

**ELQ INVESTORS II LTD**

**ANNUAL REPORT**

**31 DECEMBER 2017**



# ELQ INVESTORS II LTD

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## STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2017.

### 1. Introduction

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

The company's ultimate parent undertaking and controlling entity is The Goldman Sachs Group, Inc. (Group Inc.). Group Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System (Federal Reserve Board). In relation to the company, 'group undertaking' means Group Inc. or any of its subsidiaries. Group Inc., together with its consolidated subsidiaries form 'GS Group'. GS Group is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals.

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

### 2. Financial overview

The financial statements have been drawn up for the year ended 31 December 2017. Comparative information has been presented for the year ended 31 December 2016.

The results for the year are shown in the profit and loss account on page 7. Profit before taxation for the year ended 31 December 2017 was US\$66.1 million (31 December 2016: US\$15.5 million).

The company had total assets of US\$2,552.8 million (31 December 2016: US\$3,213.3 million).

In June 2017, the company issued 80,000,000 redeemable shares of US\$1 each for a total consideration of US\$80.0 million to its parent undertaking, ELQ Investors IX Ltd. As a result, the company's total share capital increased from US\$268,237,884 to US\$348,237,884.

### 3. Exchange rate

The British pound / U.S. dollar exchange rate at the balance sheet date was £ / US\$1.3524 (31 December 2016: £ / US\$1.2337). The average rate for the year was £ / US\$1.3020 (31 December 2016: £ / US\$1.3439).

### 4. Future outlook

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

### 5. Principal risks and uncertainties

The directors consider that the most important components of the company's financial risk are market risk, credit risk and liquidity risk. The company is also exposed to risk of decline in value of its non-financial assets, primarily investments in subsidiary undertakings. The company, as part of a global group, adheres to global risk management policies and procedures. The company's risk management objectives and policies are described in note 24 of the financial statements. The determination by the U.K. to exit the E.U. could affect the manner in which the company conducts its business.

## ELQ INVESTORS II LTD

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### STRATEGIC REPORT (continued)

**6. Date of authorisation of issue**

The strategic report was authorised for issue by the Board of Directors on 24 SEPTEMBER 2018.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'JW', written over a large, faint circular stamp or watermark.

Director  
JIM WILTSHIRE

## ELQ INVESTORS II LTD

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### DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2017.

#### 1. Introduction

In accordance with section 414A of the Companies Act 2006, the directors have prepared a strategic report, which contains a review of the company's business and a description of the principal risks and uncertainties facing the company. The directors have chosen to make reference to the company's risk management objectives and policies, as well as exposures to market risk, credit risk and liquidity risk in the strategic report, in accordance with section 414C(11) of the Companies Act 2006, that would otherwise have been reported in the directors' report.

#### 2. Dividends

The directors do not recommend the payment of a dividend in respect of the year (31 December 2016: US\$nil).

#### 3. Disclosure of information to auditors

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

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

#### 4. Independent auditors

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

#### 5. Directors

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

##### Name

B. Cabiallavetta  
T. Cannell  
M. Holmes  
G.G. Olafson  
N. Somaiya  
J.A. Wiltshire  
W.T. Gasson

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

## ELQ INVESTORS II LTD

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### DIRECTORS' REPORT (continued)

#### 6. Statement of directors' responsibilities

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

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

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

#### 7. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on **24 SEPTEMBER** 2018.

ON BEHALF OF THE BOARD



Director  
JIM WILTSHIRE

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

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## **Report on the audit of the financial statements**

### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2017; the Profit and Loss Account, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

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

### *Independence*

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

### **Conclusion relating to going concern**

We have nothing to report in respect of the following matters in relation to which 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.

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.

### **Reporting on other information**

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

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

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

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

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

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## *Strategic Report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

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

## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

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

24 September 2018

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**ELQ INVESTORS II LTD**

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**PROFIT AND LOSS ACCOUNT****for the year ended 31 December 2017**

		<b>Year Ended</b>	<b>Year Ended</b>
		<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>Note</b>	<b>US\$</b>	<b>US\$</b>
Net revenues	5	166,924,257	94,389,067
Income from shares in group undertakings	6	54,708,657	31,993,564
Write down of shares in group undertakings	7	(22,801,732)	(27,896,193)
Interest receivable and similar income	8	12,223,115	9,468,410
Interest payable and similar expenses	9	(40,618,466)	(31,999,091)
Administrative expenses	10	(104,326,289)	(70,300,561)
<b>OPERATING PROFIT</b>		<b>66,109,542</b>	<b>5,655,196</b>
Gain on sale of subsidiary undertakings	11	-	9,865,579
<b>PROFIT BEFORE TAXATION</b>		<b>66,109,542</b>	<b>15,520,775</b>
Tax on profit	14	(36,905,558)	(5,250,657)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>29,203,984</b>	<b>10,270,118</b>

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

The company has no recognised gains and losses other than those included in the profit and loss account for the years shown above and therefore no separate statement of other comprehensive income has been presented.

