

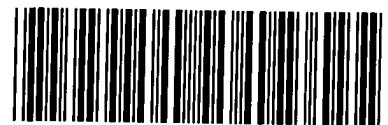
Company Number: 06409662

ELQ HOLDINGS (UK) LTD

ANNUAL REPORT

31 DECEMBER 2018

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ELQ HOLDINGS (UK) LTD

STRATEGIC REPORT

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

1. Introduction

The principal activity of ELQ Holdings (UK) Ltd (the company) is to undertake investment business. The company holds investments in subsidiary undertakings which hold investments in senior bank debt, bonds, private equity investments, performing and non-performing loans and real estate assets.

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 2018. Comparative information has been presented for the year ended 31 December 2017.

The results for the year are shown in the profit and loss account on page 7. Profit before taxation for the year ended 31 December 2018 was US\$29.5 million (31 December 2017: US\$98.3 million).

The company had total assets of US\$1,169.0 million (31 December 2017: US\$3,319.9 million).

3. Post balance sheet events

Subsequent to the year end, the following events took place:

In February 2019, the company effected a share capital reduction by extinguishing 600,000,000 redeemable shares resulting in remaining share capital of US\$218,992,627 and creation of distributable reserves of US\$600.0 million.

In March 2019, the company sold its investment in subsidiary undertaking ELQ Investors VI LTD at fair value for a total consideration of US\$602.1 million to a fellow group undertaking, GLQ Holdings (UK) LTD, realising a gain of US\$283.7 million. The proceeds from the sale were used to pay interim dividends of US\$602.1 million to the company's parent undertaking ELQ Holdings Del LLC.

Further, in June 2019, the company sold its investment in subsidiary undertaking ELQ Investors IX LTD at fair value for a total consideration of US\$999.4 million to a fellow group undertaking, GLQ Holdings (UK) LTD, realising a gain of US\$651.2 million. The proceeds were used to pay interim dividends of US\$999.4 million to the company's parent undertaking ELQ Holdings Del LLC.

4. Exchange rate

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

5. 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.

STRATEGIC REPORT (continued)

6. 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 19 of the financial statements.

7. Date of authorisation of issue

The strategic report was authorised for issue by the Board of Directors on 20 September 2015

ON BEHALF OF THE BOARD



Director

Richard Shomar

DIRECTORS' REPORT

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

1. Introduction

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

2. Dividends

The directors do not recommend the payment of a dividend in respect of the year (2017: 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

G. G. Olafson
J.A. Wiltshire
R. M. Thomas

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

DIRECTORS' REPORT (continued)

6. Statement of directors' responsibilities

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

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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial 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 20 September 2019.

ON BEHALF OF THE BOARD



Director

Richard Thomas

Independent auditors' report to the members of ELQ Holdings (UK) Ltd

Report on the audit of the financial statements

Opinion

In our opinion, ELQ Holdings (UK) Ltd's financial statements (the "financial statements"):

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

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 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 our opinion

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

Independence

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

Conclusions relating to going concern

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 Holdings (UK) Ltd

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the 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. 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

23 September 2019

ELQ HOLDINGS (UK) LTD

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2018

		Year ended 31 December 2018	Year ended 31 December 2017
	Note	US\$	US\$
Income from shares in group undertakings	4	51,072,839	110,213,931
Interest receivable and similar income	5	66,810,214	67,405,534
Interest payable and similar expenses	6	(72,058,815)	(61,100,944)
Administrative expenses	7	(16,309,592)	(18,259,227)
PROFIT BEFORE TAXATION		29,514,646	98,259,294
Tax on profit	10	1,283,036	(302,618)
PROFIT FOR THE FINANCIAL YEAR		<u>30,797,682</u>	<u>97,956,676</u>

The 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.

