

Company Number: FC027788
Cayman Company Number: MC-191334

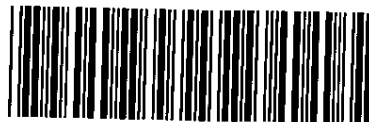
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GS FUNDING EUROPE II LTD.

ANNUAL REPORT

31 DECEMBER 2016

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DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2016.

1. Principal activities

GS Funding Europe II Ltd. (the company) is incorporated in the Cayman Islands as an exempted limited liability company.

The principal activity of the company is to undertake investment business.

The company's ultimate parent undertaking and controlling entity is The Goldman Sachs Group, Inc. (Group Inc.). Group Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System (Federal Reserve Board). Group Inc. together with its consolidated subsidiaries form 'the group'. The 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 the 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 2016. Comparative information has been presented for the year ended 31 December 2015.

The results for the year are shown in the profit and loss account on page 4. Profit before taxation for the year ended 31 December 2016 was US\$193.0 million (31 December 2015: US\$165.7 million).

The company had total assets of US\$8,006.0 million (31 December 2015: US\$8,075.6 million).

3. Future outlook

The directors consider that the year end financial position of the company was satisfactory and do not anticipate any significant changes in its activities in the forthcoming year, except for the post balance sheet events described in note 18.

The company has net current liabilities of US\$1.4 million as at 31 December 2016. GS Financial Services II, LLC., a parent undertaking, has committed to ensuring the provision of sufficient funds to enable the company to meet its liabilities as they fall due. As a result, the directors have prepared these financial statements on a going concern basis.

4. Dividends

The directors declared and paid interim dividends of US\$156 million (31 December 2015: US\$131 million). The directors do not recommend the payment of a final dividend in respect of the year (31 December 2015: US\$nil).

5. Exchange rate

The British pound / U.S. dollar exchange rate at the balance sheet date was £ / US\$ 1.2337 (31 December 2015: £ / US\$ 1.4732). The average rate for the year was £ / US\$ 1.3439 (31 December 2015: £ / US\$ 1.5252).

6. Financial risk management

The company's financial risk management objectives and policies, as well as its risk exposures, are described in note 15 to 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.

DIRECTORS' REPORT (continued)

7. Directors

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

Name	Resigned	Appointed
O. J. Bingham		
V. Chima		13 June 2016
P. N. Curle		
W. T. Gasson		
M. Holmes	10 May 2016	
S. B. Scobie		

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

8. Statement of directors' responsibilities

The directors are responsible for preparing the non-statutory financial statements for each period which give a true and fair view of the state of affairs of the company as at the end of the period and of the profit or loss for the period. The directors must not approve the non-statutory financial statements unless they are satisfied that they have been prepared, in all material respects, in accordance with United Kingdom Generally Accepted Accounting Practice. In preparing these non-statutory financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepared 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 which enable them to ensure that the non-statutory financial statements comply with the Companies Act 2006 as applicable to overseas companies. 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.

GS FUNDING EUROPE II LTD.

DIRECTORS' REPORT (continued)

9. Post balance sheet events

Subsequent to the year end, the following post balance sheet events occurred:

- the company issued 2,530,066 ordinary shares of US\$0.01 each to GS Funding Europe III Ltd, a fellow group undertaking, for a total consideration of US\$5,078.0 million;
- the company purchased US\$5,078.0 million subordinated debt issued by Goldman Sachs Group UK Limited from Goldman Sachs (UK) LLC, both fellow group undertakings.

10. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 3 AUGUST 2014.

ON BEHALF OF THE BOARD



Director

P. N. CURLE

GS FUNDING EUROPE II LTD.

PROFIT AND LOSS ACCOUNT**for the year ended 31 December 2016**

		Year ended 31 December 2016	Year ended 31 December 2015
	Note	US\$'000	US\$'000
Interest receivable and similar income	6	192,746	165,666
Administrative income	7	255	58
OPERATING PROFIT AND PROFIT BEFORE TAXATION		193,001	165,724
Tax on profit	8	(38,582)	(34,019)
PROFIT FOR THE FINANCIAL YEAR		154,419	131,705

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 comprehensive income has been presented.

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

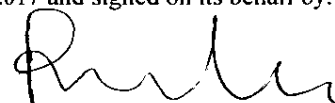
GS FUNDING EUROPE II LTD.

