend in respect of the period.

5. **Exchange rate**

The British pound / U.S. dollar exchange rate at the balance sheet date was £ / US$ 1.2743. The average rate for the period was £ / US$ 1.3330.

6. **Financial risk management**

The company's financial risk management objectives and policies, as well as its risk exposures, are described in note 17 to the financial statements.

DIRECTORS' REPORT (continued)

7. Disclosure of information to auditors

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

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

8. Independent auditors

The auditors, PricewaterhouseCoopers LLP, were appointed in the current period and 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 period and to the date of this report, except where noted, were:

Name	Appointed	Resigned
B.M. Baroudel	15 October 2018	
V.S. Chima	14 November 2017	
V.N.K. Choppara	15 October 2018	
W.T. Gasson	14 November 2017	20 February 2018
T.J. Plank	15 October 2018	
P.A.J. Santi	20 February 2018	9 November 2018
C.J. Zijlmans	15 October 2018	

No director had, at the period 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 statement comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (continued)

11. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 20 May 2019.

ON BEHALF OF THE BOARD

B. M. Baroudel

Director

Independent auditors' report to the members of GS EM LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, GS EM Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the 59 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of changes in equity for the 59 week period ended 31 December 2018; 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 period 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
20 May 2019

PROFIT AND LOSS ACCOUNT

for the 59 week period ended 31 December 2018

	Note	59 week period ended 31 December 2018 US$'000
Net revenues	4	3,647
Interest receivable and similar income	5	88
Interest payable and similar expenses	6	(3,571)
Administrative expenses	7	(25)
OPERATING PROFIT AND PROFIT BEFORE TAXATION		139
Tax on profit	10	(26)
PROFIT FOR THE FINANCIAL PERIOD		113

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

The company has no recognised gains and losses other than those included in the profit and loss account for the period 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
FIXED ASSETS		
Investments	11	-
CURRENT ASSETS		
Debtors	12	21
Cash at bank and in hand		24,847
		24,868
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(3,637)
NET CURRENT ASSETS		21,231
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	(21,118)
NET ASSETS		113
CAPITAL AND RESERVES		
Called up share capital	15	-
Profit and loss account		113
TOTAL SHAREHOLDER'S FUNDS		113

The financial statements were approved by the Board of Directors on 20 May 2019 and signed on its behalf by:

B. M. Baroudel

Director

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

Company number: 11063572

STATEMENT OF CHANGES IN EQUITY

for the 59 week period ended 31 December 2018

	Note	Called up share capital US$'000	Profit and loss account US$'000	Total shareholder's funds US$'000
Balance at 14 November 2017		-	-	-
Proceeds from shares issued	15	-	-	-
Profit for financial period		-	113	113
Balance at 31 December 2018		-	113	113

No dividends were paid in the period.

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 Peterborough Court, 133 Fleet Street, London, EC4A 2BB, United Kingdom.

The immediate parent undertaking and 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 2BB, United Kingdom.

The ultimate parent undertaking and the parent company of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., a company incorporated in the United States of America. Copies of its consolidated financial statements can be obtained from Investor Relations, 200 West Street, New York, NY 10282, United States of America, 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 2g) and in accordance with the Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006.

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

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

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

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

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

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

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

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

The company has early adopted IFRS 9 'Financial instruments' as issued by the IASB in July 2014 in the current period. As part of the adoption, 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 in the period.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

2. ACCOUNTING POLICIES (continued)

b. Revenue recognition

Net revenues have been disclosed instead of turnover as this more meaningfully reflects the nature and results of the company's activities. Net revenues includes the net gains arising from transactions in financial instruments measured at fair value through profit or loss (see note 2g).

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 shareholders. 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.

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 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).

2. **ACCOUNTING POLICIES (continued)**

g. Financial assets and financial liabilities (continued)

(ii) Classification and measurement

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

The company 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 revenues.

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

- **Financial liabilities held for trading**

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

- **Financial liabilities measured at amortised cost**

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

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 by that date that will result in an obligation to pay more tax or a right to pay less tax in the future with the following exceptions:

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in these financial statements. The nature of estimation means that actual outcomes could differ from those estimates. In the opinion of management, there were no judgements made that had a significant effect on amounts recognised in the financial statements.