ELQ HOLDINGS (UK) LTD

BALANCE SHEET

as at 31 December 2018

	Note	31 December 2018 US\$	31 December 2017 US\$
FIXED ASSETS			
Investments	11	934,562,178	972,486,801
		<u>934,562,178</u>	<u>972,486,801</u>
CURRENT ASSETS			
Debtors: Amounts falling due within one year	12	16,089,171	94,978,376
Debtors: Amounts falling due after more than one year	13	214,807,882	2,251,314,480
Cash at bank and in hand		3,587,657	1,168,450
		<u>234,484,710</u>	<u>2,347,461,306</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	<u>(11,147,066)</u>	<u>(19,409,961)</u>
NET CURRENT ASSETS		<u>223,337,644</u>	<u>2,328,051,345</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,157,899,822	3,300,538,146
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	<u>(124,385,333)</u>	<u>(2,297,821,339)</u>
NET ASSETS		<u>1,033,514,489</u>	<u>1,002,716,807</u>
CAPITAL AND RESERVES			
Called up share capital	16	818,992,629	818,992,629
Other reserves		42,228,235	42,228,235
Profit and loss account		172,293,625	141,495,943
TOTAL SHAREHOLDER'S FUNDS		<u>1,033,514,489</u>	<u>1,002,716,807</u>

The financial statements were approved by the Board of Directors on 20/09/2019 and signed on its behalf by:



Director

Richard Thomas

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

Company number: 06409662

ELQ HOLDINGS (UK) LTD

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Called up share capital US\$	Other reserves US\$	Profit and loss account US\$	Total shareholder's funds US\$
Balance at 1 January 2017	818,992,629	42,228,235	43,539,267	904,760,131
Profit for the financial year	-	-	97,956,676	97,956,676
Balance at 31 December 2017	818,992,629	42,228,235	141,495,943	1,002,716,807
Profit for the financial year	-	-	30,797,682	30,797,682
Balance at 31 December 2018	818,992,629	42,228,235	172,293,625	1,033,514,489

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

ELQ HOLDINGS (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

1. GENERAL INFORMATION

The company is a private limited company and is incorporated and domiciled in England and Wales. The address of its registered office is Plumtree Court, 25 Shoe Lane, London, EC4A 4AU, United Kingdom.

The immediate parent undertaking is ELQ Holdings (DEL) LLC, a company incorporated and domiciled in Delaware in the United States of America.

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 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) IFRS 7 'Financial Instruments Disclosures';
- (iii) IFRS 13 'Fair Value Measurement' paragraphs 91-99;
- (iv) 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);
- (v) IAS 1 'Presentation of Financial Statements' paragraphs 10(f), 16 and 40A-D;
- (vi) IAS 7 'Statement of Cash Flows';
- (vii) IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;
- (viii) IAS 24 'Related Party Disclosures' paragraph 17; and
- (ix) 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 the subsidiaries are publicly available. As a result the company has elected not to prepare consolidated financial statements as permitted by section 401 of the Companies Act 2006.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

2. ACCOUNTING POLICIES (continued)

b. Changes in accounting policies

From 1 January 2018 the company adopted IFRS 9 'Financial Instruments' as issued by the IASB in July 2014.

As permitted by the transitional provisions of IFRS 9, the company elected not to restate comparative figures.

The adoption of IFRS 9 has resulted in changes in the company's accounting policies for classification and measurement of financial assets and liabilities, – refer to notes 2g for further details.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the company.

(i) Classification and measurement

The company performed a detailed analysis of its business models for managing financial assets and, where required, subsequent analysis of cash flow characteristics on individual financial assets.

There were no changes to the carrying amount of financial assets as a result of the adoption of IFRS 9. At 1 January 2018, the company had US\$ 2,348 million of financial assets classified as loans and receivables under IAS 39. These financial assets were reclassified as measured at amortised cost under IFRS 9.

There were no changes to the classification and measurement of financial liabilities.

(ii) Impairment

The company has developed and tested an impairment model that complies with the key requirements of IFRS 9. The results calculated by the model were not material and therefore the company has not recorded any credit losses as a result of adopting IFRS 9.

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 the profit and loss account.

e. Fixed asset investments

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

f. Cash at bank and in hand

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

2. ACCOUNTING POLICIES (continued)

g. Financial assets and financial liabilities

(i) Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and the transfer qualifies for 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).

(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).

From 1 January 2018 the company has adopted IFRS 9 and classifies financial assets into the below categories on the basis of both the company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The business model reflects how the company manages particular groups of assets in order to generate future cash flows. Where the business model is to hold the assets to collect contractual cash flows, the company subsequently assesses whether the cash flows represent solely payments of principal and interest.