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

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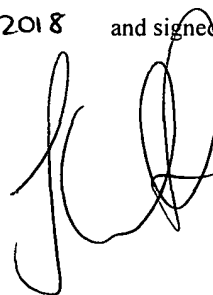
# ELQ INVESTORS II LTD

## BALANCE SHEET

as at 31 December 2017

	Note	31 December 2017 US\$	31 December 2016 US\$
<b>FIXED ASSETS</b>			
Investments	16	411,938,585	816,219,590
<b>CURRENT ASSETS</b>			
Investments	17	1,098,106,780	1,462,445,120
Debtors: Amounts falling due within one year	18	50,657,511	303,309,409
Debtors: Amounts falling due after more than one year	19	990,668,423	625,628,350
Cash at bank and in hand		1,399,634	5,714,409
		<u>2,140,832,348</u>	<u>2,397,097,288</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	20	<u>(28,219,706)</u>	<u>(62,136,097)</u>
<b>NET CURRENT ASSETS</b>		<u>2,112,612,642</u>	<u>2,334,961,191</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,524,551,227	3,151,180,781
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	21	(1,687,296,626)	(2,428,552,204)
<b>PROVISION FOR LIABILITIES</b>	15	<u>(5,422,040)</u>	-
<b>NET ASSETS</b>		<u>831,832,561</u>	<u>722,628,577</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	348,237,884	268,237,884
Profit and loss account		<u>483,594,677</u>	<u>454,390,693</u>
<b>TOTAL SHAREHOLDER'S FUNDS</b>		<u>831,832,561</u>	<u>722,628,577</u>

The financial statements were approved by the Board of Directors on 24/09/2018 and signed on its behalf by:



Director  
JIM WILTSHIRE

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

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**ELQ INVESTORS II LTD**

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**STATEMENT OF CHANGES IN EQUITY****for the year ended 31 December 2017**

		<b>Called Up Share Capital</b>	<b>Profit and Loss Account</b>	<b>Total Shareholder's Funds</b>
	<b>Note</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Balance at 1 January 2016</b>		268,237,884	444,120,575	712,358,459
Profit for the financial year		-	10,270,118	10,270,118
<b>Balance at 31 December 2016</b>		268,237,884	454,390,693	722,628,577
Profit for the financial year		-	29,203,984	29,203,984
Proceeds from shares issued	22	80,000,000	-	80,000,000
<b>Balance at 31 December 2017</b>		<b>348,237,884</b>	<b>483,594,677</b>	<b>831,832,561</b>

No dividends were paid in 2017 or 2016.

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

## ELQ INVESTORS II LTD

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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

#### 1. GENERAL INFORMATION

The company is a limited liability company and is incorporated and domiciled in England and Wales. The address of its registered office is Peterborough Court, 133 Fleet Street, London, EC4A 2BB, United Kingdom.

The immediate parent undertaking is ELQ Investors IX Ltd, a company incorporated and domiciled in England and Wales.

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

#### 2. ACCOUNTING POLICIES

##### a. Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention (modified as explained in note 2g) and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006.

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

- (i) IFRS 2 'Share-based Payment' paragraph 45(b) and 46 to 52. These disclosures are provided in the consolidated financial statements of Group Inc.;
- (ii) IAS 1 'Presentation of Financial Statements' paragraph 38 to present comparative information in respect of IAS 1 'Presentation of Financial Statements' paragraph 79(a)(iv);
- (iii) IAS 1 'Presentation of Financial Statements' paragraphs 10(f), 16 and 40A-D;
- (iv) IAS 7 'Statement of Cash Flows';
- (v) IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;
- (vi) IAS 24 'Related Party Disclosures' paragraph 17; and
- (vii) IAS 24 'Related Party Disclosures' requirements to disclose transactions with companies also wholly owned within GS Group.

The company is a subsidiary undertaking of Group Inc., a company incorporated within the United States of America, whose consolidated financial statements include the company and its subsidiaries and are publicly available. As a result the company has elected not to prepare consolidated financial statements as permitted by section 401 of the Companies Act 2006.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES (continued)**

**b. Revenue recognition**

Net revenues have been disclosed instead of turnover as this more meaningfully reflects the nature and results of the company's activities. This includes revenue from equity investments and debt investments.

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

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

**c. Dividends**

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

**d. Foreign currencies**

The company's financial statements are presented in U.S. dollars, which is also the company's functional currency.

Transactions denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities, and non-monetary assets and liabilities measured at fair value, denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are recognised in operating profit.

**e. Fixed asset investments**

Fixed asset investments comprises investments in subsidiary undertakings and is stated at cost less provision for any impairment. Dividends receivable are recognised when the right to receive payment has been established.

**f. Cash at bank and in hand**

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES (continued)**

**g. Financial assets and financial liabilities**

**(i) Recognition and derecognition**

Financial assets are recognised and derecognised using settlement date accounting. Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and substantially all the risks and rewards of ownership of that financial asset. A financial liability is derecognised only when it is extinguished (i.e. when the obligation specified in the contract is discharged, is cancelled or expires).