4. NET REVENUES

	59 week period ended 31 December 2018 US$'000
Net gains on financial instruments at fair value	3,647

During the period, the company has entered into a Master Note Issuance Deed dated 9 May 2018, pursuant to which the company invests in profit participating notes (PPNs) in GS EM (Ireland) Designated Activity Company, a subsidiary undertaking. The company has also entered into total return swap agreement (TRS) with Goldman Sachs International (GSI), a group undertaking, under a 2002 ISDA Master Agreement. Under the TRS, the company is obliged to pay the returns from the PPNs to GSI in exchange for interest charged at a variable margin over the U.S. Federal Reserve's federal funds rate.

The PPNs and the TRS have been classified as financial assets mandatorily measured at fair value through profit or loss and financial liabilities held for trading, respectively. There were no unsettled PPNs or TRS as at 31 December 2018. The net gains on these financial instruments have been presented in net revenues.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	59 week period ended 31 December 2018 US$'000
Interest on collateral held by group undertakings	47
Other interest	41
	88

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	59 week period ended 31 December 2018 US$'000
Interest on loans from group undertakings (see note 14)	3,571

7. ADMINISTRATIVE EXPENSES

	59 week period ended 31 December 2018 US$'000
Auditors' remuneration - audit services	23
Foreign exchange losses	1
Other expenses	1
	25

8. STAFF COSTS

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.

9. DIRECTORS' EMOLUMENTS

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

10. TAX ON PROFIT

	59 week period ended 31 December 2018 US$'000
Current tax:	
U.K. corporation tax	26
Total current tax	26

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

	59 week period ended 31 December 2018 US$'000
Profit before taxation	139
Profit multiplied by the weighted average rate in the U.K. of 19.00%	26
Total tax on profit	26

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

11. FIXED ASSET INVESTMENTS

Fixed asset investments, which are unlisted and stated at cost less provision for any impairment, comprises investments in a subsidiary undertaking:

	Cost and Net book value
	US$'000
At 14 November 2017	-
Additions	-
At 31 December 2018	-

On 15 November 2017, the company acquired the entire issued share capital of GS EM (Ireland) Designated Activity Company for €1 (US$1).

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

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
GS EM (Ireland) Designated Activity Company[1]	Investment company	100%	Ordinary shares

Registered office address at:

[1] 1st Floor 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland.

12. DEBTORS

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

	31 December 2018
	US$'000
Amounts due from group undertakings	**21**

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2018
	US$'000
Amounts due to group undertakings	3,587
Group relief payable	27
Accruals	23
	3,637

Amounts due to group undertakings includes US$3.6 million interest payable on loan-term loans due to group undertakings (see note 14).

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

	31 December 2018
	US$'000
Long-term loans due to group undertakings	21,118

Long-term loans due to group undertakings includes a loan of US$21.1 million advanced by Goldman Sachs Group UK Limited, the company' parent undertaking, under the terms of a new loan agreement dated 25 April 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 367 days from when the company demands repayment or 18 January 2038.

15. CALLED UP SHARE CAPITAL

At 31 December 2018 called up share capital comprised:

	31 December 2018	
	No.	US$'000
Allotted, called up and fully paid		
Ordinary share of US$1	1	-
		-

On 14 November 2017, the company issued 1 ordinary share of US$1 at par to Goldman Sachs Group UK Limited, a fellow group undertaking.

16. FINANCIAL COMMITMENTS AND CONTINGENCIES

The company had no financial commitments and contingencies outstanding at the period end.

17. 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. Relevant market risks for the company are interest rate risk and currency risk.

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

17. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

a. Market risk (continued)

If interest rates had been 0.5 percent higher/lower and all other variables were held constant, the company's profit for the period would have been US$0.1 million lower/higher. This has been determined assuming that the company's interest rate risk at balance sheet date was constant for the whole period.

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.

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

b. Credit risk

Credit risk represents the potential for loss due to the default or deterioration in 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. 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.

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.

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a. Financial assets and financial liabilities by category

All financial assets are categorised as financial assets measured at amortised cost as at 31 December 2018. All financial liabilities are categorised as financial liabilites measured at amortised cost as at 31 December 2018.

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

The company has US$24.9 million of current financial assets and US$3.6m million of 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$21.1 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.

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

c. Maturity of financial liabilities

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

	31 December 2018					
	Less 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
Financial liabilities						
Creditors: amounts falling due within one year	3,614	-	-	-	-	3,614
Creditors: amounts falling due after more than one year	-	-	-	21,747	-	21,747
Total	**3,614**	**-**	**-**	**21,747**	**-**	**25,361**