• Financial assets measured at amortised cost

Financial assets that are held for the collection of contractual cash flows and have cash flows that represent solely payments of principal and interest are measured at amortised cost, unless they are designated at fair value through profit or loss. The company considers whether the cash flows represent basic lending arrangements and where contractual terms introduce exposure to risk or volatility inconsistent with a basic lending arrangement, the financial asset is classified and measured at fair value through profit or loss.

Financial assets measured at amortised cost are initially measured at fair value plus transaction costs and subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial asset but does not consider future credit losses. All finance income is recognised in the profit and loss account.

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

• Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. Such financial assets were initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. All finance income was recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018

2. ACCOUNTING POLICIES (continued)

g. Financial assets and financial liabilities (continued)

• Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss comprise 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 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.

• Financial liabilities measured at amortised cost

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

(iii) Offsetting financial assets and financial liabilities

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

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

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

h. Current and deferred tax

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

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

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

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

ELQ HOLDINGS (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

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. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	Year ended	Year ended
	31 December 2018	31 December 2017
	US\$	US\$
Dividend income	51,072,839	110,213,931
	51,072,839	110,213,931

Income from shares in group undertakings comprises dividend income from Falko of US\$31,728,128, ELQ Investors VII Ltd of US\$16,800,000 and White Pillar Properties Limited of US\$2,544,711 in the current year (31 December 2017: dividend income from ELQ Investors IV Ltd of US\$80,510,194, White Pillar Properties Limited of US\$8,499,495, ELQ Investors III Ltd of US\$19,994,850 and Neon Acquisitions Ltd of US\$1,209,392).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended	Year ended
	31 December 2018	31 December 2017
	US\$	US\$
Interest on loans to group undertakings (see note 13)	66,810,214	67,405,534
	66,810,214	67,405,534

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended	Year ended
	31 December 2018	31 December 2017
	US\$	US\$
Interest on loans from group undertakings (see note 15)	72,058,815	61,100,944
	72,058,815	61,100,944

7. ADMINISTRATIVE EXPENSES

	Year ended	Year ended
	31 December 2018	31 December 2017
	US\$	US\$
Foreign exchange losses	15,221	6,801,929
Management fees charged by group undertakings	6,184,105	4,139,967
Legal and professional fees	9,531,932	5,543,454
Auditors' remuneration - audit services	570,462	447,823
Other expenses	7,872	1,326,054
	16,309,592	18,259,227

ELQ HOLDINGS (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

8. 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 7).

9. DIRECTORS' EMOLUMENTS

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

10. TAX ON PROFIT

	Year ended	Year ended
	31 December 2018	31 December 2017
	US\$	US\$
Current tax:		
U.K. corporation tax	191,634	(90,362)
Adjustments in respect of prior periods	(1,474,670)	392,980
Total current tax	(1,283,036)	302,618

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 19.00% (2017: 19.25%) to the profit before taxation.

	Year ended	Year ended
	31 December 2018	31 December 2017
	US\$	US\$
Profit before taxation	29,514,646	98,259,294
Profit multiplied by the weighted average rate in the U.K. of 19.00 % (2017: 19.25 %)	5,607,783	18,914,914
Non-taxable dividend income	(10,450,468)	(21,361,277)
Expenses disallowable for tax	728,109	690,777
Hybrid disallowance expenses	4,497,843	-
Exchange differences and other	2,095	2,790
Tax loss surrendered to group undertakings for nil consideration	-	145,900
Unutilised tax losses carried forward	-	1,516,534
Losses brought forward utilised this year	(193,728)	-
Adjustments in respect of prior periods	(1,474,670)	392,980
Total tax on profit	(1,283,036)	302,618

The company has carried forward losses of US\$17,948,018 (31 December 2017: US\$27,892,971) for which no deferred tax asset has been recognised in the financial statements as there is uncertainty whether the company will generate suitable taxable profits in the future against which the deferred tax asset can be recovered.

ELQ HOLDINGS (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

11. FIXED ASSET INVESTMENTS

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

	Cost and net book value
	US\$
At 1 January 2017	618,506,764
Additions	434,100,856
Disposals	(80,120,819)
At 31 December 2017	972,486,801
Additions	10,774,951
Distributions	(48,699,574)
At 31 December 2018	934,562,178

During the year the following key additions and distributions took place:

- (i) The company was allotted 8,700,000 ordinary shares of €1 each in Victor Acquisition Limited for a total consideration of €8,700,000 (US\$10,774,951).
- (ii) The company received a distribution of US\$48,699,574 from Falko following a capital reduction. It was determined that the distribution represented a return of capital and the company reduced its investment by the same amount.