**(ii) Classification and measurement**

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

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

- **Financial assets and financial liabilities designated at fair value through profit or loss**

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

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

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

- **Loans and receivables and financial liabilities measured at amortised cost**

Loans and receivables and financial liabilities measured at amortised cost are initially recognised at fair value and are subsequently remeasured at amortised cost, with finance income and expense recognised on an accruals basis. All finance income and expense is recognised in the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES (continued)**

**g. Financial assets and financial liabilities (continued)**

**(iii) Offsetting financial assets and financial liabilities**

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

- (i) currently a legally enforceable right to set off the recognised amounts; and
- (ii) intent to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

**h. Current and deferred tax**

The tax expense comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all temporary differences that have originated, but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future or a right to pay less tax in the future with the following exceptions:

- (i) Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying temporary differences can be deducted.
- (ii) Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in these financial statements. The nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

**Fair value measurement**

Certain of the company's financial assets include significant unobservable inputs (i.e. level 3). See note 25 for information about the carrying value, valuation techniques and significant inputs of these instruments.

**Deferred tax**

The company recognised a deferred tax liability (see note 15) which requires judgement in determining the expected tax liabilities and payments in the future at each reporting date. These forecasts require the use of assumptions and estimates. The relevant tax law is considered to determine the tax liability in future years and management exercises judgement for recognition of estimated liabilities.

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**ELQ INVESTORS II LTD**

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017****4. SEGMENTAL REPORTING**

The directors manage the company's activities as a single business in the same geographic region and accordingly no segmental analysis has been provided.

**5. NET REVENUES**

	<b>Year Ended</b> <b>31 December 2017</b>	<b>Year Ended</b> <b>31 December 2016</b>
	<b>US\$</b>	<b>US\$</b>
Net revenues from equity investments	(8,973,591)	11,857,407
Net revenues from debt investments	175,897,848	82,531,660
	<b>166,924,257</b>	<b>94,389,067</b>

**6. INCOME FROM SHARES IN GROUP UNDERTAKINGS**

In the current year, income from shares in group undertakings of US\$54,708,657 (31 December 2016: US\$31,993,564) comprises dividend income from GS EMEA Funding Limited Partnership of US\$5,572,925 (31 December 2016: US\$16,049,492) and PIL Acquisitions 1 Limited of US\$49,135,732 (31 December 2016: US\$nil).

The prior year income from shares in group undertakings also comprises Opal St Georges Ltd of US\$4,706,403, Opal South Yorkshire of US\$1,349,838, OP3 Limited of US\$5,599, Opal Portfolio 3 Limited of US\$4,864,051, Oreno Homes Limited of US\$27,153, Opal (Yorkshire) Ltd of US\$3,002,660, Opal City Developments Ltd of US\$84,052 and Opal Hospitality Limited of US\$1,904,316.

**7. WRITE DOWN OF SHARES IN GROUP UNDERTAKINGS**

The company recorded an impairment of US\$22,801,732 (31 December 2016: US\$27,896,193) in Montserrat Acquisitions Ltd, a subsidiary undertaking, as part of the year end assessment of the subsidiary's performance.

**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>Year Ended</b> <b>31 December 2017</b>	<b>Year Ended</b> <b>31 December 2016</b>
	<b>US\$</b>	<b>US\$</b>
Interest on loans to group undertakings (see note 19)	12,219,941	9,468,410
Bank interest income	3,174	-
	<b>12,223,115</b>	<b>9,468,410</b>

**9. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>Year ended</b> <b>31 December 2017</b>	<b>Year ended</b> <b>31 December 2016</b>
	<b>US\$</b>	<b>US\$</b>
Interest on loans from group undertakings (see note 21)	40,618,466	31,982,039
Bank interest expense	-	17,052
	<b>40,618,466</b>	<b>31,999,091</b>

# ELQ INVESTORS II LTD

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

### 10. ADMINISTRATIVE EXPENSES

	Year Ended 31 December 2017	Year Ended 31 December 2016
	US\$	US\$
Management fees charged by group undertakings	75,714,274	80,564,510
Foreign exchange losses/(gains)	16,864,576	(15,557,313)
Legal and professional fees	9,302,222	4,122,466
Other expenses	2,445,217	1,170,898
	<b>104,326,289</b>	<b>70,300,561</b>

The auditors' remuneration for the current year of £112,000 (US\$145,828) (31 December 2016: £112,000 (US\$170,822)) has been borne by a group undertaking.

### 11. GAIN ON SALE OF SUBSIDIARY UNDERTAKINGS

In the prior year, the company made a net gain on sale of subsidiary undertakings of US\$9,865,579 which comprises a gain of US\$11,038,254 from the transfer of the company's interest in The Place for Living Limited to a fellow group undertaking offset by a loss of US\$1,172,675 from the transfer of the company's interest in GSG Hermes S.A.R.L to a fellow group undertaking.

