

Company Number: 3769030

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

ANNUAL REPORT

31 DECEMBER 2017

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GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

STRATEGIC REPORT

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

1. Introduction

Goldman Sachs Group Holdings (U.K.) Limited (the company) is a holding company that predominantly holds investment companies.

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\$885.6 million (31 December 2016: US\$57.3 million).

The company had total assets of US\$1,344.3 million as at 31 December 2017 (31 December 2016: US\$3,285.7 million). As disclosed in note 2(h), the company has net current liabilities of US\$429.0 million as at 31 December 2017 (2016: net current liabilities of US\$1,413.2 million).

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 (year ended 31 December 2016: £ / US\$1.3439).

4. Future outlook

The directors consider that the year end financial position of the company was satisfactory taking into account the continuing support from the immediate parent undertaking (see note 2(h)), and do not anticipate any significant changes in its activities in the forthcoming year.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

STRATEGIC REPORT (continued)

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. As a holding company, the company is also exposed to risk of decline in value of its non-financial assets, primarily fixed asset 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 20 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.

6. Date of authorisation of issue

The strategic report was authorised for issue by the Board of Directors on 22 June 2018.

ON BEHALF OF THE BOARD



R. M. Thomas
Director

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

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 declared and paid an interim dividend of US\$1,144.5 million on 20 December 2017 (year ended 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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

4. Independent auditors

Prior to 1 October 2007, the company passed an elective resolution under section 386 of the Companies Act 1985 to dispense with the annual reappointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the company pursuant to section 487(2) of the Companies Act 2006 and paragraph 44 of schedule 3 to the Companies Act 2006 (Commencement No. 3 Consequential Amendment, Transitional Provisions and Savings) Order 2007.

5. Directors

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

Name

P. N. O. Curle
G. P. Shaw
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 at the end of the financial period and of the profit or loss of the company for that period. In preparing these 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 22 June 2018.

ON BEHALF OF THE BOARD



R. M. Thomas
Director

Independent auditors' report to the members of GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Goldman Sachs Group Holdings (U.K.) 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 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.

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 GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

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 Directors' Responsibilities Statement 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.

Ian Ross (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 June 2018

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

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

		Year ended 31 December 2017	Year ended 31 December 2016
	Note	US\$'000	US\$'000
Income from shares in group undertakings	11	946,903	118,840
Write down of shares in group undertakings	11	(17,036)	(15)
Interest receivable and similar income	5	832	1,760
Interest payable and similar expenses	6	(31,764)	(39,517)
Administrative expenses	7	(13,375)	(23,779)
PROFIT BEFORE TAXATION		885,560	57,289
Tax on profit	10	2,740	11,282
PROFIT FOR THE FINANCIAL YEAR		888,300	68,571

The profit before taxation of the company is 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.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

BALANCE SHEET

as at 31 December 2017

	Note	31 December 2017 US\$'000	31 December 2016 US\$'000
FIXED ASSETS			
Investments	11	1,129,440	2,365,582
CURRENT ASSETS			
Debtors	12	185,588	865,256
Cash at bank and in hand		29,223	54,888
		214,811	920,144
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(643,806)	(2,333,389)
NET CURRENT LIABILITIES		(428,995)	(1,413,245)
TOTAL ASSETS LESS CURRENT LIABILITIES		700,445	952,337
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	(49,271)	(44,945)
NET ASSETS		651,174	907,392
CAPITAL AND RESERVES			
Called up share capital	15	3,174	3,174
Capital contribution	16	-	78,410
Share premium account		416,133	416,133
Other reserves	17	183,284	183,284
Merger reserve	18	-	277,130
Profit and loss account		48,583	(50,739)
TOTAL SHAREHOLDER'S FUNDS		651,174	907,392

The financial statements were approved by the Board of Directors on 22 June 2018 and signed on its behalf by:



R. M. Thomas
Director

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

Company number: 3769030

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Called up share capital	Capital contribution	Share premium account	Other reserves	Merger reserve	Profit and loss account	Total shareholder's Funds
Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2016	2,772	78,410	259,535	132,681	277,130	(119,310)	631,218
Profit for the financial year	-	-	-	-	-	68,571	68,571
Shares issued	402	-	156,598	50,603	-	-	207,603
Balance at 31 December 2016	3,174	78,410	416,133	183,284	277,130	(50,739)	907,392
Profit for the financial year	-	-	-	-	-	888,300	888,300
Transfer of merger reserve	-	-	-	-	(277,130)	277,130	-
Dividend distributions	-	(78,410)	-	-	-	(1,066,108)	(1,144,518)
Balance at 31 December 2017	3,174	-	416,133	183,284	-	48,583	651,174

No dividends were paid in 2016.

