Annual Report

December 31, 2018

Goldman Sachs Finance Corp International Ltd

Company Number: 122341

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Introduction

Goldman Sachs Finance Corp International Ltd (GSFCI or the company) issues warrants, certificates and notes (securities) in a number of European and Asian markets. The company is exposed to interest rate, equity price, currency rate and credit related risks on the securities issued and manages these risks by entering into over-the-counter (OTC) derivative transactions with affiliates. The proceeds from these securities are lent to affiliates.

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 securities issued by the company are fully and unconditionally guaranteed by Group Inc.

The company was incorporated on October 19, 2016 and its first accounting reference period was 63 weeks ending December 31, 2017. This annual report sets out the results of the company for the twelve months ended December 31, 2018. Comparatives are presented for the 63 weeks period ended December 31, 2017 or as of December 31, 2017, as the context requires. The company's business commenced on January 10, 2017, and in the period between the company's incorporation and commencement of business, the company's profit and loss and other comprehensive income was $nil.

References to "the financial statements" are to the directors' report and audited financial statements as presented in Part II of this annual report. All references to December 2018 refer to the twelve months period ended, or the date, as the context requires, December 31, 2018. All references to December 2017 refer to the period from the company's incorporation on October 19, 2016 to December 31, 2017, or the date, as the context requires, December 31, 2017.

All amounts in this annual report are prepared in accordance with United Kingdom Generally Accepted Accounting Practices (U.K. GAAP).

Executive Overview

The profit and loss account is set out on page 11 of this annual report. The company's profit was $19 million for the period ended December 2018, compared to $36 million for the period ended December 2017. The company's profit of $19 million for the period ended December 2018 was primarily related to net gains from the company's issuance, hedging and lending activity.

Other Comprehensive Income

The statements of comprehensive income are set out on page 11 of this annual report. The company's other comprehensive income, which relates to the company's debt valuation adjustment, was a gain of $382 million for the period ended December 2018, compared to a loss of $52 million for the period ended December 2017.

Balance Sheet

The balance sheet is set out on page 12 of this annual report. As of December 2018, total assets were $10.13 billion, an increase of $7.21 billion from December 2017, mainly reflecting an increase in loans to affiliates. As of December 2018, total liabilities were $9.72 billion, an increase of $6.81 billion from December 2017, mainly reflecting an increase in debt securities issued.

Future Outlook

The directors consider that the period-end financial position of the company was satisfactory. No significant change in the company's principal business activities is currently expected.

Business Environment

Global

During 2018, real gross domestic product (GDP) growth increased in the U.S. but generally decreased in other major economies. In advanced economies, growth in the Euro area, U.K., and Japan each was lower and, in emerging markets, growth in China decreased slightly. Economic activity in several major emerging market economies was impacted by concerns about the vulnerability of these economies to a stronger U.S. dollar and higher U.S. Treasury rates. Global asset markets experienced significant periods of volatility in the first and fourth quarters of 2018 driven by concerns about the prospect of slowing global growth and tighter monetary policy. The U.S. presidential administration implemented and proposed new tariffs on imports from China, which prompted retaliatory measures, and rising global trade tensions remained a meaningful source of uncertainty affecting asset prices throughout 2018. Political uncertainty in Europe increased as a new coalition government formed in Italy in May 2018 and the future of the relationship between the U.K. and E.U. remained uncertain. During 2018, the U.S. Federal Reserve increased the target federal funds rate four times and the Bank of England increased its official target interest rate in August 2018, while the Bank of Japan introduced forward guidance and expanded the permissible range of fluctuations for the 10-year interest rate.

Europe

In the Euro area, real GDP increased by 1.8% in 2018, compared with 2.4% in 2017, while measures of inflation remained low. The European Central Bank maintained its main refinancing operations rate at 0% and its deposit rate at (0.40)%, but reduced its monthly asset purchases to a pace of €15 billion per month after September 2018 and through December 2018, after which net asset purchases ended. Measures of unemployment decreased, and the Euro depreciated by 4% against the U.S. dollar compared with the end of 2017. Following the formation of a new coalition government in May 2018, political uncertainty in Italy remained high and the yield on 10-year government bonds in Italy increased significantly. Elsewhere in the Euro area, yields on 10-year government bonds mostly decreased. In equity markets, the DAX Index decreased by 18%, the Euro Stoxx 50 Index decreased by 14% and the CAC 40 Index decreased by 11% compared with the end of 2017. In March 2018, it was announced that terms were agreed upon for the transitional period of the U.K.'s withdrawal from the E.U. and, in November 2018, the U.K. and the E.U. agreed on a draft Brexit withdrawal agreement. However, as of the end of the year, there was significant uncertainty about the future relationship between the U.K. and the E.U.

In the U.K., real GDP increased by 1.4% in 2018, compared with 1.8% in 2017. The Bank of England increased its official bank rate by 25 basis points to 0.75% in August 2018, and the British pound depreciated by 6% against the U.S. dollar. The yield on 10-year government bonds increased by 8 basis points and, in equity markets, the FTSE 100 Index decreased by 12% compared with the end of 2017.

Asia

In Japan, real GDP increased by 0.8% in 2018, compared with 1.9% in 2017. The Bank of Japan maintained its asset purchase program and continued to target a yield on 10-year government bonds of approximately 0%. In July 2018, the Bank of Japan introduced forward guidance for its interest rate policy and expanded the permissible range of deviations from the 0% target yield for the 10-year government bond. The yield on 10-year government bonds decreased by 3 basis points, the U.S. dollar depreciated by 3% against the Japanese yen and the Nikkei 225 Index decreased by 12% compared with the end of 2017. In China, real GDP increased by 6.6% in 2018, compared with 6.8% in 2017. The U.S. dollar appreciated by 6% against the Chinese yuan compared with the end of 2017, while in equity markets, the Shanghai Composite Index decreased by 25% and the Hang Seng Index decreased by 14%. In India, real GDP increased by 7.4% in 2018, compared with 6.9% in 2017. The U.S. dollar appreciated by 9% against the Indian rupee and the BSE Sensex Index increased by 6% compared with the end of 2017.

Principal Risks and Uncertainties

The company faces a variety of risks that are substantial and inherent in its business, including market, liquidity, credit, operational, model, legal, regulatory and reputational risks. The following are some of the more important factors that could affect the company's businesses. For further information about the risk factors that impact GS Group, see GS Group's Annual Report on Form 10-K for the year ended December 31, 2018 in Part 1, Item 1A.

Economic and Market Conditions

The company is primarily involved in the issuance of securities in a number of markets and the proceeds from these securities are lent to affiliates. The company also enters into derivative transactions with affiliates for hedging purposes. The activity of the company and its annual issuance volume is affected both by positive and negative developments in the markets where it carries out its business activity. A difficult general economic situation may lead to a lower issuance volume. The market of these securities depends particularly on the development of capital markets, which are in turn affected by the general situation of the world economy, as well as the economic and political conditions in the respective countries.

Commercial Activity

The company was established only for the purpose of issuing securities, lending these proceeds to affiliates and entering into derivative transactions with affiliates for hedging purposes, and does not carry out any other operating business activities.

The company is an indirect, wholly-owned subsidiary of Group Inc. and depends on Group Inc. for capital. All of the company's unsecured debt issuances are guaranteed by Group Inc. If the company fails or goes bankrupt, an investment in a security may mean a complete loss of the invested amount if the loss cannot be satisfied by the guarantee from Group Inc. The securities are not covered by a deposit protection fund or similar safety system in relation to the claims of holders of securities in the case of an insolvency of the company.

Liquidity

The credit ratings of Group Inc. are important to the company's liquidity. A reduction in Group Inc.'s credit ratings could adversely affect the company's liquidity and competitive position, increase borrowing costs or limit access to the capital markets. There is no rating of the company regarding its credit risk by renowned rating agencies such as Moody's Investors Service or Standard & Poor's Ratings Services.

The company's liquidity could be impaired by an inability to access unsecured debt markets, an inability to access funds from Group Inc., or unforeseen outflows of cash.

Credit Markets

Widening credit spreads for Group Inc., as well as significant declines in the availability of credit, could adversely affect the company's ability to borrow on an unsecured basis. The company issues securities, the proceeds of which are onward lent to Group Inc. and/or its subsidiaries. Any disruptions in the credit markets may make it harder and more expensive to obtain funding for GS Group's businesses.

