

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

ANNUAL REPORT

31 DECEMBER 2016

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STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2016.

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). Group Inc., together with its consolidated subsidiaries, form 'the group'. The group is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals.

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

2. Financial overview

The financial statements have been drawn up for the year ended 31 December 2016. Comparative information has been presented for the year ended 31 December 2015.

The results for the year are shown in the profit and loss account on page 7. Profit before taxation for the year ended 31 December 2016 was US\$57.3 million (31 December 2015: loss of US\$66.9 million).

The company had total assets of US\$3,285.7 million (31 December 2015: US\$3,374.7 million).

3. Exchange rate

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

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.

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, as well as its risk exposures, are described in note 19 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 30 August 2017.

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 2016.

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

2. Dividends

The directors do not recommend the payment of a dividend in respect of the year (31 December 2015: US\$2,224.0 million).

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 accounts, the directors are required to:

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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies 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. Post balance sheet events

On 6 June 2017, subsequent to a review of the investment activity of the company, the redeemable ordinary shares in Shire UK Limited of US\$822.4 million (2015: US\$982.1 million) were fully redeemed.

8. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 30 August 2017.

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 financial statements

Our opinion

In our opinion the financial statements, Goldman Sachs Group Holdings (U.K.) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 and for being satisfied that they give a true and fair view.

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

John Wei (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
30 August 2017

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2016

		Year ended 31 December 2016	Year ended 31 December 2015
	Note	US\$'000	US\$'000
Income from shares in group undertakings	11	118,840	15,133
Write down of shares in group undertakings	11	(15)	(7,595)
Interest receivable and similar income	5	1,760	620
Interest payable and similar expenses	6	(39,517)	(41,477)
Administrative expenses	7	(23,781)	(33,595)
PROFIT/(LOSS) BEFORE TAXATION		57,289	(66,914)
Tax on profit/(loss)	10	11,282	13,484
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		68,571	(53,430)

The profits/(losses) before taxation of the company are derived from continuing operations in the current and prior years.

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

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

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

BALANCE SHEET

as at 31 December 2016

		31 December 2016	31 December 2015
	Note	US\$'000	US\$'000
FIXED ASSETS			
Investments	11	2,365,582	2,369,119
CURRENT ASSETS			
Debtors	12	865,256	995,839
Cash at bank and in hand		54,888	9,727
		920,144	1,005,566
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(2,333,389)	(2,743,467)
NET CURRENT LIABILITIES		(1,413,245)	(1,737,901)
TOTAL ASSETS LESS CURRENT LIABILITIES		952,337	631,218
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	(44,945)	-
NET ASSETS		907,392	631,218
CAPITAL AND RESERVES			
Called up share capital	15	3,174	2,772
Capital contribution		78,410	78,410
Share premium account	15	416,133	259,535
Other reserves	16	183,284	132,681
Merger reserve	17	277,130	277,130
Profit and loss account		(50,739)	(119,310)
TOTAL SHAREHOLDER'S FUNDS		907,392	631,218

The financial statements were approved by the Board of Directors on 30 August 2017 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 2016

	Note	Called up share capital US\$'000	Capital contribution US\$'000	Share premium account US\$'000	Other reserves US\$'000	Merger reserve US\$'000	Profit and loss account US\$'000	Total shareholder's Funds US\$'000
Balance at 1 January 2015		2,461	78,410	232,248	-	1,366,130	1,069,120	2,748,369
Loss for the financial year		-	-	-	-	-	(53,430)	(53,430)
Shares issued	16	311	-	27,287	132,681	-	-	160,279
Transfer of merger reserve	17	-	-	-	-	(1,089,000)	1,089,000	-
Dividend distributions		-	-	-	-	-	(2,224,000)	(2,224,000)
Balance at 31 December 2015		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	15, 16	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

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 2016

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 FRS 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;
- (vii) IAS 24 'Related Party Disclosures' requirements to disclose transactions with companies also wholly owned within the group; and
- (viii) IFRS 3 'Business Combinations' paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j), to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67.

