

Company Number: 2474901

**GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**

(unlimited company)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

MONDAY



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# **GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**

## **(unlimited company)**

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### **REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the year ended 31 December 2011

#### **1. Principal activities**

Goldman Sachs Asset Management International (the company) is an asset management company. The company is regulated by The Financial Services Authority ('the FSA'). The company primarily operates in a US Dollar environment as part of The Goldman Sachs Group, Inc ('the group'). Accordingly, the company's functional currency is US Dollars and these financial statements have been prepared in that currency.

#### **2. Review of business and future developments**

##### **Business environment**

The company's financial performance is highly dependent on the environment in which its business operates. A favourable business environment is generally characterised by, amongst other factors, high global gross domestic product growth, transparent, liquid and efficient capital markets, low inflation, high business and investor confidence, stable geopolitical conditions, and strong business earnings. Unfavourable or uncertain economic and market conditions can be caused by concerns about sovereign defaults, declines in economic growth, business activity or investor or business confidence, limitations on the availability or increases in the cost of credit and capital, increases in inflation, interest rates, exchange rate volatility, default rates or the price of basic commodities, outbreaks of hostilities or other geopolitical instability, corporate, political or other scandals that reduce investor confidence in capital markets, natural disasters or pandemics, or a combination of these or other factors.

The profit and loss account for the year is set out on page 7. Turnover decreased to US\$381.0 million from US\$406.8 million in the prior year, primarily due to a decrease in management fees reflecting a change in the mix of assets under management to assets earning lower fees. This was partially offset by an increase in performance fees. Average assets under management during the year were US\$108.4 billion compared to an average of US\$108.3 billion during the prior year. Assets under management at 31 December 2011 were US\$102.7 billion compared to US\$109.0 billion at the prior year end. Administrative expenses decreased to US\$226.5 million from US\$290.6 million in the prior year following a decrease in service charges payable to group undertakings. The profit on ordinary activities before taxation was US\$156.5 million compared to US\$118.2 million in the prior year. The company has total assets of US\$518.2 million compared to US\$468.3 million at 31 December 2010.

##### **Strategy**

The group is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System (Federal Reserve Board). It is also 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 high-net-worth individuals. As part of the group, the company seeks to be a leading participant in the investment management business and continue to develop its business in the European Union and selected non-EU jurisdictions having regard to the broader strategy defined by the group.

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**REPORT OF THE DIRECTORS (continued)**

**2 Review of business and future developments (continued)**

**Principal risks and uncertainties**

The company faces a variety of risks that are substantial and inherent in its business. The following are some of the more important factors that could affect the business.

***Economic and market conditions***

The business, by its nature, does not produce predictable earnings and is materially affected by conditions in the global financial markets and economic conditions generally. In the past, these conditions have changed suddenly and, for a period of time, very negatively.

***Liquidity***

Liquidity is essential to the business. The company's liquidity could be impaired by an inability to access funds from its affiliates, an inability to sell assets or unforeseen outflows of cash. This situation may arise due to circumstances that the company may be unable to control, such as a general market disruption or an operational problem that affects third parties or the company or even by the perception amongst market participants that the company is experiencing greater liquidity risk.

***Credit quality***

The company generates turnover in the form of fees from pooled investments and segregated accounts. Fees from pooled accounts are settled from the assets under management of the fund, for which the credit risk is considered minimal. For segregated accounts, however, that is not always the case and the company is therefore exposed to the risk that clients may default on their fee payment obligations to the company due to bankruptcy, lack of liquidity, operational failure or other reasons.

***Operational infrastructure***

The company's business is highly dependent on its ability to process and monitor, on a daily basis, a large number of transactions (investment flows / investor flows), many of which are highly complex, across numerous and diverse markets in many currencies. These transactions, as well as information technology services provided to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards. As the company's client base and geographical reach expands, developing and maintaining operational systems and infrastructure becomes increasingly challenging. Financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond the company's control, such as a spike in transaction volume, adversely affecting the ability to process these transactions or provide these services. The company must continuously update these systems to support its operations and growth and to respond to changes in regulations and markets. This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones.

Despite the resiliency plans and facilities that are in place, the company's ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports this business and the communities in which the company is located. This may include a disruption involving electrical, communications, transportation or other services used by the company or third parties with which the company conducts business.

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**REPORT OF THE DIRECTORS (continued)**

**2. Review of business and future developments (continued)**

***Risk management***

The company seeks to monitor and control risk exposure through a risk and control framework encompassing a variety of separate, but complementary investment, financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms. Whilst the company employs a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgements that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. In addition, refer to the financial risk management section (see note 17), below.

***Future outlook***

The directors consider that the year end financial position of the company was satisfactory. No significant change in the company's principal business activity is expected.