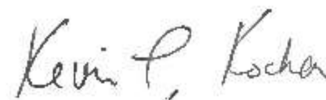
Changes in Underliers

The company's business and its funding may be adversely affected by changes in the reference rates, currencies, indices, baskets, exchange-traded funds or other financial metrics (the underlier) to which the products issued by the company are linked, in particular by changes in or the discontinuance of Interbank Offered Rates (IBORs).

The discontinuation of an IBOR, changes in an IBOR or changes in market acceptance of any IBOR as a reference rate may also adversely affect the amounts paid on securities the company has issued, amounts received and paid on derivative instruments the company has entered into, the value of such securities or derivative instruments, the trading market for securities, the company's ability to effectively use derivative instruments to manage risk, or the availability or cost of the company's floating-rate funding and its exposure to fluctuations in interest rates.

Date of Authorisation of Issue

The management report was authorised for issue by the Board of Directors on April 29, 2019.



By order of the board
K. G. Kochar
Director
April 30, 2019

Directors' Report

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

Dividends

The directors do not recommend the payment of an ordinary dividend for the period ended December 2018.

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.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors of the company.

Statement of Directors' Responsibilities

The directors are responsible for preparing the management report, the directors' report and the financial statements in accordance with applicable law and regulations. The Companies (Jersey) Law 1991 requires the directors to prepare accounts 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 accounts, 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 accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 accounts comply with the Companies (Jersey) Law 1991. 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.

The directors confirm to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- The management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company faces.

Directors

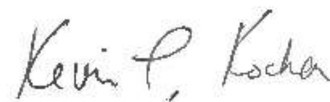
The directors of the company who served throughout the period and to the date of this report, except where noted, were:

Name	Appointed	Resigned
J. A. Burgess		**February 21, 2018**
T. Degn-Petersen		**February 22, 2018**
J. M. Kelsey		
K. G. Kochar	**February 28, 2018**	
M. S. J. Mertz		
J. M. Schneider		**September 21, 2018**
M. Sunaga		

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

Date of Authorisation of Issue

The financial statements were authorised for issue by the Board of Directors on April 29, 2019.



By order of the board
K. G. Kochar
Director
April 30, 2019

Independent auditors' report to the members of Goldman Sachs Finance Corp International Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Goldman Sachs Finance Corp International Ltd's ("the company") financial statements:

- give a true and fair view of the state of the company's affairs as at December 31, 2018 and of its profit and cash flows 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 (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at December 31, 2018; the Profit and Loss Account, the Statements of Comprehensive Income, the Statements of Cash Flows, the Statements 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 and other explanatory information.

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 Financial Reporting Council's ("FRC") Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality	Overall materiality: $101.2 million (2017: $29.2 million) based on: 1% of total assets.
Audit scope	• We perform a full scope audit of the financial statements of the company as a whole as a single component. The scope of the audit and the nature, timing and extent of audit procedures were determined by our risk assessment, the financial significance of financial statement line items and qualitative factors (including history of misstatement through fraud or error).
Key audit matter	• Valuation of debt securities issued designated at fair value through profit and loss and the associated derivative hedges recorded at fair value.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of debt securities issued designated at fair value through profit and loss and the associated derivative hedges recorded at fair value. In accordance with the accounting policies set out in Note 2 'Summary of Significant Accounting Policies' to the financial statements, the directors designate certain of the company's debt securities issued at fair value through profit and loss and they are recorded in the balance sheet at fair value with changes in fair value recorded in net revenues. As set out in Note 17 'Financial Assets and Financial Liabilities', the company economically hedges the debt securities issued with derivatives. Derivative assets are mandatorily at fair value; derivative liabilities are classified as held for trading. Both are recorded in the balance sheet at fair value with changes in fair value recorded in net revenues. As the debt securities issued are economically hedged with derivatives, the net impact to the profit and loss account of changes in fair values is limited. This key audit matter relates to the balance sheet valuation of debt securities issued designated at fair value through profit and loss and the associated derivative hedges recorded at fair value. The valuations of debt securities issued designated at fair value and derivative financial assets and liabilities held at fair value are produced by financial models using a variety of inputs. Estimation uncertainty can be high for those instruments where significant valuation inputs are unobservable (i.e., Level 3 instruments). Total derivative financial assets, derivative financial liabilities and debt securities issued designated at fair value were $323 million, $522 million, $7,387 million, respectively, at December 31, 2018 (2017: $45 million, $139 million and $2,374 million, respectively). The net impact of changes in fair values in the profit and loss account for the year ended December 31, 2018 after transfer pricing allocations was a loss of $130 million (2017: gain of $16 million).	We understood and evaluated the design and tested the operational effectiveness of key controls over the valuation of financial instruments. These controls included: • Validation of new and existing models by a specialist team within the risk function, as well as access and change management controls in respect of models in use. • The monthly price verification process performed by the Controller's function using prices and model valuation inputs sourced from third parties. • Calculation and approval of key valuation adjustments. We noted no significant exceptions in the design or operating effectiveness of these controls and we determined we could rely on these controls for the purposes of our audit. We utilised valuation specialists to revalue a sample of debt securities issued using independent models and, to the extent available, independently sourced inputs. We tested external inputs used within management's price verification process and evaluated the appropriateness of the sources. For a sample of debt securities issued we confirmed that these were economically hedged by derivative financial assets or liabilities and that the residual risk within the company was limited. We evaluated the methodology and underlying assumptions used to determine significant valuation adjustments by comparing management's approach with our knowledge of current industry practice and tested a sample of valuation adjustments at year end. We examined cash reconciliations, large gains and losses on disposals and other events which could provide evidence about the appropriateness of management's valuations. Based on the work performed, we found management's judgements in relation to the valuation of debt securities issued and derivative financial instruments to be supported by the evidence obtained. We performed testing to validate that management had allocated financial instruments to the appropriate level (1, 2 or 3) within the fair value hierarchy in line with the established policy, and that the policy classifications were appropriate. We read and assessed the disclosures in Note 17 'Financial Assets and Financial Liabilities' regarding significant unobservable inputs and the fair value hierarchy and found them to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company issues warrants, certificates and notes to investors in a number of European and Asian markets. We consider that the company is a single audit component. There are a number of centralised functions operated by the ultimate parent company, The Goldman Sachs Group, Inc., in the U.S. or in group shared service centres in other locations which are relevant to the audit of the company. We determined the scope of the work required in each of these locations and we issued instructions to PwC network firms. We concluded that the procedures performed on our behalf were sufficient for the purposes of issuing our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	$101.2 million (2017: $29.2 million)
How we determined it	1% of total assets.
Rationale for benchmark applied	The company's main activity is to issue warrants, certificates and notes to investors in a number of European and Asian markets and lend the proceeds to affiliates. The company is not run for profit. As such total assets is considered an appropriate benchmark. Where total assets is used, if the company is a public interest entity, a rule of thumb of up to 1% can be applied. The company is a public interest entity as a result of the listed debt it issues. We have therefore applied a threshold of 1% of total assets.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above $5.1 million (2017: $1.46 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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 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 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.

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 6, 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 Article 113A of the Companies (Jersey) Law 1991 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 (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 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
- proper accounting records have not been kept; or
- proper returns adequate for our audit have not been received from branches not visited by us; 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
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Recognized Auditor
London
April 30, 2019

Profit and Loss Account

$ in thousands	**Note**	**Period Ended December 2018**	Period Ended December 2017
Net revenues	4	**$ 19,585**	$ 36,154
Administrative expenses	6	**(156)**	(584)
Operating profit		**19,429**	35,570
Tax on profit	8	**–**	–
Profit for the financial period		**$ 19,429**	$ 35,570

Net revenues and operating profit of the company are derived from continuing operations in the current and prior periods.