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 2016

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 2016

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 for the year comprises current 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\$1,413.2 million as at 31 December 2016 (2015: net current liabilities of US\$1,737.9 million). The principal current liability of the company represents amounts payable to fellow group undertakings. 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.

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.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2016	Year ended 31 December 2015
	US\$'000	US\$'000
Interest on loans to group undertakings (see note 12)	1,760	620

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 December 2016	Year ended 31 December 2015
	US\$'000	US\$'000
Interest on loans from group undertakings (see notes 13 and 14)	39,517	41,477

7. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2016	Year ended 31 December 2015
	US\$'000	US\$'000
Foreign exchange losses/(gains)	49	(304)
Auditors' remuneration - audit services	40	52
Other expenses	23,691	33,847
	23,780	33,595

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 2016

9. DIRECTORS' EMOLUMENTS

The table below presents the company's directors' emoluments:

	Year ended 31 December 2016	Year ended 31 December 2015
	US\$'000	US\$'000
Aggregate emoluments	3	5

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.

3 persons are members of a defined contribution pension plan and 3 persons are members of a defined benefit pension plan. 3 directors have been granted shares in respect of a long-term incentive scheme during the year. No directors have exercised options during the year.

10. TAX ON PROFIT/(LOSS)

	Year ended 31 December 2016	Year ended 31 December 2015
	US\$'000	US\$'000
Current tax:		
U.K. corporation tax	(11,751)	(15,077)
Adjustments in respect of prior periods	469	1,593
Total tax on profit/(loss)	(11,282)	(13,484)

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

The table below presents a reconciliation between tax on profit/(loss) and the amount calculated by applying the weighted average rate of U.K. corporation tax applicable to the company for the year of 20% (2015: 20.25%) to the profit/(loss) before tax.

	Year ended 31 December 2016	Year ended 31 December 2015
	US\$'000	US\$'000
Profit/(loss) before taxation	57,288	(66,914)
Profit/(loss) multiplied by the weighted average rate in the U.K. of 20% (2015: 20.25%)	11,458	(13,550)
Permanent differences	(23,209)	(1,527)
Adjustments in respect of prior periods	469	1,593
Total tax on profit/(loss)	(11,282)	(13,484)

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

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 2015	3,756,829	(221,378)	3,535,451
Additions	381,440	-	381,440
Foreign exchange	(56,445)	-	(56,445)
Impairments	-	(7,595)	(7,595)
Distributions	(1,483,732)	-	(1,483,732)
At 31 December 2015	2,598,092	(228,973)	2,369,119
Additions (see note (i))	397,722	-	397,722
Foreign exchange	(159,689)	-	(159,689)
Distributions and impairments (see note (ii))	(241,555)	(15)	(241,570)
At 31 December 2016	2,594,570	(228,988)	2,365,582

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

- (i) On 23 March 2016, as part of a group reorganisation, the company acquired the issued share capital of ELQ Investors VIII Limited from its immediate parent undertaking, Goldman Sachs Group UK Limited, for a total consideration of US\$207.6 million via issuance of ordinary shares of the company. The company subsequently injected US\$190.0 million of capital into ELQ Investors VIII Limited.

On 1 August 2016, as part of a group reorganisation, the company acquired the issued share capital of Goldman Sachs TK Danismanlik Hizmetleri Anonim Sirketi from its immediate parent undertaking, Goldman Sachs Group UK Limited, for consideration of US\$118,602.

- (ii) On 27 January 2016, Shire UK Limited made a distribution of US\$84.1 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 27 January 2016, Scadbury UK Limited made a distribution of US\$94.0 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\$7.0 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 29 January 2016, GS European Investment I Ltd made a distribution of US\$6.0 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\$1.0 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 29 January 2016, KPL Finance Limited made a distribution of US\$160.4 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\$136.1 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.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

11. FIXED ASSET INVESTMENTS (continued)

(ii) On 16 March 2016, GS Leasing Management Limited made a distribution of US\$7,078. 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. An impairment of US\$14,948 was subsequently taken against the cost of shares. The directors consider that this represents a permanent diminution in value.