**3 Dividends**

The directors declared and paid a preference dividend of US\$5,656,650 during the year (year ended 31 December 2010 US\$5,656,650). No interim ordinary dividend was declared and paid during the year (year ended 31 December 2010 US\$194,343,350). The directors do not recommend the payment of a final ordinary dividend (year ended 31 December 2010 US\$nil).

**4. Exchange rate**

The sterling / US Dollar exchange rate at the balance sheet date was £ / US\$ 1.5511 (31 December 2011 £ / US\$ 1.5590). The average rate for the year was £ / US\$ 1.6103 (year ended 31 December 2011 £ / US\$ 1.5422).

**5. Directors**

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

<b>Name</b>	<b>Appointed</b>
P J Ward, Chairman	
M A Allen	4 April 2011
R J Gnodde	
Lord Griffiths of Fforestfach	
S H Patel	
T T Sotir	
C H Taylor	
A F Wilson	

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

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**REPORT OF THE DIRECTORS (continued)**

**6. Disclosure of information to auditors**

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

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

**7. 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

**8. Statement of directors' responsibilities**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations Company law requires the directors to prepare accounts 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 those 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

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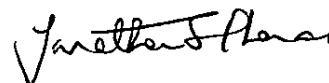
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**REPORT OF THE DIRECTORS (continued)**

**9. Date of authorisation of issue**

The financial statements were authorised for issue by the Board of Directors on 27 March 2012

**BY ORDER OF THE BOARD**



**J. S. Thomas**

**Secretary**

*27 March 2012*

**Independent Auditors' report to the members of  
GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL  
(unlimited company)**

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We have audited the financial statements of Goldman Sachs Asset Management International for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of directors and auditors**

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

**Scope of the audit of the financial statements**

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. In addition, we read all the financial and non financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Christopher Rowland (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London 28 March 2012

**GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**  
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**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2011**

		Year Ended 31 December 2011	Year Ended 31 December 2010
	Note	US\$'000	US\$'000
Turnover		380,972	406,766
Administrative expenses		(226,514)	(290,602)
<b>OPERATING PROFIT</b>	3	154,458	116,164
Interest receivable and similar income	4	2,060	2,065
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		156,518	118,229
Tax on profit on ordinary activities	7	(16,102)	(32,435)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR</b>	14	140,416	85,794

The operating profit of the company is derived from continuing operations in the current and prior years

There is no difference between the profit on ordinary activities before taxation and the profit for the year as stated above and their historical cost equivalents, except as explained in notes 1(d) and 1(e)

The company has no recognised gains and losses other than those included in the profit for the year shown above and therefore no separate statement of total recognised gains and losses has been presented



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**BALANCE SHEET**

**as at 31 December 2011**

	Note	31 December 2011 US\$'000	31 December 2010 US\$'000
<b>FIXED ASSETS</b>			
Investments	8	53	53
<b>CURRENT ASSETS</b>			
Securities purchased under agreements to resell		300,920	265,822
Debtors	9	151,769	171,971
Cash at bank and in hand		65,457	30,461
		518,146	468,254
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	(219,412)	(286,148)
<b>NET CURRENT ASSETS</b>		298,734	182,106
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		298,787	182,159
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12	-	(18,131)
<b>NET ASSETS</b>		298,787	164,028
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	1,695	1,695
Share premium account	14	69,293	69,293
Profit and loss account	14	227,799	93,040
<b>TOTAL SHAREHOLDERS' FUNDS</b>	16	298,787	164,028

The financial statements were approved by the Board of Directors on 27 March 2012 and signed on its behalf by



Director  
M. A. ALLEN

The notes on pages 9 to 17 form an integral part of these financial statements  
Independent Auditors' report – page 6  
Company number 2474901

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**

**1. ACCOUNTING POLICIES**

**a. Accounting convention**

The financial statements have been prepared on the going concern basis, under the historical cost convention (modified as explained in notes 1(d) and 1(e)), and in accordance with the Companies Act 2006 and applicable accounting standards. The principal accounting policies are set out below and have been applied consistently throughout the year.

**b. Foreign currencies**

Transactions denominated in foreign currencies are translated into US Dollars at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are recognised in the profit and loss account.

**c. Fixed asset investments**

Fixed asset investments are stated at cost less provision for any impairment.

**d. Securities purchased under agreements to resell**

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralised financing transactions recognised on trade date and are carried at fair value under the fair value option, with changes in fair value recognised in the profit and loss account. The collateral can be in the form of cash or securities. Cash collateral is recognised / derecognised when received / paid. Collateral posted by the company in the form of securities is not derecognised from the balance sheet, while collateral received in the form of securities is not recognised on balance sheet. If collateral received is subsequently sold, the obligation to return the collateral and the cash received are recognised on balance sheet.