Statements of Comprehensive Income

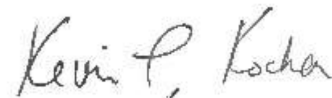
$ in thousands	**Note**	**Period Ended December 2018**	Period Ended December 2017
Profit for the financial period		**$ 19,429**	$ 35,570
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Debt valuation adjustment	11	**382,114**	(52,480)
Tax attributable to the components of other comprehensive income		**–**	–
Other comprehensive income/(loss) for the financial period		**382,114**	(52,480)
Total comprehensive income/(loss) for the financial period		**$401,543**	$ (16,910)

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

Balance Sheet

		As of December	
$ in thousands	**Note**	**2018**	2017
Current assets			
Derivative financial assets	9	**$ 322,789**	$ 45,115
Debtors (includes **$8,925,071** and $1,964,877 due after more than one year)	10	**9,796,433**	2,858,613
Cash at bank and in hand	13	**12,619**	19,738
		10,131,841	2,923,466
Creditors: amounts falling due within one year			
Derivative financial liabilities	9	**(522,359)**	(138,803)
Other creditors	11	**(631,053)**	(39,239)
		(1,153,412)	(178,042)
Net current assets		**8,978,429**	2,745,424
Total assets less current liabilities		**8,978,429**	2,745,424
Creditors: amounts falling due after more than one year			
Other creditors	11	**(8,564,243)**	(2,732,334)
		(8,564,243)	(2,732,334)
Net assets		**$ 414,186**	$ 13,090
Capital and reserves			
Called up share capital	12	**$ 5,000**	$ 5,000
Share premium account		**25,000**	25,000
Profit and loss account		**54,552**	35,570
Accumulated other comprehensive income		**329,634**	(52,480)
Total shareholder's funds		**$ 414,186**	$ 13,090

The financial statements were approved by the Board of Directors on April 29, 2019 and signed on its behalf by:



K. G. Kochar
Director

The accompanying notes are an integral part of these financial statements.
Company number: 122341

Statements of Changes in Equity

$ in thousands	Note	Period Ended December 2018	2017
Called up share capital			
Beginning balance		**$ 5,000**	$ –
Shares issued		**–**	5,000
Ending balance		**5,000**	5,000
Share premium account			
Beginning balance		**25,000**	–
Shares issued		**–**	25,000
Ending balance		**25,000**	25,000
Profit and loss account			
Beginning balance		**35,570**	–
Cumulative effect on retained earnings due to the adoption of IFRS 9, net of tax	2	**(447)**	–
Profit for the financial period		**19,429**	35,570
Ending balance		**54,552**	35,570
Accumulated other comprehensive income			
Beginning balance		**(52,480)**	–
Other comprehensive income/(loss)		**382,114**	(52,480)
Ending balance		**329,634**	(52,480)
Total shareholder's funds		**$414,186**	$ 13,090

No dividends were paid for the periods ended December 2018 and December 2017.

Statements of Cash Flows

$ in thousands	Note	Period Ended December 2018	2017
Cash flows from operating activities			
Cash used in operations	14	**$ (6,559)**	$ (9,690)
Net cash used in operating activities		**(6,559)**	(9,690)
Cash flows from financing activities			
Receipts from issuing ordinary share capital		**–**	30,000
Net cash from financing activities		**–**	30,000
Net (decrease)/increase in cash and cash equivalents		**(6,559)**	20,310
Cash and cash equivalents, beginning balance		**19,738**	–
Foreign exchange losses on cash and cash equivalents		**(560)**	(572)
Cash and cash equivalents, ending balance	13	**$ 12,619**	$ 19,738

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

Note 1.

General Information

The company is a registered public limited company incorporated on October 19, 2016 and domiciled in Jersey. The address of its registered office is 22 Grenville Street, St. Helier, Jersey JE4 8PX.

The company's immediate parent undertaking is GS Global Markets, Inc., a company incorporated and domiciled in Delaware, United States of America.

The ultimate controlling undertaking and the parent company of the smallest and largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., a company incorporated in the United States of America. Copies of its consolidated financial statements, as well as certain regulatory filings, for example Quarterly Reports on Form 10-Q and the Annual Report on Form 10-K, that provide further information about GS Group and its business activities, can be obtained from Investor Relations, 200 West Street, New York, NY 10282, United States of America, GS Group's principal place of business, or at www.goldmansachs.com/shareholders.

Note 2.

Summary of Significant Accounting Policies

Basis of Preparation

The company prepares financial statements under U.K. GAAP. These financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' (FRS 101).

These financial statements have been prepared on the going concern basis, under the historical cost convention (modified as explained in "Financial Assets and Financial Liabilities" below), and in accordance with the Companies (Jersey) Law 1991.

The following exemptions from the 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:

- 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);
- IAS 1 'Presentation of Financial Statements' paragraphs 10(f), 16, and 40A-D;
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;
- IAS 24 'Related Party Disclosures' paragraph 17; and
- IAS 24 'Related Party Disclosures' requirements to disclose transactions with companies also wholly owned within GS Group.

New Standards, Amendments and Interpretations

IFRS 9 'Financial Instruments'. From January 1, 2018, the company adopted the remaining provisions of IFRS 9 'Financial Instruments' (IFRS 9), having early adopted the requirements related to changes in the fair value of financial liabilities attributable to own credit spreads (debt valuation adjustment or DVA) effective from October 19, 2016. As permitted by IFRS 9, the company continues to apply the hedge accounting requirements of IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39).

The remaining provisions of IFRS 9 adopted by the company related to classification and measurement and impairment. As permitted by the transitional provisions of IFRS 9, the company has elected to not restate comparative figures. The impact of adopting IFRS 9 has been set out below.

Classification and Measurement

IFRS 9 introduces a principles-based approach to the classification of financial assets, resulting in the following categories: fair value through profit or loss; fair value through other comprehensive income; and amortised cost.

IFRS 9 requires debt assets to be classified based on a combination of the company's business models and the nature of the assets' cash flows.

As a result of the adoption of IFRS 9, the company reclassified its derivative financial assets of $45 million from held for trading to mandatorily measured at fair value and reclassified its debtors of $2.86 billion and cash at bank and in hand of $20 million from loans and receivables to amortised cost as of January 1, 2018.

The company's classification and measurement of financial liabilities remained unchanged on adoption of IFRS 9.

Impairment

IFRS 9 changes the impairment methodology for financial assets measured at amortised cost, replacing the incurred loss model of IAS 39 with a forward-looking expected credit loss (ECL) approach.

The company is required to assess expected losses based on the probability of default in the next twelve months, unless there has been a significant increase in credit risk since origination, in which case, the expected credit loss is based on the probability of default over the life of the asset.

The company has developed and tested an impairment model that complies with the key requirements of IFRS 9. The cumulative effect on retained earnings due to adoption of IFRS 9 was $447,000 as of January 1, 2018, which relates to the company's allowance for impairment on certain debtors balances. All balances have been deemed not to have experienced a significant increase in credit risk since inception.

Accounting Policies

Revenue Recognition. Net revenues include non-interest income/(expense) and net interest income. Non-interest income /(expense) includes the net profit/(loss) arising from the issuance of securities, OTC derivative hedges with affiliates, allocations of net revenues from/(to) affiliates for their participation in the company's activities and allowance for impairment. Net interest income primarily relates to interest income from loans to affiliates. Net revenues have been disclosed instead of turnover as this reflects more meaningfully the nature and results of the company's activities.

Securities issued by the company are either designated at fair value through profit or loss, or are measured at amortised cost where the host instrument is classified as a hedged item (see "Financial Assets and Financial Liabilities — Fair Value Hedges" below). Securities designated at fair value through profit or loss are recognised at fair value with realised and unrealised gains and losses, as well as associated interest and expenses included in net revenues, with the exception of changes in fair value attributable to own credit risk, which are recognised in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. Securities measured at amortised cost are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. Finance costs, including discounts allowed on issue, are recorded in net revenues.

The company enters into OTC derivative instruments for hedging purposes which are measured mandatorily at fair value through profit or loss. The net of the gains and losses of these instruments are included in net revenues for the period. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs.

Allowance for impairment on loans to affiliates are included in net revenues (see "Financial Assets and Financial Liabilities — Impairment" below).

Interest income and interest expense from loans and securities measured at amortised cost are included in net revenues using the effective interest method.

Dividends. Final equity dividends are recognised as a liability and deducted from equity in the period in which the dividends are approved by the company's shareholder. Interim equity dividends are recognised and deducted from equity when paid.

Cash at Bank and In Hand. This includes cash at bank and in hand and highly liquid overnight deposits held in the ordinary course of business.