On 22 December 2016, GS Monaco S.A.M. made a distribution of US\$16.0 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\$13.4 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 1 August 2016, as part of a group reorganisation, the company sold the issued share capital of Goldman Sachs Europe Limited and Goldman Sachs UK Retirement Pension Plan Trustee Limited to its immediate parent undertaking, Goldman Sachs Group UK Limited, for the nominal value of the underlying shares.

The company's investment in Shire UK Limited consists of an investment in ordinary shares of US\$181.2 million (2015: US\$265.2 million) and an investment in redeemable ordinary shares of US\$822.4 million (2015: US\$982.1 million)

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
Shire UK Limited ¹	Investment company	100%	Ordinary shares
		100%	Redeemable ordinary shares
Scadbury UK Limited ¹	Investment company	100%	Ordinary shares
GS Liquid Trading Platform II Limited ²	Investment company	100%	Ordinary shares
Goldman Sachs Group U.K. Finance Limited ¹	Investment company	100%	Ordinary shares
Rothesay Life (Cayman) Limited ³	Investment company	100%	Ordinary shares
Broad Street Principal International Investments Limited ³	Investment company	100%	Ordinary shares
ELQ Investors VIII Limited ¹	Investment company	100%	Ordinary shares
Broad Street Principal Investment UK Limited ¹	Investment company	100%	Ordinary shares
Goldman Sachs TK Danismanlik Hizmetleri Anonim Sirketi ⁷	Investment company	100%	Ordinary shares
Goldman Sachs Ireland Finance Limited ⁴	Investment company	100%	Ordinary shares
GS European Investment I Ltd. ³	In liquidation	100%	Ordinary shares
KPL Finance Limited ³	In liquidation	100%	Ordinary shares

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

11. FIXED ASSET INVESTMENTS (continued)

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	Investment 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. ⁵	Investment company	100%	Ordinary shares
Pumbaa Luxembourg S.A.R.L. ⁶	Investment company	100%	Ordinary shares
ELQ Investors VIII Limited ¹	Investment company	100%	Ordinary shares
CDV-3 Ltd ¹	Investment company	97%	Ordinary shares
Titanium UK Holdco 1 Limited ¹	Investment company	100%	Ordinary shares
Titanium Luxco 2 S.A.R.L. ⁹	Investment company	89.52%	Ordinary shares
ELQ VIII Holdings Ltd ¹	Investment company	100%	Ordinary shares
PIL Acquisitions 2 Limited ⁹	Investment company	99.59%	Ordinary shares
PIL Uxbridge Limited ⁸	Investment company	100%	Ordinary shares
PIL Newbury Limited ⁸	Investment company	100%	Ordinary shares
PIL Mitre House Limited ⁸	Investment company	100%	Ordinary shares
PIL Clacton Limited ⁸	Investment company	100%	Ordinary shares
Uberior Special Situations Limited ¹⁰	Investment company	100%	Ordinary shares
The Place for Living Limited ¹¹	Investment company	89.52%	Ordinary shares
Parrot B.V. ¹²	Investment company	82.95%	Ordinary shares
Parrot Management B.V. ¹²	Investment company	82.95%	Ordinary shares
Titanium UK Asset Co Limited ¹	Investment company	89.52%	Ordinary shares
Obsidian Irish Collective Asset-Management Vehicle ¹³	Investment company	100%	Ordinary shares
OBSF (I) Limited ¹³	Investment company	100%	Ordinary shares
Prosta Acquisitions Ltd ¹	Investment company	100%	Ordinary shares