### 12. STAFF COSTS

As in the prior year, the company has no employees. All persons involved in the company's operations are employed by group undertakings. The charges made by these group undertakings for all services provided to the company are included in management fees charged by group undertakings (see note 10).

### 13. DIRECTORS' EMOLUMENTS

	Year Ended 31 December 2017	Year Ended 31 December 2016
	US\$	US\$
<b>Directors:</b>		
Aggregate emoluments	11,778	9,712
Company pension contributions to money purchase schemes	113	74
	<b>11,891</b>	<b>9,786</b>

In accordance with the Companies Act 2006, directors' emoluments above represent the proportion of total emoluments paid or payable in respect of qualifying services only. This total only includes the value of cash and benefits in kind, and does not include the value of equity awards in accordance with the provisions of schedule 5 of Statutory Instrument 2008/410. Directors also receive emoluments for non qualifying services which are not required to be disclosed. The directors' emoluments were borne by group undertakings in the current and prior periods.

Six directors are members of a defined contribution pension plan. Seven directors have been granted Group Inc. shares in respect of long-term incentive schemes during the year. No directors have exercised options during the year.



# ELQ INVESTORS II LTD

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

### 14. TAX ON PROFIT

	Year Ended 31 December 2017 US\$	Year Ended 31 December 2016 US\$
<b>Current tax:</b>		
U.K. corporation tax	10,931,060	1,417,069
Adjustments in respect of prior periods	6,827,460	6,343,805
<b>Total current tax</b>	<b>17,758,520</b>	<b>7,760,874</b>
<b>Deferred tax</b>		
Timing differences in respect of investments	(854,994)	(2,510,217)
Adjustment in respect of prior periods	20,002,032	-
<b>Total deferred tax</b>	<b>19,147,038</b>	<b>(2,510,217)</b>
<b>Total tax on profit</b>	<b>36,905,558</b>	<b>5,250,657</b>

The table below presents a reconciliation between tax on profit and the amount calculated by applying the weighted average rate of U.K. corporation tax applicable to the company for the year of 19.25% (2016: 20%) to the profit before taxation.

	Year Ended 31 December 2017 US\$	Year Ended 31 December 2016 US\$
Profit before taxation	66,109,542	15,520,775
Profit multiplied by the weighted average rate in the U.K. of 19.25% (2016: 20%)	12,726,087	3,104,155
Non-taxable losses/(gains) on equity investments	1,737,036	(3,820,635)
Non-taxable dividend income	(10,531,417)	(6,398,713)
Non-taxable gains on sale of subsidiary undertakings	-	(1,980,707)
Non-deductible impairment on investments in subsidiary undertakings	4,389,333	5,579,239
Allocation of taxable partnership income	930,053	1,844,739
Expenses not deductible for tax purposes	895,339	824,494
Effect of change in U.K. corporation tax rate	(70,365)	(245,720)
Adjustments in respect of prior periods	26,829,492	6,343,805
<b>Total tax on profit</b>	<b>36,905,558</b>	<b>5,250,657</b>

The adjustments in respect of prior periods in the current year includes a release of a deferred tax asset of \$20,002,032 which was recognised in prior years as there is uncertainty whether the company will generate suitable taxable profits in the future against which the deferred tax asset can be recovered (see note 15).

# ELQ INVESTORS II LTD

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

### 15. DEFERRED TAX (LIABILITY)/ASSET

	31 December 2017	31 December 2016
	US\$	US\$
<b>Deferred tax (liability)/asset comprises</b>		
Timing differences in respect of equity investments and debt investments (see note 14)	(5,422,040)	13,724,998
	<b>(5,422,040)</b>	<b>13,724,998</b>

	US\$
<b>The movements in the deferred tax balance were as follows:</b>	
At 1 January 2016	11,214,781
Charged to the profit and loss account (see note 14)	2,510,217
At 31 December 2016	13,724,998
Credited to the profit and loss account (see note 14)	(19,147,038)
At 31 December 2017	<b>(5,422,040)</b>

# ELQ INVESTORS II LTD

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

### 16. FIXED ASSET INVESTMENTS

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

	US\$
At 1 January 2016	377,763,510
Additions	606,036,164
Disposals	(139,683,891)
Impairment	(27,896,193)
At 31 December 2016	816,219,590
Additions	47,318,073
Disposals	(428,797,346)
Impairment	(22,801,732)
At 31 December 2017	<u>411,938,585</u>

During the year, the following key additions took place:

- The company was allotted EUR 32,500,000 ordinary shares of EUR 1 each in Montserrat Acquisitions Ltd for a total consideration of US\$37,891,750 via a conversion from shareholder loan between the company and Montserrat Acquisitions Ltd into ordinary shares.
- The company incorporated RP Alcorcon Acquisitions S.L. and was allotted 8,750,000 ordinary shares of EUR 1 each for a total consideration of US\$9,354,625.
- The company was allotted EUR 60,000 ordinary shares of EUR 1 each in Kensington 2 for a total consideration of US\$71,073 via a conversion from shareholder loan between the company and Kensington 2 into ordinary shares.