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
ELQ Investors IV Ltd ¹	Investment company	100%	Ordinary shares
ELQ Investors VI Ltd ¹	Investment company	100%	Ordinary shares
ELQ Investors VII Ltd ¹	Investment company	100%	Ordinary shares
ELQ Investors IX Ltd ¹	Investment company	100%	Ordinary shares
ELQ UK Properties Ltd ¹	Holds real estate	99.92%	Ordinary shares
Falko ³	Dormant	100%	Ordinary shares
Neon Acquisitions Ltd ¹⁹	In liquidation	99.86%	Ordinary shares
White Pillar Properties Limited ¹⁹	In liquidation	99.92%	Ordinary shares
Victor Acquisitions Limited ¹	Investment company	100%	Ordinary shares
GS Capital Funding (Cayman) Limited ²	Investment company	100%	Ordinary shares

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

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
Encasa Cibeles S.L. ⁴	Hold real estate	97.95%	Ordinary shares
Kingfisher Real Estate B.V. ⁵	Hold real estate	100%	Ordinary shares
Dolomites Funding S.R.L. ⁶	Holds loan portfolios	100%	Ordinary shares
Puffin Real Estate B.V. ⁵	Hold real estate	100%	Ordinary shares
Artemis Corner Acquisition Korlatolt Felelossegu Tarsasag ¹⁴	Hold real estate	100%	Ordinary shares
Artemis Acquisition Netherlands S.A.R.L. ⁷	Hold real estate	100%	Ordinary shares

ELQ HOLDINGS (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

11. FIXED ASSET INVESTMENTS (continued)

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
Artemis Acquisition France S.A.R.L. ⁷	Hold real estate	100%	Ordinary shares
Artemis Acquisition Italy S.A.R.L. ⁷	Hold real estate	100%	Ordinary shares
Artemis Acquisition Poland S.A.R.L. ⁷	Hold real estate	100%	Ordinary shares
Central Udvar Acquisition Korlatolt Felelossegu Tarsasag ¹⁴	Hold real estate	100%	Ordinary shares
ELQ Lux Holdings S.A.R.L. ¹⁶	Investment company	100%	Ordinary shares
Woodpecker Acquisition Korlatolt Felelossegu Tarsasag ²⁰	Hold real estate	100%	Ordinary shares
Lepontine S.R.L. ²³	Hold real estate	100%	Ordinary shares
Pheasant B.V. ⁵	Hold real estate	100%	Ordinary shares
GS Sapphire Holding Limited ¹	Investment company	100%	Ordinary shares
GS Sapphire Investment Limited ¹	Investment company	100%	Ordinary shares
Riverstone Living Holdings Limited ¹	Investment company	77.66%	A2 ordinary shares
Hammer Investment Limited ¹	Investment company	100%	A ordinary shares
Hadston Southwark Limited ²⁴	Investment company	100%	Class C and ordinary shares
Riverstone Operations Limited ¹	Investment company	100%	Ordinary shares
Riverstone Development Limited ¹	Investment company	100%	Ordinary shares
Fulham Riverside Property Limited ¹	Investment company	100%	Ordinary shares
Kensington Row Property Limited ¹	Investment company	100%	Ordinary shares
GS International Funding ²	Investment company	100%	Ordinary shares
Fair Zero S.A.R.L. ⁷	Investment company	100%	Ordinary shares
Ainscough Holdings Limited ¹	Investment company	100%	B shares, C shares, ordinary shares
ELQ Investors III Ltd ¹	Investment company	100%	Ordinary shares
Sviluppo Comparto 5 S.R.L. ¹²	Hold real estate	100%	Ordinary shares
GP Offices & Apartments S.R.L. ¹²	Hold real estate	100%	Ordinary shares
ELQ Investors II Ltd ¹	Investment company	100%	Ordinary shares
Montserrat Acquisitions Ltd ¹	Holds loan portfolios	100%	Ordinary shares
Castile Acquisitions Ltd ¹	Holds loan portfolios	100%	Ordinary shares
PIL Acquisitions 1 Limited ¹⁰	Hold real estate	99.59%	Ordinary shares
Beltanio Funding S.R.L. ⁶	Holds loan portfolios	100%	Ordinary shares
ELQ Omega UK Ltd ¹	Investment company	99.68%	Ordinary shares
Kensington 1 ³	Hold real estate	100%	Ordinary shares
Kensington 2 ³	Hold real estate	100%	Ordinary shares
Pyrenees Acquisitions Limited ¹	Holds loan portfolios	100%	Ordinary shares
RP Alcorcon Acquisitions S.L. ⁹	Hold real estate	100%	Ordinary shares
Teide Acquisitions S.L. ⁹	Hold real estate	80%	Ordinary shares
Aragon Acquisitions S.L. ⁹	Hold real estate	80%	Ordinary shares
PIL Kingston Limited ¹⁰	Dormant	100%	Ordinary shares
PIL Evesham Limited ¹⁰	Dormant	100%	Ordinary shares
PIL Burgess Hill Limited ¹⁰	Dormant	100%	Ordinary shares
PIL Maidenhead Limited ¹⁰	Dormant	100%	Ordinary shares
Sivipre Oy ¹¹	Hold real estate	100%	Ordinary shares
Turia Development Acquisition S.L. ⁶	Hold real estate	100%	Ordinary shares
Kensington ISSY ³	Hold real estate	100%	Ordinary shares
Turia Acquisitions S.L. ⁹	Hold real estate	100%	Ordinary shares