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 net revenues.

Financial Assets and Financial Liabilities.

Recognition and Derecognition

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and the transfer qualifies for derecognition. A transferred financial asset qualifies for derecognition if the company transfers substantially all the risks and rewards of ownership of the financial asset or does not retain control. Financial liabilities are derecognised only when they are extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires.

Classification and Measurement: Financial Assets

From January 1, 2018 the company has adopted the provisions of IFRS 9 related to classification and measurement of financial assets and classifies financial assets as subsequently measured at amortised cost or fair value through profit or loss 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 company's business model is to hold the assets to collect contractual cash flows, the company subsequently assesses whether the financial assets' 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. See "New Standards, Amendments and Interpretations — IFRS 9 'Financial Instruments'" for further information about the adoption impact of IFRS 9.

- **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 mandatorily measured at fair value through profit or loss (see below).

  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. Finance revenue is recorded in net revenues. Financial assets measured at amortised cost include:

  - Substantially all debtors; and
  - Cash at bank and in hand.

- **Financial assets mandatorily measured at fair value through profit or loss.** Financial assets that are not held for the collection of contractual cash flows and/or do not have cash flows that represent solely payments of principal and interest are mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value are initially measured at fair value with transaction costs expensed in profit or loss. Such financial assets are subsequently measured at fair value with gains or losses recognised in net revenues. Financial assets mandatorily measured at fair value include:

  - Derivative financial assets; and
  - Certain debtors, which consists of hybrid financial instruments.

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

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

- **Loans and receivables.** Loans and receivables were non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They included debtors and cash at bank and in hand. Such financial assets were initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. Finance revenue was recorded in net revenues.

Classification and Measurement: Financial Liabilities

The company classifies its financial liabilities into the below categories based 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 held for trading include derivative financial liabilities.

- **Financial liabilities designated at fair value through profit or loss.** The company designates certain financial liabilities at fair value through profit or loss. 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 DVA being recognised in other comprehensive income, if it does not create or enlarge an accounting mismatch, and the remaining changes in the fair value being recognised in net revenues. Amounts recognised in other comprehensive income attributable to own credit spreads are not subsequently transferred to profit or loss, even upon derecognition of the financial liability. The primary reasons for designating such financial liabilities at fair value through profit or loss are:

  - To eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and

  - The group of financial liabilities, or financial assets and financial liabilities, is managed and its performance evaluated on a fair value basis.

  Financial liabilities designated at fair value through profit or loss includes debt securities issued, which are hybrid financial instruments.

  Hybrid financial instruments are instruments that contain bifurcatable embedded derivatives. If the company elects to bifurcate the embedded derivative from the associated debt, the derivative is accounted for at fair value and the host contract is accounted for at amortised cost, adjusted for the effective portion of any fair value hedges. If the company does not elect to bifurcate, the entire hybrid financial instrument is designated at fair value through profit or loss.

- **Financial liabilities measured at amortised cost.** Financial liabilities measured at amortised cost are initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. See “Financial assets measured at amortised cost” above for further information on the effective interest method. Finance costs, including discounts allowed on issue, are recorded in net revenues. Financial liabilities measured at amortised cost include certain other creditors that have not been designated at fair value through profit or loss.

Impairment

From January 1, 2018, the company has adopted IFRS 9 and assesses on a forward-looking basis the ECL associated with financial assets measured at amortised cost. The measurement of ECL reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Expected credit losses are recorded in net revenues. See “New Standards, Amendments and Interpretations — IFRS 9 ‘Financial Instruments’” for further information about the adoption impact of IFRS 9.

The company’s impairment model is based on changes in credit quality since initial recognition of financial assets measured at amortised cost and incorporates the following three stages:

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

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

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

Determination of the relevant staging for each financial asset is dependent on the definition of ‘significant increase in credit risk’ (stage 1 to stage 2) and the definition of ‘credit-impaired’ (stage 2 to stage 3).

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

The ECL is determined by projecting the probability of default, loss given default and exposure at default for each individual exposure. To calculate expected credit losses, these three components are multiplied together and discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate. The probability of default represents the likelihood of a borrower defaulting on its financial obligation. The loss given default is the company's expectation of the extent of loss on the default exposure, and takes into consideration amongst other things, collateral on the financial asset. The exposure at default is the amount the company expects to be owed at the time the financial obligation defaults. The company uses internal credit risk ratings that reflect the assessment of the probability of default of individual counterparties. The company uses multiple macroeconomic scenarios within the ECL calculation, the weightings for which are subject to ongoing internal review and approval.

Forward-looking information, such as key economic variables impacting credit risk and expected credit losses, is incorporated into both the assessment of staging and the calculation of ECL. Economic variables have been forecasted using internally generated projections to provide an estimated view of the economy over the next nine quarters. After nine quarters a mean reversion approach has been used, which means that economic variables tend to either a long run average rate or a long run growth rate.

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

Prior to January 1, 2018, the company applied the impairment requirements of IAS 39 and assessed its loans and receivables at each balance sheet date for any objective evidence of impairment. If there was no objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss was included within net revenues, if trading related, or in administrative expenses if non-trading related.

Classification of Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements. A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. An equity investment is any contract that evidences a residual interest in the assets of the entity after deducting all liabilities. Instruments are evaluated to determine if they contain both liability and equity components. The initial carrying amount of a compound financial instrument is allocated first to the liability component, measured at fair value, and the equity is assigned the residual amount.

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:

- Currently a legally enforceable right to set-off the recognised amounts; and
- 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.

Fair Value Measurement

See Note 17 for details about the fair value measurement of the company's financial assets and financial liabilities.

Fair Value Hedges

The company applies hedge accounting under IAS 39 for certain interest rate swaps used to manage the interest rate exposure of its fixed-rate unsecured long-term borrowings. 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.

Note 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:

Fair Value Measurement

Certain of the company's financial liabilities, which are economically hedged, include significant unobservable inputs (i.e., level 3). See Note 17 for information about the carrying value and valuation techniques of these instruments.

Note 4.

Net Revenues

Net revenues include net interest income and non-interest income/(expense). Net interest income primarily relates to interest income from loans to affiliates. Non-interest income/(expense) includes:

- Gains and losses on financial assets and financial liabilities measured mandatorily at fair value through profit or loss (including financial liabilities held for trading) primarily relates to non-interest gains and losses on derivative financial assets and derivative financial liabilities.
- Gains and losses on financial liabilities designated at fair value through profit or loss primarily relates to non-interest gains and losses on other creditors.
- Allocations of net revenues from/(to) affiliates relates to allocations of net revenues from/(to) affiliates for their participation in the company's activities.

The table below presents net revenues.

	Period Ended	
$ in thousands	**2018**	2017
Interest income		
Interest income from external counterparties	**$ –**	$ 11
Interest income from parent and group undertakings	**156,355**	20,158
Total interest income	**156,355**	20,169
Interest expense		
Interest expense from external counterparties	**(4,337)**	(51)
Interest expense from parent and group undertakings	**(618)**	–
Total interest expense	**(4,955)**	(51)
Net interest income	**151,400**	20,118
Financial assets and financial liabilities measured mandatorily at fair value through profit or loss	**(188,184)**	(69,431)
Financial liabilities designated at fair value through profit or loss	**114,067**	98,914
Allocations of net revenues from/(to) affiliates	**(55,428)**	(13,447)
Impairment of financial assets measured at amortised cost	**(2,270)**	–
Non-interest income/(expense)	**(131,815)**	16,036
Net revenues	**$ 19,585**	$36,154

Note 5.

Segment Reporting

The company is an issuer of securities in a number of European and Asian markets. The proceeds from these securities are onward lent to affiliates on an aggregated basis. As such, the directors manage the company's activities as a single business.

The company believes that a geographic analysis of its unsecured debt securities issued is a meaningful method to evaluate the business environments in which the company operates.

The table below presents the carrying amount of the company's unsecured debt securities issued by geographic region based on the location of the market-making desk and the primary market for the underlying security.

	As of December	
$ in thousands	**2018**	2017
Europe	**$5,512,231**	$1,488,080
Asia	**3,599,836**	1,265,391
Total unsecured debt securities issued	**$9,112,067**	$2,753,471

Note 6.