During the year, the following key disposals took place:

- The company received a partial capital repayment of GBP 186,180,417 ordinary shares in PIL Acquisitions 1 Limited for a total consideration of US\$262,130,678.
- Following the dissolution of GS EMEA Funding Limited Partnership, the company received a repayment of its original investment of US\$166,666,668.

During the year, the company recorded an impairment of US\$22,801,732 in its investment in Montserrat Acquisitions Ltd as part of the year end assessment of the subsidiary's performance.

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

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

## ELQ INVESTORS II LTD

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

#### 16. FIXED ASSET INVESTMENTS (continued)

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

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
Teide Acquisitions S.L. <sup>6</sup>	Holds real estate	80%	Ordinary shares
Aragon Acquisitions S.L. <sup>6</sup>	Holds real estate	80%	Ordinary shares
Turia Acquisitions S.L. <sup>6</sup>	Holds real estate	100%	Ordinary shares
Turia Development Acquisitions S.L. <sup>6</sup>	Holds real estate	100%	Ordinary shares
Avenida Barcelona 111, S.L. <sup>8</sup>	Holds real estate	100%	Ordinary shares
Vio to Oy <sup>7</sup>	Holds real estate	100%	Ordinary shares
Sivipre Oy <sup>7</sup>	Holds real estate	100%	Ordinary shares
Liketalo Myyrinraitti Oy <sup>7</sup>	Holds real estate	100%	Ordinary shares
Kensington ISSY <sup>4</sup>	Holds real estate	100%	Ordinary shares
PIL Maidenhead Limited <sup>2</sup>	Holds real estate	100%	Ordinary shares
PIL Kingston Limited <sup>2</sup>	Dormant	100%	Ordinary shares
PIL Evesham Limited <sup>2</sup>	Dormant	100%	Ordinary shares
PIL Burgess Hill Limited <sup>2</sup>	Dormant	100%	Ordinary shares

#### Registered office address at:

<sup>1</sup> Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom

<sup>2</sup> 26 New Street, St. Helier, JE2 3RA, Jersey

<sup>3</sup> Piazzetta Maurilio Bossi 3, Milan, CAP 20121, Italy

<sup>4</sup> 78 Avenue Raymond Poincare, Paris, 75116, France

<sup>5</sup> Pradilo No 5, Bajo Exterior Derecha, Madrid, 28002, Spain

<sup>6</sup> Maria de Molina, 6-5a, Madrid, 28006, Spain

<sup>7</sup> Scandinavian Trust CMS, Oy Fredrikinkatu, 61 00140, Helsinki, Finland

<sup>8</sup> Avenida Diagonal 682, 4, 1-A, Edificio Porta, 08034 Barcelona

#### 17. CURRENT ASSET INVESTMENTS

	31 December 2017	31 December 2016
	US\$	US\$
Equity investments	186,717,794	149,631,232
Debt investments at fair value	665,116,566	699,445,680
Debt investments at amortised cost	246,272,420	613,368,208
	<b>1,098,106,780</b>	<b>1,462,445,120</b>

## ELQ INVESTORS II LTD

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

#### 18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2017	31 December 2016
	US\$	US\$
Accrued interest on investments	3,869,838	4,839,795
Amounts due from group undertakings	23,134,686	261,074,467
Accrued interest on long term loans due from group undertakings (see note 19)	17,581,249	4,044,323
Corporation tax receivable	-	11,080,202
Deferred tax asset (see note 15)	-	13,724,998
Other debtors	6,071,738	8,545,624
	<b>50,657,511</b>	<b>303,309,409</b>

Amounts due from group undertakings includes US\$13,491,532 (31 December 2016: US\$45,468,878) in cash balances held on account by a fellow group undertaking.

#### 19. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2017	31 December 2016
	US\$	US\$
Long-term loans due from group undertakings	990,668,423	625,628,350
	<b>990,668,423</b>	<b>625,628,350</b>

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

- (i) A loan of US\$270,543,088 (31 December 2016: US\$nil) advanced by the company to Beltanio Funding S.R.L., a fellow group undertaking, under the terms of a new loan agreement dated September 2017. The loan is unsecured and carries interest at a variable margin over the Euro overnight interest rate. The loan is repayable in September 2066.
- (ii) A loan of US\$235,066,945 (31 December 2016: US\$206,050,198) advanced by the company to Pyrenees Acquisitions Limited, a fellow group undertaking, under the terms of an existing loan agreement dated December 2016. The loan is unsecured and carries interest at a variable margin over the Euro overnight interest rate. The loan is repayable in December 2065.
- (iii) A loan of US\$230,677,264 (31 December 2016: US\$224,226,798) advanced by the company to Montserrat Acquisitions Ltd, a fellow group undertaking, under the terms of an existing loan agreement dated December 2015. The loan is unsecured and carries interest at a variable margin over the Euro overnight interest rate. The loan is repayable in May 2064.
- (iv) A loan of US\$159,556,510 (31 December 2016: US\$139,860,796) advanced by the company to Castile Acquisitions Ltd, a fellow group undertaking, under the terms of an existing loan agreement dated September 2016. The loan is unsecured and carries interest at a variable margin over the Euro overnight interest rate. The loan is repayable in November 2065.
- (v) A loan of US\$63,218,778 (31 December 2016: US\$55,385,177) advanced by the company to Kensington 1, a fellow group undertaking, under the terms of an existing loan agreement dated October 2016. The loan is unsecured and carries interest at a fixed rate. The loan is repayable in November 2028.