ELQ HOLDINGS (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

11. FIXED ASSET INVESTMENTS (continued)

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
Henry Investments Oy ²¹	Hold real estate	100%	Ordinary shares
Avenida Barcelona 111 S.L ¹⁷	Hold real estate	100%	Ordinary shares
Yoram Limited ¹⁸	Investment company	100%	Ordinary shares
Vintners Propco S.A.R.L ⁷	Hold real estate	100%	Ordinary shares
ELQ Hungary Holdings Korlatolt Felelossegu Tarsasag ²⁰	Hold real estate	100%	Ordinary shares
Ludgate Acquisition 1 Ltd	Hold real estate	97.73%	Ordinary shares
Kiinteisto Oy Sinimaentie	Hold real estate	100%	Ordinary shares
Kiinteisto Oy Helsingin Elimaenkatu 26	Hold real estate	100%	Ordinary shares
Kiinteisto Oy Pasilanraitio 5 ¹⁰	Hold real estate	100%	Ordinary shares
Kiinteisto Oy Tapiontuuli ¹⁰	Hold real estate	100%	Ordinary shares
Kiinteisto Oy Satomalmi ¹⁰	Hold real estate	100%	Ordinary shares
Kiinteisto Oy Niittymaenpolku ¹¹	Hold real estate	100%	Ordinary shares
Ludgate Acquisition 2 Ltd ²²	Hold real estate	100%	Ordinary shares
The Procession House One Unit Trust ²²	Hold real estate	99.9%	Ordinary shares

Registered office address at:

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

² PO Box 309, Ugland House, Grand Cayman, KY1 1104, Cayman Islands

³ 78 Avenue Raymond Poincare, Paris, 75116, France

⁴ 155 Avenida del Talgo, Madrid, 28023, Spain

⁵ Strawinskylaan 3127, Atrium Building 8th Floor, Amsterdam, 1077 ZX, Netherlands