**e. Derivative financial instruments**

The company uses derivatives, primarily forward exchange contracts, to reduce exposure to foreign exchange risk. The company does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially and subsequently measured at fair value with changes in fair value recognised in the profit and loss account.

**f. Other financial assets and liabilities**

Other financial assets and 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.

**g. Offsetting financial assets and liabilities**

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**

**1 ACCOUNTING POLICIES (continued)**

**h. Revenue recognition**

*Management fees*

Management fees are recognised on an accruals basis and are generally calculated as a percentage of a fund's average net asset value and are recognised over the period that the related service is provided

*Incentive fees*

Incentive fees are calculated as a percentage of a fund's return or a percentage of a fund's excess return above a specified benchmark or other performance target. Incentive fees are only recognised once they can be reliably measured at the end of the performance year

**i. Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future or a right to pay less tax in the future. 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 the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the year in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

**j. Dividends**

Final dividends on financial instruments classified as equity are recognised in the year that they are approved by the shareholders. Interim equity dividends are recognised in the year that they are paid. These dividends are debited directly to equity

**k. Reporting and disclosure exemptions**

**i. FRS1 (Revised 1996) 'Cash Flow Statements'**

The company is a greater than 90% subsidiary of The Goldman Sachs Group, Inc., whose consolidated accounts include the company and are publicly available and is, therefore, exempt from preparing a cash flow statement as required by FRS1 (Revised 1996) 'Cash Flow Statements'

**ii. FRS8 'Related Party Disclosures'**

The company is a wholly-owned subsidiary of The Goldman Sachs Group, Inc., whose consolidated accounts include the company and are publicly available. As a result, under the terms of paragraph 3(c) of FRS8 'Related Party Disclosures', the company is exempt from disclosing transactions with companies also wholly owned within the group. There were no other related party transactions requiring disclosure

**iii. FRS29 (IFRS7) 'Financial Instruments: Disclosures'**

The company is a greater than 90% subsidiary of Goldman Sachs Group Holdings (U.K.), whose consolidated accounts include the company and are publicly available and is, therefore, exempt from the disclosures required by FRS29 (IFRS7) 'Financial Instruments: Disclosures'

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**

**2. SEGMENTAL REPORTING**

All operating profit arises from the Investment Management segment. The directors manage the company's activities as a single business and in the same geographic region and accordingly no segmental analysis has been provided.

**3. OPERATING PROFIT**

	<b>Year Ended</b> <b>31 December 2011</b> <b>US\$'000</b>	<b>Year Ended</b> <b>31 December 2010</b> <b>US\$'000</b>
<b>Operating profit is stated after charging / (crediting):</b>		
Auditors' remuneration - audit services	58	46
Service charges payable to group undertakings	180,282	265,243
Service charges receivable from group undertakings	(19,575)	(26,132)

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>Year Ended</b> <b>31 December 2011</b> <b>US\$'000</b>	<b>Year Ended</b> <b>31 December 2010</b> <b>US\$'000</b>
Interest income on overnight deposits	4	3
Interest income on resale agreements	2,056	2,062
	<b>2,060</b>	<b>2,065</b>

**5. STAFF COSTS**

As in the prior year the company has no employees. All persons involved in the company's operation are employed by group undertakings. The charges made by these group undertakings for all services provided to the company are included in the service charges payable to group undertakings (see note 3).

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**

**6. DIRECTORS' EMOLUMENTS**

	Year Ended 31 December 2011 US\$'000	Year Ended 31 December 2010 US\$'000
<b>Directors:</b>		
Aggregate emoluments	919	1,932
Company pension contributions to money purchase schemes	23	7
	<b>942</b>	<b>1,939</b>
	US\$'000	US\$'000
<b>Highest paid director:</b>		
Aggregate emoluments and benefits	389	821
Company pension contributions to money purchase schemes	2	3
Accrued pension at end of year	-	-

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. The directors have revised the disclosure of directors' emoluments to exclude the value of equity awards in accordance with the provision of Schedule 5 of Statutory Instrument 2008 / 410. Directors' emoluments and the disclosure for the highest paid director for the year ended 31 December 2010 have been amended accordingly, to be consistent with the current year's presentation. Directors also receive emoluments for non-qualifying services which are not required to be disclosed.