# ELQ INVESTORS II LTD

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

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

- (vi) A loan of US\$31,557,750 (31 December 2016: US\$nil) advanced by the company to RP Alcorcon Acquisitions S.L., a fellow group undertaking, under the terms of a new loan agreement dated March 2017. The loan is unsecured and carries interest at a variable margin over the Euro overnight interest rate. The loan is repayable in March 2024.
- (vii) A loan of US\$48,088 (31 December 2016: US\$105,381) advanced by the company to Kensington 2, a fellow group undertaking, under the terms of an existing loan agreement dated October 2016. The loan is unsecured and carries interest at a fixed rate. The loan is repayable in November 2028.

### 20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2017	31 December 2016
	US\$	US\$
Accrued interest due to group undertakings	5,494,358	5,615,004
Amounts due to group undertakings	7,491,836	44,810,272
Group relief payable	1,195,082	1,195,082
Corporation tax payable	166,611	-
Other creditors and accruals	13,871,820	10,515,739
	<b>28,219,706</b>	<b>62,136,097</b>

### 21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2017	31 December 2016
	US\$	US\$
Long-term loans due to group undertakings	1,687,296,626	2,428,552,204
	<b>1,687,296,626</b>	<b>2,428,552,204</b>

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

- (i) A loan of US\$1,173,371,728 (31 December 2016: US\$1,506,427,968) advanced by Group Inc. under the terms of an existing loan agreement dated December 2016. The loan is unsecured and carries interest at a variable margin over the applicable currency's overnight interest rate. The loan is repayable in December 2065. The loan represents a multi-currency facility which is recognised at fair value.
- (ii) A loan of US\$513,924,898 (31 December 2016: US\$522,124,236) advanced by ELQ Holdings (UK) Ltd under the terms of an existing loan agreement dated December 2014. The loan is unsecured and carries interest at a variable margin over the applicable currency's overnight interest rate. The loan is repayable in December 2063.

In the prior year, long-term loans due to group undertakings includes a loan of US\$400,000,000 advanced by Restamove Ireland Designated Activity Company under the terms of an existing loan agreement dated June 2015. The loan was fully repaid in September 2017.

## ELQ INVESTORS II LTD

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

#### 22. CALLED UP SHARE CAPITAL

At 31 December 2017 and 31 December 2016 called up share capital comprised:

	31 December 2017		31 December 2016	
	No.	US\$	No.	US\$
<b><u>Allotted, called up and fully paid</u></b>				
Ordinary shares of £1 each	1	2	1	2
Redeemable shares of US\$1 each	348,237,882	348,237,882	268,237,882	268,237,882
		<u>348,237,884</u>		<u>268,237,884</u>

In June 2017, the company issued 80,000,000 redeemable shares of US\$1 each for a total consideration of US\$80,000,000 to its parent undertaking, ELQ Investors IX Ltd. As a result, the company's share capital increased from US\$268,237,884 to US\$348,237,884.

#### 23. FINANCIAL COMMITMENTS AND CONTINGENCIES

The company's financial commitments and contingencies outstanding at the year end arise from undrawn loan commitments.

	31 December 2017	31 December 2016
	US\$	US\$
<b>Maturity of loan commitments</b>		
Less than one year	56,623,620	-
Between two and five years	66,274,657	9,505,224
More than five years	19,565,996	7,954,259
	<u>142,464,273</u>	<u>17,459,483</u>

#### 24. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The company monitors its capital on an ongoing basis. The company's objective is to be prudently capitalised in terms of the amount and composition of its equity base compared to the company's risk exposures. The appropriate level and composition of equity capital is determined by considering multiple factors including the business environment, conditions in the financial markets and assessments of potential future losses due to adverse changes in market environments.

The company is not subject to any externally imposed capital requirements.

The directors consider that the most important components of the company's financial risk are market risk, credit risk and liquidity risk. The company, as part of a global group, adheres to global risk management policies and procedures.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**24. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)**

**a. Market risk**

Market risk is the risk of loss in value of investments, as well as certain other financial assets and financial liabilities, due to changes in market conditions. Risks are monitored and controlled through strong firmwide oversight and independent control and support functions across the company's business.

The principal market risk of the company is the risk of loss in the value of its equity investments and debt investments. Due to the nature of the investments of the company, market risk is measured using a 10% sensitivity measure. Market risk is determined by estimating the potential reduction in revenue of a 10% decline in the underlying asset value without reflecting the diversification benefits across asset categories or across other risk measures. This would have been a loss of US\$109.8 million (31 December 2016: US\$146.2 million) based on the carrying value of the investments.