⁶ Piazzetta Maurilio Bossi 3, Milan, CAP 20121, Italy

⁷ 2 Rue de Fosse, L-1536, Luxembourg

⁸ Pradillo No 5, Bajo Exterior Derecha, Madrid, 28002, Spain

⁹ Maria de Molina 6-5a, Madrid, 28006, Spain

¹⁰ 26 New Street, St. Helier, JE2 3RA, Jersey

¹¹ Scandinavian Trust CMS, Oy Fredrikinkatu, 61 00140, Helsinki

¹² Foro Buonaparte 70, Milan, 20121, Italy

¹³ 3 Floor Kilmore House, Park lane, Spencer Dock, Dublin, Ireland

¹⁴ Andrassy ut 100, 1062 Budapest, Hungary

¹⁵ Fredriksgatan 61A, Helsinki 00100, Finland

¹⁶ Mannerheiminauk 1A, c/o Newsec Asset Management Oy, Helsinki, 00101 Finland

¹⁷ 113, Esc A, Pl. Bja. Pt. 1 Sant Joan Desp, Barcelona, Spain

¹⁸ NCR Building, 6th Floor, 6 Broad Street, Lagos, 2000003, Nigeria

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

11. FIXED ASSET INVESTMENTS (continued)

- ¹⁹ 15 Canada Square, London, E14 5GL, United Kingdom
- ²⁰ Buday Laszio ecta 12, I11 emelet, Budapest, Hungary, 1024
- ²¹ Scandinavian Trust CMS, Oy Fredrikinkatu, 61 00140, Helsinki, Finland
- ²² Grenville Street, St Helier, JE4 8PX, Jerse
- ²³ Via Vittorio Alfieri, 1, Conegliano (Treviso), Italy, 31015
- ²⁴ 11 Old Jewry, London, EC2R 8DU, United Kingdom

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended	Year ended
	31 December 2018	31 December 2017
	US\$	US\$
Accrued interest due from group undertakings	7,732,739	92,410,623
Amounts due from group undertakings	6,974,383	2,042,287
Group relief receivable	1,360,284	476,138
Other debtors	21,765	49,328
	16,089,171	94,978,376

Amounts due from group undertakings includes US\$2,060,231 (31 December 2017: US\$324,576) in cash balances held on account by a fellow group undertaking.

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

	Year ended	Year ended
	31 December 2018	31 December 2017
	US\$	US\$
Long-term loan due from group undertakings	159,828,620	2,203,314,480
Junior preferred shares	48,000,000	48,000,000
Accrued interest on long term loans due from group undertakings	6,979,262	-
	214,807,882	2,251,314,480

Long-term loans due from group undertakings comprise a loan of US\$159,828,620 (31 December 2017: US\$137,148,408) advanced by the company to Victor Acquisitions Limited, a fellow group undertaking. During the year 2018, the company entered into a new master unsecured intercompany loan agreement with a final maturity of January,2038 replacing the existing agreement. The loan is unsecured and carries interest at a variable margin over the applicable currency's overnight interest rate.

The company acquired 48,000,000 junior preferred shares of US\$ 1 each in GS Capital Funding (Cayman) Limited for a total consideration of \$48,000,000 under the terms of the agreement dated September 2017. The preferred shares carry entitlement to cumulative cash dividends in priority to ordinary shareholders at a fixed margin over LIBOR and voting rights of 43.64%. The preferred shares are repayable in November 2022.

In the prior year, long-term loans due from group undertakings included:

ELQ HOLDINGS (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

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

- A loan of US\$897,154,774 advanced by the company to ELQ Investors VIII Ltd, a fellow group undertaking. The loan was fully repaid in November, 2018.

- A loan of US\$513,924,898 advanced by the company to ELQ Investors II Ltd, a fellow group undertaking. The loan was fully repaid in November, 2018.

- A loan of US\$360,660,000 advanced by the company to Goldman Sachs International, a fellow group undertaking. The loan was fully repaid in December, 2018.

- A loan of US\$280,000,000 advanced by the company to ELQ Investors VI Ltd, a fellow group undertaking. The loan was fully repaid in November, 2018.

- A loan of US\$14,426,400 advanced by the company to Falko, a fellow group undertaking. The loan was fully repaid in October, 2018.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended	Year ended
	31 December 2018	31 December 2017
	US\$	US\$
Amounts due to group undertakings	5,931,814	4,019,378
Accrued interest payable due to group undertakings (see note 15)	-	8,131,392
Corporation tax payable	183,869	-
Other creditors and accruals	5,031,383	7,259,191
	11,147,066	19,409,961

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

	Year ended	Year ended
	31 December 2018	31 December 2017
	US\$	US\$
Long-term loans due to group undertakings	122,543,907	2,297,821,339
Accrued interest due to group undertaking	1,841,426	-
	124,385,333	2,297,821,339

In the current year, long-term loans due to group undertakings includes a loan of US\$122,543,907 (31 December 2017: US\$164,251,349) advanced by Group Inc. During the year 2018, the company entered into a new master unsecured intercompany loan agreement with a final maturity of January 2048 replacing the existing agreement. The loan is unsecured and carries interest over the applicable currency's overnight interest rate.