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

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

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 Goldman Sachs Group UK Limited (GSGUK), 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/.

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) 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 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. 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.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. ACCOUNTING POLICIES (continued)

c. 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.

d. Fixed asset investments

Fixed asset investments comprise investments in subsidiary undertakings. Investments in ordinary shares are stated at cost less provision for any impairment. Dividends receivable are recognised when the right to receive payment has been established. Investments in redeemable ordinary shares are measured at amortised cost as per note 2(f) "Financial assets and liabilities".

e. Cash at bank and in hand

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

f. Financial assets and 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 or cancelled or expires).

(ii) Classification and measurement

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

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

Financial assets and financial liabilities 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.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. ACCOUNTING POLICIES (continued)

f. Financial assets and 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.

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 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 reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

h. Going concern

The company has net current liabilities of US\$429.0 million as at 31 December 2017 (2016: net current liabilities of US\$1,413.2 million). The principal current liability of the company represents amounts payable to fellow group undertakings. In addition to undrawn facilities able to provide sufficient liquidity to the company when required, the immediate parent company 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.

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.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

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. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2017	Year ended 31 December 2016
	US\$'000	US\$'000
Interest on loans to group undertakings (see note 12)	<u>832</u>	<u>1,760</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 December 2017	Year ended 31 December 2016
	US\$'000	US\$'000
Interest on loans from group undertakings (see notes 13 and 14)	<u>31,764</u>	<u>39,517</u>

7. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2017	Year ended 31 December 2016
	US\$'000	US\$'000
Foreign exchange (gains)/losses	(13)	49
Auditors' remuneration - audit services	48	40
Other expenses	<u>13,340</u>	<u>23,690</u>
	<u>13,375</u>	<u>23,779</u>

Other expenses in the current and prior year comprise of management recharges to group undertakings.

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 and no cost is borne by the company.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

9. DIRECTORS' EMOLUMENTS

The table below presents the company's directors' emoluments, which have been borne by group undertakings:

	Year ended 31 December 2017	Year ended 31 December 2016
	US\$'000	US\$'000
Aggregate emoluments	3	3

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.

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

10. TAX ON PROFIT

	Year ended 31 December 2017	Year ended 31 December 2016
	US\$'000	US\$'000
U.K. corporation tax	(3,958)	(11,751)
Adjustments in respect of prior periods	1,218	469
Total tax on profit	(2,740)	(11,282)

The company has surrendered its losses for the current year under group relief arrangements.

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	Year ended 31 December 2016
	US\$'000	US\$'000
Profit before taxation	885,560	57,289
Profit multiplied by the weighted average rate in the U.K. of 19.25% (2016: 20%)	170,470	11,458
Permanent differences	(177,215)	(23,209)
Tax losses surrendered to group undertakings for nil consideration	2,787	-
Adjustments in respect of prior periods	1,218	469
Total tax on profit	(2,740)	(11,282)

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

11. FIXED ASSET INVESTMENTS

Fixed asset investments comprise investments in subsidiary undertakings and consist of investments in unlisted ordinary shares, stated at cost less provision for any impairment, and an investment in redeemable ordinary shares measured at amortised cost:

	Cost US\$'000	Provisions for impairment US\$'000	Net book value US\$'000
At 1 January 2016	2,598,092	(228,973)	2,369,119
Additions	397,722	-	397,722
Foreign exchange	(159,689)	-	(159,689)
Distributions and impairments	(241,555)	(15)	(241,570)
At 31 December 2016	2,594,570	(228,988)	2,365,582
Additions (see note (i))	78,120	-	78,120
Foreign exchange	37,865	-	37,865
Distributions and impairments (see note (ii))	(1,335,091)	(17,036)	(1,352,127)
At 31 December 2017	1,375,464	(246,024)	1,129,440