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

11. FIXED ASSET INVESTMENTS (continued)

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
Trinity II Investments SP. Z O.O. ¹⁴	Investment company	100%	Ordinary shares
Prosta Investments SP. Z O.O. ¹⁴	Investment company	100%	Ordinary shares
CHCAY Limited ¹⁵	Investment company	100%	Ordinary shares
CHPG Finance Limited ¹⁵	Investment company	100%	Ordinary shares
Killingholme Generation Limited ¹⁷	Investment company	100%	Ordinary shares
Forres Investments Limited ³	Investment company	100%	Ordinary shares
Paternoster Limited ¹⁶	Investment company	100%	Ordinary shares
GS Leasing No. 1 Limited ³	In liquidation	100%	Ordinary shares
GS Equipment Finance I Limited ³	In liquidation	100%	Ordinary shares
Killingholme Power Group Limited ¹⁷	In liquidation	100%	Ordinary shares
Killingholme Holdings Limited ¹⁷	In liquidation	100%	Ordinary shares
GS Funding Management Limited ³	In liquidation	100%	Ordinary shares
GS Funding Investments Limited ³	In liquidation	100%	Ordinary shares
Paternoster Services Limited ¹⁷	In liquidation	100%	Ordinary shares
Goldman Sachs International Finance ¹⁷	In liquidation	100%	Ordinary shares

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

11. FIXED ASSET INVESTMENTS (continued)

Registered office address at:

- ¹ Peterborough Court, 133 Fleet Street, London, EC4A 2BB, United Kingdom
- ² 13 Castle Street, St Helier, JE4 5UT, Jersey
- ³ P.O. Box 309, Ugland House, South Church Street, George Town, KY1-1104, Cayman Islands
- ⁴ 70 Sir John Rogerson's Quay, Dublin, 2, Ireland
- ⁵ Strawinskylaan 1161, Amsterdam, 1077 XX, Netherlands
- ⁶ 46A Avenue J. F. Kennedy, L-1885, Luxembourg
- ⁷ Buyukdere Caddesi Bina No:209, Tekfen Tower Kat: 8, No:21 ve 22, 4. Levent, Sisli, Istanbul, 34394, Turkey
- ⁸ 26 New Street, St Helier, JE2 3RA, Jersey
- ⁹ 2, Rue due Fossé, L-1536, Luxembourg
- ¹⁰ Atholl Crescent, Edinburgh, EH3 8HA, United Kingdom
- ¹¹ The Place, Ducie Street, Manchester, M1 2TP, United Kingdom
- ¹² Strawinskylaan 3127, Atrium Building 8th Floor, Amsterdam, 1077 ZX, Netherlands
- ¹³ Earlsfort Centre, Earlsfort Terrace, Dublin, 2, Ireland
- ¹⁴ Zlota 59, Warsaw, 00-120, Poland
- ¹⁵ Boundary Hall, Cricket Square, 171 Elgin Avenue, P.O. Box 1984, Grand Cayman, KY1-1104, Cayman Islands
- ¹⁶ IOMA House, Hope Street, Douglas, IM1 1AP, Isle of Man
- ¹⁷ The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB, United Kingdom

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

12. DEBTORS

	31 December 2016	31 December 2015
	US\$'000	US\$'000
Amounts due from group undertakings	796,751	903,790
Loans due from group undertakings (due in more than one year)	68,505	-
Subordinated loans due from group undertakings	-	92,049
	865,256	995,839

Amounts due from group undertakings in the current and prior year includes US\$18.4 million (2015: US\$14.1 million) in cash balances held on account by a fellow group undertaking.

Amounts due from group undertakings in the current and prior year also includes an intercompany receivable of US\$749.0 million (2015: US\$866.5 million) due from Goldman Sachs Group UK Limited, the company's immediate parent undertaking. The receivable bears no interest and is repayable on demand by the company.