In the prior year, long-term loans due to group undertakings included in addition a loan of US\$2,133,569,990 advanced by ELQ Holdings (DEL) LLC. The loan was fully repaid in November 2018.

ELQ HOLDINGS (UK) LTD

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16. CALLED UP SHARE CAPITAL

At 31 December 2018 and 31 December 2017 called up share capital comprised:

	31 December 2018		31 December 2017	
	No.	US\$	No.	US\$
<u>Allotted, called up and fully paid</u>				
Ordinary shares of £1 each	1	2	1	2
Redeemable shares of \$1 each	818,992,627	818,992,627	818,992,627	818,992,627
		818,992,629		818,992,629

17. OTHER RESERVES

At 31 December 2018 and 31 December 2017 the company has other reserves of US\$42,228,235.

18. FINANCIAL COMMITMENTS AND CONTINGENCIES

The company had no financial commitments or contingencies outstanding at year end (31 December 2017: US\$nil).

19. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

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

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

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

a. Market risk

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

Interest rate risk results from exposures to changes in level, slope and curvature of yield curves, volatilities of interest rates and credit spreads. The company's exposure to interest rate risk is not significant as at 31 December 2018 and 31 December 2017.

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 2018, the company had no material net exposure to Euro (2017: US\$2.5 million) and no material net exposure to British pound (2017: US\$0.1 million).

The company manages its interest rate and currency risks as part of GS Group's risk management policy.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

19. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

b. Credit risk

Credit risk represents the potential for loss due to the default or deterioration in the credit quality of a counterparty. Credit risk is managed by reviewing the credit quality of the counterparties and reviewing, if applicable, the underlying collateral against which the financial assets are secured. The company's maximum exposure to credit risk is equivalent to the carrying value of its financial assets as at 31 December 2018 and 31 December 2017. The company's credit exposures are described further below:

Cash at bank and in hand. Cash at bank and in hand include both interest-bearing and non-interest-bearing deposits. To mitigate the risk of credit loss, the company places substantially all of its deposits with highly-rated banks.

Debtors. The company is exposed to credit risk from its amounts due from group undertakings, for which the credit risk is considered minimal. As at 31 December 2018, the company had no debtors past due (31 December 2017: nil).

c. Liquidity risk

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

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial liabilities mandatory at fair value

Included within Creditors: amounts falling due after more than one year, is an amount of US\$122,543,907 (31 December 2017: US\$164,251,349) due to Group Inc. which represents a multi-currency facility with final maturity in December 2048 where the arrangements contain embedded foreign exchange features. The interest rate associated with this multi-currency facility is variable in nature and approximates prevailing market interest rates for instruments with similar terms and characteristics and the carrying amount of the facility is a reasonable approximation to fair value and as a result no changes to fair value have been recorded in the profit and loss account or within equity reserves.

The company has recognised this financial liability at fair value and holds it as a level 2 financial liability.

The facility is held as a long term loan with the following maturities:

- Less than one month: US\$1,882,637 (31 December 2017: US\$1,230,279)
- More than one month but less than three months: US\$6,014,237 (31 December 2017: US\$2,460,558)
- More than three months but less than one year: US\$5,586,156 (31 December 2017: US\$11,072,510)
- More than one year but less than five years: US\$1,978,156 (31 December 2017: US\$59,053,385)
- Greater than five years: US\$134,412,844 (31 December 2017: US\$634,823,890)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

21. POST BALANCE SHEET EVENTS

Subsequent to the year end, the following events took place:

In February 2019, the company disposed 600,000,000 shares resulting in a remaining share capital of US\$ 218,992,627 and creation of distributable reserves of US\$600.0 million

In March 2019, the company sold its investment in subsidiary undertaking ELQ Investors VI LTD at fair value for a total consideration of US\$602.1 million to a fellow group undertaking, GLQ Holdings (UK) LTD, realising a gain of US\$283.7 million. The proceeds from the sale were used to pay interim dividends of US\$602.1 million to the company's parent undertaking ELQ Holdings Del LLC.

Further, in June 2019, the company sold its investments in subsidiary undertaking ELQ Investors IX LTD at fair value for a total consideration of US\$999.4 million to a fellow group undertaking, GLQ Holdings (UK) LTD, realising a gain of US\$651.2 million. The proceeds were used to pay interim dividends of US\$999.4 million to the company's parent undertaking ELQ Holdings Del LLC.