During the current year, the following movements in shares in subsidiary undertakings took place:

- (i) During 2017, the company injected US\$78.1 million of capital into a subsidiary undertaking, Broad Street Principal Investments UK LTD.
- (ii) On 6 June 2017, Shire UK Limited made a distribution of US\$164.1 million. It was determined that this dividend represented a distribution preceding the liquidation of the subsidiary and the company therefore treated this dividend as a return of capital and reduced the value of the investment by the dividend received. On the same day, the company fully redeemed US\$860.3 million of redeemable ordinary shares in Shire UK Limited. An impairment of US\$17.0 million was subsequently taken against the cost of the ordinary shares. The directors consider that this represents a permanent diminution in value.

On 6 June 2017, Scadbury UK Limited made a distribution of US\$33.7 million. It was determined that a proportion of this dividend represented a distribution preceding the liquidation of the subsidiary and the company therefore treated US\$32.2 million of this dividend as a return of capital and reduced the value of the investment by the dividend received. The remainder of the distribution has been recognised in the profit and loss account.

On 20 December 2017, Rothesay Life (Cayman) Limited made a distribution of US\$1,002.9 million. It was determined that a proportion of the dividend represented a distribution out of capital reserves and the company therefore treated US\$278.5 million of this dividend as a return of capital and reduced the value of the investment by the dividend received. The remainder of the distribution has been recognised in the profit and loss account.

During the year ended 31 December 2017, the company received dividends of US\$724.4 million from Rothesay Life (Cayman) Limited, US\$221.0 million from Broad Street Principal International Investments LTD and US\$1.5 million from Scadbury UK Limited (see above).

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

11. FIXED ASSET INVESTMENTS (continued)

The subsidiaries over which the company exercises control, and the effective percentage ownership interest in the 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 VIII Limited ¹	Investment company	100%	Ordinary shares
Broad Street Principal Investments UK LTD ¹	Investment company	100%	Ordinary shares
Broad Street Principal International Investments LTD ²	Investment company	100%	Ordinary shares
Goldman Sachs Group U.K. Finance Limited ¹	Investment company	100%	Ordinary shares
Rothesay Life (Cayman) Limited ²	Investment company	100%	Ordinary shares
Goldman Sachs TK Danismanlik Hizmetleri Anonim Sirketi ³	Service company	100%	Ordinary shares
Goldman Sachs Ireland Finance Limited ⁴	Investment company	100%	Ordinary shares
GS Liquid Trading Platform II Limited ⁵	Investment company	100%	Ordinary shares

The subsidiaries over which the company exercises control via ordinary shares held by or on behalf of other subsidiaries and not directly held by the company, are listed below:

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
Beheer- En Beleggingsmaatschappij Befraco B.V. ¹	Leasing company	100%	Ordinary shares
GS Index Holdings Limited ¹	Investment company	100%	Ordinary shares
GS Index Funding Limited ¹	Investment company	100%	Ordinary shares
European Index Assets B.V. ⁶	Investment company	100%	Ordinary shares
Pumbaa Luxembourg S.A.R.L. ⁷	Investment company	100%	Ordinary shares
Titanium UK Holdco 1 Limited ¹	Investment company	100%	Ordinary shares
Titanium Luxco 2 S.A.R.L. ⁸	Investment company	89.52%	Ordinary shares
PIL Acquisitions 2 Limited ⁹	Investment company	99.59%	Ordinary shares
PIL Uxbridge Limited ⁹	Investment company	100%	Ordinary shares
PIL Newbury Limited ⁹	Investment company	100%	Ordinary shares
PIL Mitre House Limited ⁹	Investment company	100%	Ordinary shares
PIL Clacton Limited ⁹	Investment company	100%	Ordinary shares
Parrot B.V. ¹⁰	Investment company	82.95%	Ordinary shares