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

If interest rates had been 0.5 percent higher and all other variables were held constant, the company's profit before taxation for the year ended 31 December 2017 would have been US\$141,993 lower (2016: US\$112,568 lower). This has been determined by assuming that the company's exposure to interest rate risk at balance sheet date was consistent for the whole year.

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

The company's functional currency is the U.S. dollar. At 31 December 2017, the company had net British pound denominated liabilities of US\$255.0 million (2016: US\$88.6 million).

If currency rates had been 0.5 percent higher and all other variables were held constant, the company's profit before taxation for the year ended 31 December 2017 would have been US\$1.3 million lower (2016: US\$0.4 million lower). This has been determined by assuming that the company's exposure to currency rate risk at balance sheet date was consistent for the whole year.

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

**b. Credit risk**

Credit risk represents the potential for loss due to the default or deterioration in the credit quality of a counterparty. Credit risk is managed by reviewing the credit quality of the counterparties and reviewing, if applicable, the underlying collateral against which the financial assets are secured. The company monitors and manages the credit risk of its investments within market risk above, such that, the debtors and cash on the company's balance sheet represents the net credit risk. As at 31 December 2017, the company had no debtors past due or impaired (31 December 2016: nil).

**c. Liquidity risk**

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



# ELQ INVESTORS II LTD

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

### 25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### a. Financial assets and financial liabilities by category

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

31 December 2017			
	Designated at fair value	Loans and receivables	Total
	US\$	US\$	US\$
<b>Financial assets</b>			
Investments	851,834,360	246,272,420	1,098,106,780
Debtors: amounts falling due within one year	-	50,657,511	50,657,511
Debtors: amounts falling due after more than one year	-	990,668,423	990,668,423
Cash at bank and in hand	-	1,399,634	1,399,634
	<b>851,834,360</b>	<b>1,288,997,988</b>	<b>2,140,832,348</b>
	Designated at fair value	Amortised cost	Total
	US\$	US\$	US\$
<b>Financial liabilities</b>			
Creditors: amounts falling due within one year	-	(28,053,096)	(28,053,096)
Creditors: amounts falling due greater than one year	(1,173,371,728)	(513,924,898)	(1,687,296,626)
	<b>(1,173,371,728)</b>	<b>(541,977,994)</b>	<b>(1,715,349,722)</b>
31 December 2016			
	Designated at fair value	Loans and receivables	Total
	US\$	US\$	US\$
<b>Financial assets</b>			
Investments	849,076,912	613,368,208	1,462,445,120
Debtors: amounts falling due within one year	-	278,504,209	278,504,209
Debtors: amounts falling due after more than one year	-	625,628,350	625,628,350
Cash at bank and in hand	-	5,714,409	5,714,409
	<b>849,076,912</b>	<b>1,523,215,176</b>	<b>2,372,292,088</b>
	Designated at fair value	Amortised cost	Total
	US\$	US\$	US\$
<b>Financial liabilities</b>			
Creditors: amounts falling due within one year	-	(62,136,097)	(62,136,097)
Creditors: amounts falling due after more than one year	(1,506,427,968)	(922,124,236)	(2,428,552,204)
	<b>(1,506,427,968)</b>	<b>(984,260,333)</b>	<b>(2,490,688,301)</b>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

**b. Fair value hierarchy**

FRS 101 has a three level fair value hierarchy for disclosure of fair value measurements. The fair value hierarchy prioritises inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and lowest priority to level 3 inputs. A financial instrument's level in the fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement.

The fair value hierarchy is as follows:

- Level 1 - Inputs are unadjusted quoted prices in active markets to which GS group has access at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs to valuation techniques are observable, either directly or indirectly.
- Level 3 - One or more inputs to valuation techniques are significant and unobservable.

The fair values for substantially all of the company's financial assets and financial liabilities are based on observable prices and inputs and are classified in levels 1 and 2 of the fair value hierarchy. Certain level 2 and level 3 financial assets and financial liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors such as counterparty and the company's and GS Group's credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

**c. Valuation techniques and significant inputs**

**Debt investments and equity investments**

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

- Level 2 financial instruments can be verified to quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g. indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

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

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

**ELQ INVESTORS II LTD**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

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

As of 31 December 2017, the company had level 3 asset cash instruments measured at fair value through profit and loss of US\$186 million (31 December 2016: US\$449 million). The table below presents the ranges of significant unobservable inputs used to value the level 3 asset cash instruments, and the weighted averages.