Administrative Expenses

The company incurred administrative expenses of $156,000 for the period ended December 2018 and $584,000 for the period ended December 2017, which primarily related to professional fees.

Note 7.

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.

Note 8.

Tax on Profit

The company is domiciled in Jersey and under local laws the standard rate of corporate tax is zero percent. As a result, no provision for income taxes has been made.

Note 9.

Derivative Financial Assets and Derivative Financial Liabilities

The table below presents derivative financial assets.

	As of December	
$ in thousands	**2018**	2017
Interest rates	**$220,062**	$ 14,178
Credit	**4,690**	–
Currencies	**7,412**	2,586
Equities	**90,625**	28,351
Total derivative financial assets	**$322,789**	$ 45,115

The table below presents derivative financial liabilities.

	As of December	
$ in thousands	**2018**	2017
Interest rates	**$121,076**	$ 34,821
Credit	**10,218**	89
Currencies	**131,453**	64,301
Equities	**259,612**	39,592
Total derivative financial liabilities	**$522,359**	$138,803

Note 10.

Debtors

The table below presents debtors balances, all of which are financial assets.

	As of December	
$ in thousands	**2018**	2017
Amounts due within one year		
Amounts due from parent and group undertakings:		
Unsecured loans	**$ 799,771**	$ 779,278
Other debtors	**71,591**	114,458
Total	**$ 871,362**	$ 893,736
Amounts due after more than one year		
Amounts due from parent and group undertakings:		
Unsecured loans	**$8,685,182**	$1,964,877
Other debtors	**239,889**	–
Total	**$8,925,071**	$1,964,877
Total debtors	**$9,796,433**	$2,858,613

In the table above, unsecured loans due within one year and unsecured loans due after more than one year included an allowance for impairment of $3 million as of December 2018.

Note 11.

Other Creditors

The table below presents other creditors, all of which are financial liabilities.

	As of December	
$ in thousands	**2018**	2017
Amounts falling due within one year		
Unsecured debt securities issued	**$ 552,936**	$ 21,143
Amounts due to parent and group undertakings:		
Other unsecured creditors	**72,749**	15,836
Other creditors and accruals	**5,368**	2,260
Total	**$ 631,053**	$ 39,239
Amounts falling due after more than one year		
Unsecured debt securities issued	**$8,559,131**	$2,732,328
Amounts due to parent and group undertakings:		
Unsecured loans	**5,112**	6
Total	**$8,564,243**	$2,732,334
Total other creditors	**$9,195,296**	$2,771,573

In the table above, unsecured debt securities issued falling due after more than one year included instruments that are repayable in more than five years of $5.56 billion as of December 2018 and $1.89 billion as of December 2017. As of December 2018, these instruments have maturities falling due between 2024 and 2048. Payments on these instruments are typically referenced to underlying financial assets, which are predominantly interest rates, equities and currencies-related.

Debt Valuation Adjustment

The company calculates the fair value of financial liabilities that are designated at fair value through profit or loss by discounting future cash flows at a rate which incorporates GS Group's credit spreads.

The net DVA on such financial liabilities that are designated at fair value through profit or loss and included in debt valuation adjustment in other comprehensive income was a gain of $382 million for the period ended December 2018 and a loss of $52 million for the period ended December 2017.

The cumulative net DVA included in accumulated other comprehensive income in the statements of changes in equity was a gain of $330 million as of December 2018 and a loss of $52 million as of December 2017.

Note 12.

Share Capital

The table below presents share capital.

Allotted, called up and fully paid	Ordinary shares of $1 each	*$ in thousands*
As of December 31, 2017	**5,000,001**	**$5,000**
As of December 31, 2018	**5,000,001**	**$5,000**

Note 13.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consists of cash at bank and in hand of $13 million as of December 2018 and $20 million as of December 2017.

Note 14.

Reconciliation of Cash Flows From Operating Activities

The table below presents the reconciliation of cash flows from operating activities.

	Period Ended December	
$ in thousands	**2018**	2017
Profit before taxation	**$ 19,429**	$ 35,570
Adjustments for		
Foreign exchange losses	**560**	572
Cash generated before changes in operating assets and liabilities	**19,989**	36,142
Changes in operating assets		
Increase in derivative financial assets	**(277,674)**	(45,115)
Increase in debtors	**(6,938,267)**	(2,858,613)
Changes in operating assets	**(7,215,941)**	(2,903,728)
Changes in operating liabilities		
Increase in derivative financial liabilities	**383,556**	138,803
Increase in other creditors	**6,805,837**	2,719,093
Changes in operating liabilities	**7,189,393**	2,857,896
Cash used for operations	**$ (6,559)**	$ (9,690)

Cash used for operations included interest paid of $2 million for the period ended December 2018 and $1.4 million for the period ended December 2017, and interest received of $134 million for the period ended December 2018 and $41,000 for the period ended December 2017.

Note 15.

Financial Commitments and Contingencies

The company had no financial commitments or contingencies outstanding as of both December 2018 and December 2017.

Note 16.

Financial Risk Management and Capital Management

The company monitors its capital on an ongoing basis. The company's objective is to be prudently capitalised in terms of the amount and composition of its equity base (see Note 12) 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 future losses due to adverse changes in market environments. The company is not subject to any externally imposed capital requirements.

The company is exposed to financial risk through its financial assets and financial liabilities. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet, the most important components of financial risk the directors consider relevant to the company are market risk, credit risk and liquidity risk. The company, as part of a global group, adheres to global risk management policies and procedures.

Market Risk

Market risk is the risk of loss in the value of the company's financial assets and financial liabilities due to changes in market conditions. Risks are monitored and controlled through strong GS Group oversight and independent control and support functions across the company's businesses. Categories of market risk include the following:

- Interest rate risk: results from exposures to changes in the level, slope and curvature of yield curves, the volatilities of interest rates and credit spreads;
- Equity price risk: results from exposures to changes in prices and volatilities of individual equities, baskets of equities and equity indices; and
- Currency rate risk: results from exposures to changes in spot prices, forward prices and volatilities of currency rates.

The company is exposed to interest rate, equity price and currency rate and credit related risks on its debt securities issued. The company manages these risks by entering into OTC derivative instruments for hedging purposes.

The company is exposed to interest rate risk on its unsecured loans due from parent and group undertakings. If interest rates had been 50 basis points higher or lower and all other variables were held constant, the company's interest income from parent and group undertakings would have been higher/lower by $47 million for the period ended December 2018 and $17 million for the period ended December 2017. This has been determined by assuming that the company's exposure to interest rate risk at the balance sheet date was consistent for the whole period.

The company is exposed to changes in GS Group's credit spreads on its debt securities issued that are designated at fair value through profit or loss. The estimated sensitivity to a 1 basis point increase in GS Group's credit spreads on such financial liabilities was a gain of $5 million as of December 2018 and a gain of $2 million as of December 2017.

Credit Risk

Credit risk represents the potential for loss due to the default or deterioration in the credit quality of 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 without taking account of any collateral held or other credit enhancements is equivalent to the carrying value of its financial assets as of both December 2018 and December 2017.

The company's credit exposures are described further below.

Derivative Financial Assets. Derivatives are reported at fair value on a gross by counterparty basis in the company's financial statements, unless it has a current legal right of set-off and also intends to settle on a net basis. The company enters into derivative transactions with affiliates for hedging purposes. The company's gross exposure of $323 million as of December 2018 and $45 million as of December 2017 is mitigated by counterparty netting (i.e., the netting of financial assets and financial liabilities for a given counterparty when a legal right of set-off exists under an enforceable netting agreement) of $292 million as of December 2018 and $42 million as of December 2017 resulting in a net credit exposure of $31 million as of December 2018 and $3 million as of December 2017.

Debtors. Debtors primarily relate to unsecured loans and hybrid financial instruments due from parent and group undertakings which are considered investment grade for credit risk management purposes. The company's gross credit exposure of $9.80 billion as of December 2018 and $2.86 billion as of December 2017 and net credit exposure of $9.58 billion as of December 2018 and $2.77 billion as of December 2017, mainly relates to the company's unsecured loans to affiliates. The company has recorded an allowance for impairment on its unsecured loans to affiliates of $3 million as of December 2018. The hybrid financial instruments of $240 million as of December 2018 are mitigated by counterparty netting of $212 million and cash collateral netting of $8 million, resulting in a net credit exposure of $20 million as of December 2018.