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

11. FIXED ASSET INVESTMENTS (continued)

Name of company	Nature of business	Proportion of nominal value helds	Class of shares held
Parrot Management B.V. ¹⁰	Investment company	82.95%	Ordinary shares
Obsidian Irish Collective Asset-Management Vehicle ¹¹	Investment company	100%	Ordinary shares
OBSF (I) Limited ¹¹	Investment company	100%	Ordinary shares
Prosta Acquisitions Ltd ¹	Investment company	100%	Ordinary shares
Trinity II Investments SP. Z O.O. ¹²	Investment company	100%	Ordinary shares
Sky Mundi S.A.R.L. ¹²	Investment company	100%	Ordinary shares
Prosta Investments SP. Z O.O. ¹²	Investment company	100%	Ordinary shares
ELQ VIII Acquisition S.A.R.L. ⁸	Investment company	100%	Ordinary shares
Syrdall Properties S.A.R.L. ⁸	Investment company	100%	Ordinary shares
ENOP 1 S.A.R.L. ⁸	Investment company	100%	Ordinary shares
ENOP 2 S.A.R.L. ⁸	Investment company	100%	Ordinary shares
ENOP 3 S.A.R.L. ⁸	Investment company	100%	Ordinary shares
CDV-3 Ltd ¹³	In liquidation	97%	Ordinary shares
Uberior Special Situations Limited ¹⁴	In liquidation	100%	Ordinary shares
The Place For Living Limited ¹⁵	In liquidation	89.52%	Ordinary shares
Titanium UK Asset Co Limited ¹⁵	In liquidation	89.52%	Ordinary shares

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

11. FIXED ASSET INVESTMENTS (continued)

Registered office address at:

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

² P.O. Box 309, Ugland House, South Church Street, George Town, KY1-1104, Cayman Islands

³ Buyukdere Caddesi Bina No:209, Tekfen Tower Kat: 8, No:21 ve 22, 4. Levent, Sisli, Istanbul, 34394, Turkey

⁴ 70 Sir John Rogerson's Quay, Dublin, 2, Ireland

⁵ 13 Castle Street, St. Helier, JE4 5UT, Jersey

⁶ Strawinskylaan 1161, Amsterdam, 1077 XX, Netherlands

⁷ 46A Avenue J. F. Kennedy, L-1885, Luxembourg

⁸ 2, Rue due Fossé, L-1536, Luxembourg

⁹ 26 New Street, St Helier, JE2 3RA, Jersey

¹⁰ Strawinskylaan 3127, Atrium Building 8th Floor, Amsterdam, 1077 ZX, Netherlands

¹¹ Earlsfort Centre, Earlsfort Terrace, Dublin, 2, Ireland

¹² Zlota 59, Warsaw, 00-120, Poland

¹³ The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB, United Kingdom

¹⁴ Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG, United Kingdom

¹⁵ 15 Canada Square, London, E14 5GL, United Kingdom

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

12. DEBTORS

	31 December 2017	31 December 2016
	US\$'000	US\$'000
Amounts due from group undertakings	31,900	796,751
Loans due from group undertakings (due in more than one year)	153,688	68,505
	185,588	865,256

Amounts due from group undertakings in the current and prior year includes US\$14.1 million (2016: US\$18.4 million) in cash balances held on account by a fellow group undertaking.

Amounts due from group undertakings in the prior year included an intercompany receivable of US\$749.0 million. This was repaid in the current year.

Loans due from group undertakings (due in more than one year) in the current and prior year consists of a loan of US\$153.7 million (2016: US\$68.5 million) advanced by the company to a fellow group undertaking. The loan is unsecured, carries interest at a variable rate and is repayable 367 days after the date of such demand by the company.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2017	31 December 2016
	US\$'000	US\$'000
Short-term loans payable to group undertakings	620,027	2,325,151
Amounts due to group undertakings	21,926	6,549
Other creditors and accruals	1,853	1,689
	643,806	2,333,389

Short-term loans payable to group undertakings in the current and prior years include amounts of US\$620.0 million (2016: US\$2,325.2 million) advanced to the company by fellow group undertakings. The loans are unsecured and carry interest at a variable rate.

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

	31 December 2017	31 December 2016
	US\$'000	US\$'000
Long-term loans payable to group undertakings	49,271	44,945

Long-term loans payable to group undertakings in the current and prior year consists of a loan of US\$49.3 million (2016: US\$44.9 million) advanced to the company by a fellow group undertaking. The loan is unsecured, carries interest at a variable rate and is repayable 367 days after the date of such demand by the lender.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

15. 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\$'000	No.	US\$'000
<u>Allotted, called up and fully paid</u>				
Ordinary shares of US\$0.01 each	317,379,000	3,174	317,379,000	3,174
		<u>3,174</u>		<u>3,174</u>

16. CAPITAL CONTRIBUTION

Prior to 2017, the company had received capital contributions to the value of US\$78.4 million. The capital contributions were deemed to have been provided in the form of qualifying consideration and as such were considered distributable per the Companies Act 2006.