Level 3 cash instruments	Valuation techniques and significant unobservable inputs	Significant unobservable inputs (where a range, weighted average)	
		As of December 2017	As of December 2016
Equity investments  (US\$46 million and US\$80 million of net level 3 assets as of December 2017 and December 2016, respectively)	Market comparable:  • Earnings multiple • Price to book multiple	2.2x - 5.9x (3.5x)  1x - 1x (1x)	5.1x - 6.3x (6.1x)  1x - 1x (1x)
Debt investments  (US\$140 million and US\$369 million of net level 3 assets as of December 2017 and December 2016, respectively)	• Yield • Earnings multiple • DCF • Recovery rate	n/a n/a 18% - 18% (18%) 34.6% - 71.2% (64.6%)	11.5% - 25.2% (15.1%) 5.8x - 5.8x (5.8x) 19% - 19% (19%) 16.5% - 16.5% (16.5%)

# ELQ INVESTORS II LTD

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

### 25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

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

As of 31 December 2017				
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets at fair value</b>				
Investments	-	665,448,184	186,386,176	851,834,360
Total financial assets at fair value	-	664,873,662	186,386,176	851,834,360
<b>Financial liabilities at fair value</b>				
Creditors: amounts falling due after more than one year	-	(1,173,371,728)	-	(1,173,371,728)
Total financial liabilities at fair value	-	(1,173,371,728)	-	(1,173,371,728)

As of 31 December 2016				
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets at fair value</b>				
Investments	-	400,576,433	448,500,479	849,076,912
Total financial assets at fair value	-	400,576,433	448,500,479	849,076,912
<b>Financial liabilities at fair value</b>				
Creditors: amounts falling due after more than one year	-	(1,506,427,968)	-	(1,506,427,968)
Total financial liabilities at fair value	-	(1,506,427,968)	-	(1,506,427,968)

During 2017 and 2016, there were no transfers between level 1 and level 2 financial assets and financial liabilities measured at fair value on a recurring basis.

#### f. Level 3 rollforward

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

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
<b>Level 3, financial assets at fair value</b>		
Balance, beginning of year	448,500,479	358,075,703
(Loss)/Gains	(14,655,497)	51,004,919
Purchases	19,289,172	231,849,276
Sales	(16,487,049)	(28,674,307)
Settlements	(103,703,732)	(26,651,337)
Transfers out of level 3	(146,557,197)	(137,103,775)
Balance, end of year	186,386,176	448,500,479

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

**g. Fair value of financial assets and financial liabilities valued using techniques that incorporate unobservable inputs**

The fair value of financial assets and financial liabilities may be determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on observable market data and changing these assumptions will change the resultant estimate of fair value.

The potential impact of using reasonable possible alternative assumptions for the valuations, including significant unobservable inputs, has been quantified as of 31 December 2017, as approximately US\$19 million (31 December 2016: US\$26 million) for favourable changes and US\$17 million (31 December 2016: US\$11 million) for unfavourable changes.

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

The company has US\$52 million (31 December 2016: US\$279 million) of current financial assets (excluding investments) and US\$28 million (31 December 2016: US\$62 million) of current financial liabilities that are not measured at fair value. Given the short-term nature of these instruments, their carrying amounts in the balance sheet are a reasonable approximation of fair value.

Additionally, the company has debt investments carried at amortised cost included within current financial assets of US\$246 million (31 December 2016: US\$613 million). These investments have a fair value of US\$251 million at 31 December 2017 (31 December 2016: US\$640 million).

The company had US\$991 million (31 December 2016: US\$626 million) of financial assets and US\$514 million (31 December 2016: US\$922 million) of financial liabilities that were due after more than one year, that were not measured at fair value and relate to long-term intercompany borrowings. The interest rates of these borrowings are predominantly variable in nature and approximate prevailing market interest rates for instruments with similar terms and characteristics. As such, the carrying amount in the balance sheet is a reasonable approximation of fair value.

## ELQ INVESTORS II LTD

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

#### 25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

##### i. Maturity of financial liabilities

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

	31 December 2017				
	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	US\$	US\$	US\$	US\$	US\$
<b>Financial liabilities</b>					
Accrued interest due to group undertakings	5,494,358	-	-	-	5,494,358
Amounts due to group undertakings	7,491,836	-	-	-	7,491,836
Group relief payable	1,195,082	-	-	-	1,195,082
Other creditors and accruals	13,871,820	-	-	-	13,871,820
Long term loans due to group undertakings	5,987,100	17,961,301	95,793,605	2,700,255,106	2,819,997,112
<b>Total</b>	<b>34,040,196</b>	<b>17,961,301</b>	<b>95,793,605</b>	<b>2,700,255,106</b>	<b>2,848,050,208</b>

	31 December 2016				
	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	US\$	US\$	US\$	US\$	US\$
<b>Financial liabilities</b>					
Accrued interest due to group undertakings	5,615,004	-	-	-	5,615,004
Amount due to group undertakings	44,810,272	-	-	-	44,810,272
Group relief payable	1,195,082	-	-	-	1,195,082
Other creditors and accruals	10,515,739	-	-	-	10,515,739
Long term loan due to group undertaking	14,009,951	42,029,853	224,159,214	4,451,846,204	4,732,045,222
<b>Total</b>	<b>76,146,048</b>	<b>42,029,853</b>	<b>224,159,214</b>	<b>4,451,846,204</b>	<b>4,794,181,319</b>