Cash at Bank and in Hand. Cash at bank and in hand includes 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 as a result the allowance for impairment on these balances was $nil. The company's gross and net credit exposure was $13 million as of December 2018 and $20 million as of December 2017.

Allowance for Impairment

The allowance for impairment recorded during the year on unsecured loans to affiliates is impacted by new financial instruments originated during the year.

The company's expected credit losses of $3 million as of December 2018 increased from $447,000 as of January 1, 2018 primarily due to new unsecured loans to affiliates of $6.74 billion during the year. The gross carrying amount of unsecured loans to affiliates increased from $2.74 billion to $9.48 billion during the year. These financial assets remained in stage 1 throughout the whole year.

Liquidity Risk

Liquidity risk is the risk that the company does not have sufficient cash or collateral to make payments to its counterparties 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.

Note 17.

Financial Assets and Financial Liabilities

Financial Assets and Financial Liabilities by Category

The tables below present the carrying value of financial assets and financial liabilities by category.

	Financial Assets		
$ in thousands	Mandatorily at fair value	Amortised cost	Total
As of December 2018			
Derivative financial assets	**$322,789**	**$ –**	**$ 322,789**
Debtors	**240,888**	**9,555,545**	**9,796,433**
Cash at bank and in hand	**–**	**12,619**	**12,619**
Total financial assets	**$563,677**	**$9,568,164**	**$10,131,841**

$ in thousands	Held for trading	Loans and receivables	Total
As of December 2017			
Derivative financial assets	$ 45,115	$ –	$ 45,115
Debtors	–	2,858,613	2,858,613
Cash at bank and in hand	–	19,738	19,738
Total financial assets	$ 45,115	$2,878,351	$ 2,923,466

	Financial Liabilities			
$ in thousands	Held for trading	Designated at fair value	Amortised cost	Total
As of December 2018				
Amounts falling due within one year				
Derivative financial liabilities	**$522,359**	**$ –**	**$ –**	**$ 522,359**
Other creditors	**–**	**552,936**	**78,117**	**631,053**
Total	**522,359**	**552,936**	**78,117**	**1,153,412**
Amounts falling due after more than one year				
Other creditors	**–**	**6,834,388**	**1,729,855**	**8,564,243**
Total	**–**	**6,834,388**	**1,729,855**	**8,564,243**
Total financial liabilities	**$522,359**	**$7,387,324**	**$1,807,972**	**$9,717,655**
As of December 2017				
Amounts falling due within one year				
Derivative financial liabilities	$138,803	$ –	$ –	$ 138,803
Other creditors	–	21,143	18,096	39,239
Total	138,803	21,143	18,096	178,042
Amounts falling due after more than one year				
Other creditors	–	2,353,101	379,233	2,732,334
Total	–	2,353,101	379,233	2,732,334
Total financial liabilities	$138,803	$2,374,244	$397,329	$2,910,376

In the tables above:

- Financial assets have been presented under IFRS 9 as of December 2018 and IAS 39 as of December 2017. See Note 2 for further information.
- Derivative financial assets included derivative instruments designated as hedges of $30 million as of December 2018 and $4 million as of December 2017.
- Derivative financial liabilities included derivative instruments designated as hedges of $nil as of December 2018 and $87,000 as of December 2017.

Fair Value Hierarchy

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The company measures certain financial assets and financial liabilities as a portfolio (i.e., based on its net exposure to market and/or credit risks).

U.K. GAAP has a three-level fair value hierarchy for disclosure of fair value measurements. This hierarchy prioritises inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and the lowest priority to level 3 inputs. A financial instrument's level in the hierarchy is based on the lowest level of 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 the company had access at the measurement date for identical, unrestricted assets or liabilities.

Level 2. Inputs to valuation techniques are observable, either directly or indirectly.

Level 3. One or more inputs to valuation techniques are significant and unobservable.

The fair values for substantially all of the company's financial assets and financial liabilities that are fair valued on a recurring basis are based on observable prices and inputs and are classified in level 2 of the fair value hierarchy. Certain level 2 and level 3 financial assets and financial liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors such as GS Group's credit quality, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

Valuation Techniques and Significant Inputs

Derivative Instruments. The company's OTC derivatives are bilateral contracts between two counterparties (bilateral OTC). The company's level 2 and level 3 derivatives 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.

- **Interest Rate.** In general, the key inputs used to value interest rate derivatives are transparent, even for most long-dated contracts. Interest rate swaps and options denominated in the currencies of leading industrialised nations are characterised by high trading volumes and tight bid/offer spreads. Interest rate derivatives that reference indices, such as an inflation index, or the shape of the yield curve (e.g., 10-year swap rate vs. 2-year swap rate) are more complex, but the key inputs are generally observable.

- **Credit.** Price transparency for credit default swaps, including both single names and baskets of credits, varies by market and underlying reference entity or obligation. Credit default swaps that reference indices, large corporates and major sovereigns generally exhibit the most price transparency. For credit default swaps with other underliers, price transparency varies based on credit rating, the cost of borrowing the underlying reference obligations, and the availability of the underlying reference obligations for delivery upon the default of the issuer. Credit default swaps that reference loans, asset-backed securities and emerging market debt instruments tend to have less price transparency than those that reference corporate bonds.

  In addition, more complex credit derivatives, such as those sensitive to the correlation between two or more underlying reference obligations, generally have less price transparency.

- **Currency.** Prices for currency derivatives based on the exchange rates of leading industrialised nations, including those with longer tenors, are generally transparent. The primary difference between the price transparency of developed and emerging market currency derivatives is that emerging markets tend to be observable for contracts with shorter tenors.

- **Equity.** Price transparency for equity derivatives varies by market and underlier. Options on indices and the common stock of corporates included in major equity indices exhibit the most price transparency. Equity derivatives generally have observable market prices, except for contracts with long tenors or reference prices that differ significantly from current market prices. More complex equity derivatives, such as those sensitive to the correlation between two or more individual stocks, generally have less price transparency.

Liquidity is essential to observability of all product types. If transaction volumes decline, previously transparent prices and other inputs may become unobservable. Conversely, even highly structured products may at times have trading volumes large enough to provide observability of prices and other inputs.

Level 2 Derivatives

Level 2 derivatives include OTC derivatives for which all significant valuation inputs are corroborated by market evidence. 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.

Level 3 Derivatives

Level 3 derivatives are valued using models which utilise observable level 1 and/or level 2 inputs, as well as unobservable level 3 inputs. Unobservable inputs include certain correlations and equity volatilities.

Subsequent to the initial valuation of a level 3 derivative, the company updates the level 1 and level 2 inputs to reflect observable market changes and any resulting gains and losses are classified in level 3. Level 3 inputs are changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. In circumstances where the company cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. See below for further information about significant unobservable inputs used in the valuation of level 3 derivatives.

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

Valuation adjustments are integral to determining the fair value of derivative portfolios and are used to adjust the mid-market valuations produced by derivative pricing models to the appropriate exit price valuation. These adjustments mainly incorporate bid/offer spreads and the cost of liquidity. Market-based inputs are generally used when calibrating valuation adjustments to market-clearing levels.

Debtors. Debtors measured at fair value consist of hybrid financial instruments and are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are generally classified in level 2 because the inputs are observable.

The significant inputs to the valuation of such debtors measured at fair value are the amount and timing of expected future cash flows and interest rates. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the company's other derivative instruments. See "Derivative Instruments" above.

Other Creditors. Other creditors consists of debt securities issued, which are hybrid financial instruments, and are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are generally classified in level 2 because the inputs are observable. Valuation adjustments may be made for liquidity and GS Group's credit quality.

The significant inputs to the valuation of unsecured other creditors measured at fair value are the amount and timing of expected future cash flows, interest rates, and the credit spreads of GS Group. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the company's other derivative instruments. See "Derivative Instruments" above.