In the current year, the company elected to distribute the accumulated value of the capital contribution reserve of US\$78.4 million.

17. OTHER RESERVES

In 2016, as part of a group reorganisation, the company acquired the entire issued share capital of ELQ Investors VIII Limited for a total consideration of US\$207.6 million from Goldman Sachs Group UK Limited, the company's immediate parent undertaking. As consideration, the company issued 40,179,790 ordinary shares of US\$0.01 to Goldman Sachs Group UK Limited. Following application of section 611 of the Companies Act 2006, share premium of US\$156.6 million was recorded and the remaining difference of US\$50.6 million was credited to other reserves.

In 2015, as part of a group reorganisation, the company acquired the entire issued share capital of Broad Street Principal Investments International Limited from Goldman Sachs Group UK Limited, the company's immediate parent undertaking. As consideration, the company issued 31,122,744 ordinary shares of US\$0.01 to Goldman Sachs Group UK Limited. Following application of section 611 of the Companies Act 2006, nil share premium was recorded and the remaining difference of US\$132.7 million was credited to other reserves.

18. MERGER RESERVE

In 2013, the company acquired Rothesay Life (Cayman) Limited ("RL Cayman") and its subsidiaries from a group undertaking through a share-for-share exchange. After the application of section 611 of the Companies Act 2006, the investment in RL Cayman was recorded in the balance sheet at its fair value, and the difference between the nominal value of the shares issued and the fair value of the investment was credited to a non-distributable merger reserve.

Prior to 2017, the company had received distributions from RL Cayman of US\$1,089.0 million. These distributions were accounted for as a reduction in the carrying value of the investment in RL Cayman and an amount of the merger reserve equivalent to the value of the distributions became distributable profits. As a result, the company reflected a transfer of US\$1,089.0 million from the merger reserve to the profit and loss account on receipt of these distributions.

In the current year, following the receipt of a distribution from RL Cayman to the value of US\$1,002.9 million (see note 11), the company transferred the remaining value of the merger reserve of US\$277.1 million to the profit and loss account.

19. FINANCIAL COMMITMENTS AND CONTINGENCIES

The company had no financial commitments or contingencies outstanding at year end (31 December 2016: US\$nil).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

20. 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 exposed 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 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 relevant market risk for the company is interest rate risk.

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/lower and all other variables were held constant, the company's profit for the year would have been US\$2.5 million lower/higher (2016: US\$11.4 million). 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.

The company manages its interest rate risk as part of GS Group's risk management policy, 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's maximum exposure to credit risk is equivalent to the carrying value of its financial assets as at 31 December 2017 and 31 December 2016. As at 31 December 2017 and 31 December 2016, none of the company's financial assets are past due or impaired.

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.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a. Financial assets and liabilities by category

All financial assets are categorised as loans and receivables in the current and prior years. All liabilities are categorised as liabilities measured 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\$214.8 million (2016: US\$920.1 million) of current financial assets and US\$643.8 million (2016: US\$2,333.4 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.

The company has US\$49.3 million (2016: US\$44.9 million) of financial liabilities due after more than one year that are not measured at fair value and relate to long-term intercompany borrowings. The interest rate associated with such borrowings is variable in nature and approximates prevailing market interest rates for instruments with similar terms and characteristics. As such, the carrying amount in the balance sheet is a reasonable approximation of fair value.

c. Maturity of financial liabilities

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

31 December 2017

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities						
Creditors: amounts falling due within one year	643,806	81	244	-	-	644,131
Creditors: amounts falling due after more than one year	-	-	-	49,271	-	49,271
Total - on balance sheet	643,806	81	244	49,271	-	693,402

31 December 2016

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities						
Creditors: amounts falling due within one year	1,450,704	46	887,832	-	-	2,338,582
Creditors: amounts falling due after more than one year	-	-	-	44,945	-	44,945
Total - on balance sheet	1,450,704	46	887,832	44,945	-	2,383,527