BALANCE SHEET

as at 31 December 2016

	Note	31 December 2016 US\$'000	31 December 2015 US\$'000
FIXED ASSETS			
Investments	9	8,004,742	-
CURRENT ASSETS			
Debtors	10	1,215	8,075,575
		1,215	8,075,575
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(2,585)	(70,972)
NET CURRENT (LIABILITIES)/ASSETS		(1,370)	8,004,603
NET ASSETS		8,003,372	8,004,603
CAPITAL AND RESERVES			
Called up share capital	13	40	40
Share premium account		7,999,578	7,999,578
Profit and loss account		3,754	4,985
TOTAL SHAREHOLDERS' FUNDS		8,003,372	8,004,603

The financial statements were approved by the Board of Directors on 3 AUGUST 2017 and signed on its behalf by:



Director

P. N. CURLE

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

Company number: FC027788 / Cayman company number: MC-191334.

GS FUNDING EUROPE II LTD.

STATEMENT OF CHANGES IN EQUITY**for the year ended 31 December 2016**

		Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds
	Note	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2015		40	7,999,578	4,480	8,004,098
Profit for the financial year		-	-	131,705	131,705
Dividends paid	12	-	-	(131,200)	(131,200)
Balance at 31 December 2015		40	7,999,578	4,985	8,004,603
Profit for the financial year		-	-	154,419	154,419
Dividends paid	12	-	-	(155,650)	(155,650)
Balance at 31 December 2016		40	7,999,578	3,754	8,003,372

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

1. GENERAL INFORMATION

The company is an exempted limited liability company and is incorporated in the Cayman Islands.

The immediate parent undertaking is GS Funding Europe I Ltd, a company registered in the Cayman Islands.

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/.

2. ACCOUNTING POLICIES

a. Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with FRS 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 as applicable to overseas companies.

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

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

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

b. Going concern

The company has net current liabilities of US\$1.4 million as at 31 December 2016. GS Financial Services II, LLC., a parent undertaking, has committed to ensuring the provision of sufficient funds to enable the company to meet its liabilities as they fall due. As a result, the directors have prepared these financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2. ACCOUNTING POLICIES (continued)

c. Dividends

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

d. Foreign currencies

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

Transactions denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are recognised in 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. Financial assets and financial liabilities

i. Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

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 and financial liabilities comprise all of the company's creditors with the exception of corporation tax payable.

The company classifies its financial assets and financial liabilities as loans and receivables and financial liabilities measured at amortised cost, respectively. The classification, which is determined at initial recognition, depends on the purpose for which they were acquired or originated.

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 2016

2. ACCOUNTING POLICIES (continued)

g. 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 or a right to pay less tax in the future with the following exceptions:

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4. SEGMENTAL REPORTING

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

5. STAFF COSTS

As in the prior year, the company has no employees. All persons involved in the company's operations are employed by group undertakings and no costs are borne by the company.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2016 US\$'000	Year ended 31 December 2015 US\$'000
Interest on loans to group undertakings (see note 10)	<u>192,746</u>	<u>165,666</u>

GS FUNDING EUROPE II LTD.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

7. ADMINISTRATIVE INCOME

	Year ended 31 December 2016 US\$'000	Year ended 31 December 2015 US\$'000
Foreign exchange gains	255	58

8. TAX ON PROFIT

	Year ended 31 December 2016 US\$'000	Year ended 31 December 2015 US\$'000
Current tax:		
U.K. corporation tax	38,600	33,537
Adjustments in respect of previous periods	(18)	482
Total current tax	38,582	34,019

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 20.00% (2015: 20.25%) to the profit before taxation:

	Year ended 31 December 2016 US\$'000	Year ended 31 December 2015 US\$'000
Profit before taxation	193,001	165,724
Profit on ordinary activities multiplied by the weighted average rate in the U.K. of 20.00% (2015: 20.25%)	38,600	33,559
Exchange differences	-	(22)
Adjustments in respect of previous periods	(18)	482
Total tax on profit	38,582	34,019

9. FIXED ASSET INVESTMENTS

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

	Cost and net book value US\$'000
At 1 January 2015 and 31 December 2015	-
Additions	8,004,742
At 31 December 2016	8,004,742

On 21 December 2016, the company acquired the entire issued share capital of GS Funding Europe IV Limited for a total consideration of US\$8,004.7 million.