Fair Value of Financial Assets and Financial Liabilities by Level

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

$ in thousands	Level 1	Level 2	Level 3	Total
As of December 2018				
Financial Assets				
Derivative financial assets	**$ –**	**$ 316,044**	**$ 6,745**	**$ 322,789**
Debtors	**–**	**240,888**	**–**	**240,888**
Total financial assets	**$ –**	**$ 556,932**	**$ 6,745**	**$ 563,677**
Financial Liabilities				
Amounts falling due within one year				
Derivative financial liabilities	**$ –**	**$ 370,005**	**$ 152,354**	**$ 522,359**
Other creditors	**–**	**440,625**	**112,311**	**552,936**
Total	**–**	**810,630**	**264,665**	**1,075,295**
Amounts falling due after more than one year				
Other creditors	**–**	**4,885,288**	**1,949,100**	**6,834,388**
Total	**–**	**4,885,288**	**1,949,100**	**6,834,388**
Total financial liabilities	**$ –**	**$5,695,918**	**$2,213,765**	**$7,909,683**
Net derivative instruments	**$ –**	**$ (53,961)**	**$ (145,609)**	**$ (199,570)**
As of December 2017				
Financial Assets				
Derivative financial assets	$ –	$ 43,297	$ 1,818	$ 45,115
Total financial assets	$ –	$ 43,297	$ 1,818	$ 45,115
Financial Liabilities				
Amounts falling due within one year				
Derivative financial liabilities	$ –	$ 109,386	$ 29,417	$ 138,803
Other creditors	–	9,760	11,383	21,143
Total	–	119,146	40,800	159,946
Amounts falling due after more than one year				
Other creditors	–	2,056,773	296,328	2,353,101
Total	–	2,056,773	296,328	2,353,101
Total financial liabilities	$ –	$2,175,919	$ 337,128	$2,513,047
Net derivative instruments	$ –	$ (66,089)	$ (27,599)	$ (93,688)

Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The company's level 3 debt securities issued are economically hedged with OTC derivatives. The significant unobservable inputs used in level 3 fair value measurements have not been disclosed as the net effect of the measurements on profit or loss or other comprehensive income and net assets for the period ended December 2018 and period ended December 2017 was not material.

Fair Value 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 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 available observable market data and changing these assumptions will change the resultant estimate of fair value. For those financial assets and financial liabilities that are valued using unobservable inputs, the net potential impact of using reasonable possible alternative assumptions for the valuations, including significant unobservable inputs, was not material as of both December 2018 and December 2017 as the company's level 3 debt securities issued are economically hedged with OTC derivatives.

Level 3 Rollforward

The table below presents a summary of the changes in fair value for all level 3 financial assets and financial liabilities measured at fair value on a recurring basis.

	Period Ended December	
$ in thousands	**2018**	2017
Total financial assets		
Beginning balance	**$ 1,818**	$ –
Gains/(losses)	**(9,183)**	(1,848)
Purchases	**9,161**	3,666
Settlements	**2,825**	–
Transfers into level 3	**2,735**	–
Transfers out of level 3	**(611)**	–
Ending balance	**$ 6,745**	$ 1,818
Total financial liabilities		
Beginning balance	**$ (337,128)**	$ –
Gains/(losses)	**117,078**	(4,225)
Sales/Issuances	**(1,777,502)**	(344,831)
Settlements	**173,492**	11,928
Transfers into level 3	**(414,307)**	–
Transfers out of level 3	**24,602**	–
Ending balance	**$(2,213,765)**	$ (337,128)

In the table above:

- Financial assets relate to derivative financial assets.
- If a financial asset or financial liability was transferred to level 3 during a reporting period, its entire gain or loss for the period is classified in level 3. For level 3 financial assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 financial liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.
- Transfers between levels of the fair value hierarchy are recognised at the beginning of the reporting period in which they occur. Accordingly, the tables do not include gains or losses for level 3 financial assets and financial liabilities that were transferred out of level 3 prior to the end of the period.
- Level 3 financial liabilities are economically hedged with level 3 financial assets and financial liabilities. Accordingly, level 3 gains or losses that are reported in the table below for a particular class of financial liability can be partially offset by gains or losses attributable to level 3 in a different class of financial asset or financial liability.
- The net losses on level 3 financial assets for the period ended December 2018 and period ended December 2017 are reported in "Net revenues" in the profit and loss account.
- The net gains on level 3 financial liabilities of $117 million for the period ended December 2018 included gains of $117 million reported in "Debt valuation adjustment" in the statements of comprehensive income. The net losses on level 3 financial liabilities of $4 million for the period ended December 2017 included losses of $4 million reported in "Debt valuation adjustment" in the statements of comprehensive income.

The table below disaggregates, by the balance sheet line items, the information for financial liabilities included in the summary table above.

	Period Ended December	
$ in thousands	**2018**	2017
Derivative financial liabilities		
Beginning balance	**$ (29,417)**	$ –
Gains/(losses)	**(91,032)**	(12,410)
Sales	**(2,572)**	(17,007)
Settlements	**12,659**	–
Transfers into level 3	**(52,614)**	–
Transfers out of level 3	**10,622**	–
Ending balance	**$ (152,354)**	$ (29,417)
Other creditors		
Beginning balance	**$ (307,711)**	$ –
Gains/(losses)	**208,110**	8,185
Issuances	**(1,774,930)**	(327,824)
Settlements	**160,833**	11,928
Transfer into level 3	**(361,693)**	–
Transfers out of level 3	**13,980**	–
Ending balance	**$(2,061,411)**	$(307,711)

Transfers Between Level 2 and Level 3 of the Fair Value Hierarchy

Period Ended December 2018. Transfers into level 3 for financial assets and liabilities primarily reflected transfers of certain currency products from level 2, principally due to reduced transparency of certain modelling assumptions as a result of a lack of market evidence.

Transfers out of level 3 financial assets and liabilities primarily reflected transfers of certain equity products to level 2, principally due to increased transparency of certain equity volatility and correlation inputs as a result of an increase in the availability of market evidence.

Period Ended December 2017. There were no transfers between level 2 and level 3 during the period ended December 2017

Fair Value of Financial Assets and Financial Liabilities Not Measured at Fair Value

The company had financial assets that are not measured at fair value of $9.57 billion as of December 2018 and $2.88 billion as of December 2017, which predominately relate to intercompany loans. The interest rates of these loans are variable in nature and approximate prevailing market interest rates for instruments with similar terms and characteristics. As such, their carrying amounts in the balance sheet are a reasonable approximation of fair value.

The company had financial liabilities that are not measured at fair value of $1.81 billion as of December 2018 and $397 million as of December 2017. These predominantly relate to fixed-rate long-term borrowings of $1.72 billion as of December 2018 and $379 million as of December 2017, for which the fair value was $1.57 billion as of December 2018 and $382 million as of December 2017.

Maturity of Financial Liabilities

The table below presents a summary of the cash flows of the company's financial liabilities by contractual maturity except for derivative financial liabilities, which are classified as trading/on demand.

	As of December	
$ in thousands	**2018**	2017
Trading/on demand	**$ 600,477**	$ 156,905
Less than 1 month	**12,216**	789
1 – 3 months	**106,459**	4,372
3 months – 1 year	**459,880**	24,754
1 – 5 years	**3,108,564**	879,206
Greater than 5 years	**5,710,456**	1,961,336
Total	**$9,998,052**	$3,027,362

The tables below present an analysis of the cash flows of the company's financial liabilities by contractual maturity, except for derivative financial liabilities, which are classified as trading/on demand.