Loans due from group undertakings (due in more than one year) in the current and prior year consists of a loan of US\$68.5 million (2015: US\$nil) advanced by 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 company.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2016	31 December 2015
	US\$'000	US\$'000
Short-term loans payable to group undertakings	2,325,151	2,711,470
Amounts due to group undertakings	6,549	20,873
Other creditors and accruals	1,689	11,124
	2,333,389	2,743,467

Short-term loans payable to group undertakings in the current and prior years include amounts of US\$1,442.5 million (2015: US\$2,256.1 million) advanced to the company by fellow group undertakings. The loans are unsecured, carry interest at a variable rate and are repayable on demand by the lender.

Short-term loans payable to group undertakings in the current and prior years also include an amount of US\$882.7 million (2015: US\$455.4 million) advanced to the company by Goldman Sachs Group UK Limited, the company's immediate parent undertaking. The loan is unsecured, carries interest at a variable rate and is repayable 94 days following demand by the lender.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

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

	31 December 2016	31 December 2015
	US\$'000	US\$'000
Long-term loans payable to group undertakings	44,945	-
	44,945	-

Long-term loans payable to group undertakings in the current and prior year consists of a loan of US\$44.9 million (2015: US\$nil) 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.

15. CALLED UP SHARE CAPITAL

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

	31 December 2016		31 December 2015	
	No.	US\$'000	No.	US\$'000
<u>Allotted, called up and fully paid</u>				
Ordinary shares of US\$0.01 each	317,379,000	3,174	277,199,210	2,772
		3,174		2,772

On 23 March 2016, as part of a group reorganisation, the company acquired the entire issued share capital of ELQ Investors VIII Limited from Goldman Sachs Group UK Limited for a total consideration of US\$207.6 million. As consideration, the company issued 40,179,790 ordinary shares of US\$0.01 to Goldman Sachs Group UK Limited.

As part of this transaction, the company applied section 611 of the Companies Act 2006. As a result, share premium of US\$156.6 million was recorded and the remaining difference was credited to other reserves (see note 16).

16. OTHER RESERVES

As described in note 15, the company acquired the entire issued share capital of ELQ Investors VIII Limited from 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. As part of this transaction, the company applied section 611 of the Companies Act 2006. As a result, nil share premium was recorded and the remaining difference between the nominal value of the shares issued and the market value, amounting to US\$132.7 million, was credited to other reserves.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

17. 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.

The company has since 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 reserve on receipt of these distributions.

18. FINANCIAL COMMITMENTS AND CONTINGENCIES

The company had no financial commitments or contingencies outstanding at year end (31 December 2015: 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 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. 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.

Interest rate sensitivity

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\$11.4 million lower/higher (2015: US\$13.5 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.

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

The company manages its interest rate and currency risks as part of the group’s risk management policy, as appropriate to the circumstances of the company.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

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 2016 and 31 December 2015.

c. Liquidity risk

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

20. 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\$920.1 million (2015: US\$1,005.6 million) of current financial assets and US\$2,333.4 million (2015: US\$2,743.5 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\$44.9 million (2015: US\$nil) 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.

GOLDMAN SACHS GROUP HOLDINGS (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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 2016					
	Less than 1 month US\$'000	1-3 months US\$'000	3 months to 1 year US\$'000	1-5 years US\$'000	5+ years US\$'000	Total 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

	31 December 2015					
	Less than 1 month US\$'000	1-3 months US\$'000	3 months to 1 year US\$'000	1-5 years US\$'000	5+ years US\$'000	Total US\$'000
Financial liabilities						
Creditors: amounts falling due within one year	1,784,789	-	963,793	-	-	2,748,582
Total - on balance sheet	1,784,789	-	963,793	-	-	2,748,582

21. POST BALANCE SHEET EVENTS

On 6 June 2017, subsequent to a review of the investment activity of the company, the redeemable ordinary shares in Shire UK Limited of US\$822.4 million (2015: US\$982.1 million) were fully redeemed.