The subsidiary, 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
GS Funding Europe IV Limited ¹	Investment company	100%	Ordinary shares

GS FUNDING EUROPE II LTD.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

9. FIXED ASSET INVESTMENTS (continued)

The subsidiary, 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
GS Funding Europe V Limited ¹	Investment company	100%	Ordinary shares

Registered office address at:

¹ Peterborough Court, 133 Fleet Street, London, EC4A 2BB, United Kingdom

10. DEBTORS

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

	31 December 2016	31 December 2015
	US\$'000	US\$'000
Amounts due from group undertakings	1,215	8,075,575

Amounts due from group undertakings in the includes US\$1.2 million (31 December 2015: US\$68.9 million) in cash balances held on account by a fellow group undertaking.

Amounts due from group undertakings in the prior year includes a loan of US\$8,000 million advanced by the company to Goldman Sachs Group UK Limited, a fellow group undertaking. This loan was unsecured, carried interest at a rate of LIBOR plus 1.73% and was repayable on demand by the company. In the current year, the loan including unpaid interest was assigned to GS Funding Europe V Limited, a fellow group undertaking, as consideration for the issuance of shares by GS Funding Europe IV Limited, a fellow subsidiary undertaking.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2016	31 December 2015
	US\$'000	US\$'000
Amounts due to group undertakings	13	67,924
Corporation tax payable	2,572	3,048
	2,585	70,972

GS FUNDING EUROPE II LTD.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

12. DIVIDENDS PAID

	31 December 2016	31 December 2015
	US\$'000	US\$'000
Interim dividends paid	155,650	131,200

On 13 December 2016, the company paid interim dividends to GS Funding Europe and GS Funding Europe I Ltd. as the holders of the ordinary and redeemable ordinary shares issued by the company, in aggregate amounts of US\$15.6 million and US\$140.1 million respectively.

During the prior year, the company paid interim dividends to GS Funding Europe and GS Funding Europe I Ltd. in aggregate amounts of US\$13.1 million and US\$118.1 million respectively.

13. CALLED UP SHARE CAPITAL

At 31 December 2016 and 31 December 2015 called up share capital comprised:

	31 December 2016		31 December 2015	
	No.	US\$	No.	US\$
<u>Allotted, called up and fully paid</u>				
Ordinary shares of US\$0.01 each	1	-	1	-
Redeemable ordinary shares of US\$0.01 each	3,985,926	39,859	3,985,926	39,859
		<u>39,859</u>		<u>39,859</u>

Ordinary shares and redeemable ordinary shares rank pari passu in the event of winding up and in respect of dividend and voting rights. The redeemable ordinary shares may be redeemed by the company at its option at any time.

14. FINANCIAL COMMITMENTS AND CONTINGENCIES

The company had no financial commitments and contingencies outstanding at the year end (31 December 2015: US\$nil).

15. 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 2016

15. 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. A relevant market risk for the company is currency risk.

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

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

b. Credit risk

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty. Credit risk is managed by reviewing the credit quality of the counterparties and reviewing, if applicable, the underlying collateral against which the financial assets are secured. The company's maximum exposure to credit risk is equivalent to the carrying value of its financial assets as at 31 December 2016 and 31 December 2015.

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 the group's comprehensive and conservative set of liquidity and funding policies to address both company specific and broader industry or market liquidity events.

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a. Financial assets and financial liabilities by category

All financial assets are categorised as loans and receivables in the current and prior years. All financial liabilities are categorised as liabilities held at amortised cost in the current and prior years.

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

The company has US\$1.2 million (31 December 2015: US\$8,075.6 million) of current financial assets and US\$nil million (31 December 2015: US\$67.9 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.

c. Maturity of financial liabilities

All financial liabilities are due within one month of the balance sheet date.

17. POST BALANCE SHEET EVENTS

Subsequent to the year end, the following post balance sheet events occurred:

- the company issued 2,530,066 ordinary shares of US\$0.01 each to GS Funding Europe III Ltd, a fellow group undertaking, for a total consideration of US\$5,078.0 million;
- the company purchased US\$5,078.0 million subordinated debt issued by Goldman Sachs Group UK Limited from Goldman Sachs (UK) LLC, both fellow group undertakings.