$ in thousands	Derivative financial liabilities	Other creditors	Total
As of December 2018			
Amounts falling due within one year			
Trading/on demand	**$522,359**	**$ 78,118**	**$ 600,477**
Less than 1 month	**–**	**10,040**	**10,040**
1 – 3 months	**–**	**102,318**	**102,318**
3 months – 1 year	**–**	**440,577**	**440,577**
1 – 5 years	**–**	**–**	**–**
Greater than 5 years	**–**	**–**	**–**
Total	**$522,359**	**$ 631,053**	**$ 1,153,412**
Amounts falling due after more than one year			
Trading/on demand	**$ –**	**$ –**	**$ –**
Less than 1 month	**–**	**2,176**	**2,176**
1 – 3 months	**–**	**4,141**	**4,141**
3 months – 1 year	**–**	**19,303**	**19,303**
1 – 5 years	**–**	**3,108,564**	**3,108,564**
Greater than 5 years	**–**	**5,710,456**	**5,710,456**
Total	**$ –**	**$8,844,640**	**$ 8,844,640**
Total financial liabilities	**$522,359**	**$9,475,693**	**$ 9,998,052**

$ in thousands	Derivative financial liabilities	Other creditors	Total
As of December 2017			
Amounts falling due within one year			
Trading/on demand	$ 138,803	$ 18,096	$ 156,899
Less than 1 month	–	–	–
1 – 3 months	–	2,962	2,962
3 months – 1 year	–	18,181	18,181
1 – 5 years	–	–	–
Greater than 5 years	–	–	–
Total	$138,803	$ 39,239	$ 178,042
Amounts falling due after more than one year			
Trading/on demand	$ –	$ –	$ –
Less than 1 month	–	789	789
1 – 3 months	–	1,410	1,410
3 months – 1 year	–	6,573	6,573
1 – 5 years	–	879,212	879,212
Greater than 5 years	–	1,961,336	1,961,336
Total	$ –	$2,849,320	$ 2,849,320
Total financial liabilities	$138,803	$2,888,559	$ 3,027,362

In the tables above:

- Cash flows by contractual maturity include interest that will accrue on financial liabilities.
- Financial liabilities, with the exception of those that are held for trading or designated at fair value through profit or loss, are disclosed at their undiscounted cash flows. The fair values of financial liabilities held for trading and financial liabilities designated at fair value through profit or loss have been disclosed as this is consistent with the values used in the liquidity risk management of these instruments.
- Liquidity risk on derivatives is mitigated through master netting agreements and cash collateral arrangements.

Collateral Received and Pledged

The company has received cash collateral of $8 million as of December 2018 and posted cash collateral of $91 million as of December 2017. Amounts received and posted are mainly in respect of derivative financial assets, certain debtors and derivative financial liabilities.

Hedge Accounting

The company designates certain interest rate swaps as fair value hedges that are used to manage the interest rate exposure of certain fixed-rate unsecured long-term borrowings. These interest rate swaps hedge changes in fair value attributable to the designated benchmark interest rate (e.g., London Interbank Offered Rate (LIBOR)), effectively converting fixed-rate obligations into floating-rate obligations.

The company applies a statistical method that utilises regression analysis when assessing the effectiveness of its fair value hedging relationships in achieving offsetting changes in the fair values of the hedging instrument and the risk being hedged (i.e., interest rate risk). An interest rate swap is considered highly effective in offsetting changes in fair value attributable to changes in the hedged risk when the regression analysis results in a coefficient of determination of 80% or greater and a slope between 80% and 125%. Possible sources of ineffectiveness on these hedges include:

- Differences in timing of cash flows between the hedged item and hedging instrument.
- Differences in discounting between the hedged item and the hedging instrument, as cash collateralised derivatives are discounted using Overnight Indexed Swap (OIS) discount curves, which are not consistently applied to the hedged item.
- Counterparty credit risk impacting fair value movements on uncollateralised interest rate swaps but not the underlying hedged item.

For qualifying fair value hedges, gains or losses on derivatives and the change in fair value of the hedged item attributable to the hedged risk are included in net revenues. When a derivative is no longer designated as a hedge, any remaining difference between the carrying value and par value of the hedged item is amortised over the remaining life of the hedged item using the effective interest method.

The notional of the company's hedging instruments was $1.64 billion with contractual maturity date of greater than 5 years as of December 2018. The average fixed rate of such instruments was 1.43% for the period ended December 2018.

The table below presents information about hedging instruments, which are classified in derivative instruments.

	As of December	
$ in thousands	**2018**	2017
Asset carrying value	**$29,989**	$4,017
Liability carrying value	**$ –**	$ 87

The table below presents the carrying value 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 values.

	As of December 2018	
$ in thousands	**Carrying value**	**Cumulative hedging adjustment**
Unsecured long-term borrowings	**$1,724,743**	**$24,983**

The table below presents the gains/(losses) from interest rate derivatives accounted for as hedges, the related hedged borrowings and the hedge ineffectiveness on these derivatives, recognised in net revenues.

	Period Ended December	
$ in thousands	**2018**	2017
Interest rate hedges	**$23,449**	$(2,716)
Hedged borrowings	**(26,622)**	3,651
Hedge ineffectiveness	**$ (3,173)**	$ 935

Note 18.

Offsetting of Financial Assets and Financial Liabilities

The tables below present the company's financial assets and financial liabilities that are subject to enforceable netting agreements and offsetting. Amounts are only offset in the balance sheet when the company currently has a legally enforceable right to set-off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In the tables below:

- Gross amounts exclude the effects of both counterparty netting and collateral, and therefore are not representative of the company's economic exposure.
- Amounts not offset in the balance sheet include counterparty netting (i.e., the netting of financial assets and financial liabilities for a given counterparty when a legal right of setoff exists under an enforceable netting agreement), and cash and security collateral received and posted under enforceable credit support agreements, that do not meet the criteria for offsetting under U.K. GAAP.
- Where the company has received or posted collateral under credit support agreements, but has not yet determined whether such agreements are enforceable, the related collateral has not been included in the amounts not offset in the balance sheet.

	As of December 2018						
				Amounts not offset in the balance sheet			
$ in thousands	**Gross amounts**	**Amounts offset in the balance sheet**	**Net amount presented in the balance sheet**	**Counterparty netting**	**Cash collateral**	**Security collateral**	**Net amount**
Financial Assets							
Derivative financial assets	**$ 322,789**	**$ –**	**$ 322,789**	**$(292,378)**	**$ –**	**$ –**	**$ 30,411**
Debtors	**240,888**	**–**	**240,888**	**(212,463)**	**(8,220)**	**–**	**20,205**
Financial assets subject to enforceable netting agreements	**563,677**	**–**	**563,677**	**(504,841)**	**(8,220)**	**–**	**50,616**
Financial assets not subject to enforceable netting agreements	**9,568,164**	**–**	**9,568,164**	**–**	**–**	**–**	**9,568,164**
Total financial assets	**$10,131,841**	**$ –**	**$10,131,841**	**$(504,841)**	**$ (8,220)**	**$ –**	**$9,618,780**
Financial Liabilities							
Amounts falling due within one year							
Derivative financial liabilities	**$ 522,359**	**$ –**	**$ 522,359**	**$(504,841)**	**$ –**	**$ –**	**$ 17,518**
Other creditors	**8,220**	**–**	**8,220**	**–**	**(8,220)**	**–**	**–**
Financial liabilities subject to enforceable netting agreements	**530,579**	**–**	**530,579**	**(504,841)**	**(8,220)**	**–**	**17,518**
Financial liabilities not subject to enforceable netting agreements	**9,187,076**	**–**	**9,187,076**	**–**	**–**	**–**	**9,187,076**
Total financial liabilities	**$ 9,717,655**	**$ –**	**$ 9,717,655**	**$(504,841)**	**$ (8,220)**	**$ –**	**$9,204,594**

	As of December 2017						
				Amounts not offset in the balance sheet			
$ in thousands	Gross amounts	Amounts offset in the balance sheet	Net amount presented in the balance sheet	Counterparty netting	Cash collateral	Security collateral	Net amount
Financial Assets							
Derivative financial assets	$ 45,115	$ –	$ 45,115	$(42,100)	$ –	$ –	$ 3,015
Debtors	91,280	–	91,280	–	(91,280)	–	–
Financial assets subject to enforceable netting agreements	136,395	–	136,395	(42,100)	(91,280)	–	3,015
Financial assets not subject to enforceable netting agreements	2,787,071	–	2,787,071	–	–	–	2,787,071
Total financial assets	$ 2,923,466	$ –	$2,923,466	$(42,100)	$(91,280)	$ –	$2,790,086
Financial Liabilities							
Amounts falling due within one year							
Derivative financial liabilities	$ 138,803	$ –	$ 138,803	$(42,100)	$(91,280)	$ –	$ 5,423
Financial liabilities subject to enforceable netting agreements	138,803	–	138,803	(42,100)	(91,280)	–	5,423
Financial liabilities not subject to enforceable netting agreements	2,771,573	–	2,771,573	–	–	–	2,771,573
Total financial liabilities	$ 2,910,376	$ –	$2,910,376	$(42,100)	$(91,280)	$ –	$2,776,996