Seven persons, who were directors for some or all of the year, are members of a defined contribution pension scheme and five are members of a defined benefit pension scheme. All directors, including the highest paid director, have been granted shares in respect of a long term incentive scheme. Three directors, not including the highest paid director, have exercised options.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**(a) Analysis of tax charge for the year:**

	Year Ended 31 December 2011 US\$'000	Year Ended 31 December 2010 US\$'000
<b>Current tax:</b>		
Group relief payable	632	36,884
Corporation tax payable	-	2,806
Adjustments in respect of previous periods	(1,939)	-
<b>Total current tax (see note (b) below)</b>	<b>(1,307)</b>	<b>39,690</b>
<b>Deferred tax:</b>		
Other timing differences (see note 10)	17,409	(7,255)
<b>Tax charge on profit on ordinary activities</b>	<b>16,102</b>	<b>32,435</b>

The company, as part of a group, is subject to group relief arrangements where losses can be utilised by fellow group undertakings. Where a consideration is given for losses surrendered, this is disclosed as group relief payable under the current tax charge. Where nil consideration is given, this is disclosed as a factor affecting the current tax charge for the year (see note (b) below).

**(b) Factors affecting tax charge for the year:**

The current tax assessed for the year differs from the standard rate of corporation tax in the UK measured at 26.5% following the change in corporation tax rates from 1 April 2011 to 26% (31 December 2010: 28%). The differences are explained below.

	Year Ended 31 December 2011 US\$'000	Year Ended 31 December 2010 US\$'000
Profit on ordinary activities before tax	156,518	118,229
Profit on ordinary activities at the standard rate in the UK 26.5% (2010: 28%)	41,477	33,104
Timing differences in respect of equity based compensation	(16,593)	7,035
Expenses not deductible for tax purposes	26	20
Adjustments in respect of previous periods	(1,939)	-
Tax losses surrendered from group undertakings for nil consideration	(24,095)	-
Exchange differences	(183)	(469)
<b>Current tax charge for the year</b>	<b>(1,307)</b>	<b>39,690</b>

The timing difference in respect of equity based compensation recharges comprises the net tax effect of the amounts charged to the profit and loss account during the year and those amounts paid to employees during the year, which are incurred by the company through service charges payable to parent and group undertakings.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**

**8. FIXED ASSETS INVESTMENTS**

	<u>US\$'000</u>
<b>Cost and Net Book Value</b>	
At 31 December 2010 and 31 December 2011	<u>53</u>

Fixed asset investments represent an investment in a global messaging network. The directors consider that the cost of the investment is not less than its net book value.

**9. DEBTORS**

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

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Amounts due from group undertakings	21,570	12,735
Corporation tax receivable	1,841	9,457
Deferred tax (see note 10)	9,703	27,112
Other debtors	1,445	2,227
Prepayments and accrued income	117,210	120,440
	<u><b>151,769</b></u>	<u><b>171,971</b></u>

Included in amounts due from group undertakings is US\$4,909,545 (31 December 2010: US\$2,895,720) of cash held on account by a fellow group undertaking.

**10. DEFERRED TAX**

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Deferred tax balance comprises (see note 9):</b>		
Other timing differences	<u>9,703</u>	<u>27,112</u>

	<u>US\$'000</u>
<b>The movements in the deferred tax balance were as follows:</b>	
At 31 December 2010	27,112
Transfer to the profit and loss account for the year (see note 7(a))	<u>(17,409)</u>
At 31 December 2011	<u><b>9,703</b></u>

Other timing differences includes deferred tax in respect of service charges payable to parent and group undertakings for equity based compensation recharges.

The directors consider that future profits will be available against which the deferred tax asset can be recovered.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 December 2011	31 December 2010
	US\$'000	US\$'000
Amounts due to group undertakings	35,790	59,244
Group relief payable	133,131	133,805
Accrual for service charges payable to parent and group undertakings	37,327	82,687
Accruals and deferred income	13,164	10,412
	<b>219,412</b>	<b>286,148</b>

(i) Included in the amounts due to group undertakings is US\$1,261,211 (31 December 2010 US\$2,875,082) relating to foreign exchange forward contracts

(ii) The accrual for service charges payable to parent and group undertakings is in respect of equity based compensation recharges. Subsequent to the year end, a revision was made to the service charges methodology resulting in all balances being due within one year

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31 December 2011	31 December 2010
	US\$'000	US\$'000
Accrual for service charges payable to parent and group undertakings	-	18,131

Subsequent to the year end, all equity based compensation recharges (see note 11) were settled following a revision to the service charges methodology

**13. SHARE CAPITAL**

At 31 December 2011 and 31 December 2010 share capital comprised

	31 December 2011	31 December 2010
	No.      US\$'000	No.      US\$'000
<b><u>Allotted, called up and fully paid</u></b>		
Ordinary shares of US\$1 each	988,000      988	988,000      988
Class B ordinary shares of £1 each	2      -	2      -
Non-cumulative preference shares of US\$0.01 each	70,708,123      707	70,708,123      707
	<b>1,695</b>	<b>1,695</b>

The preference shares carry limited voting rights and on a winding up, the holders have a preferential right to return of capital together with any premium. Preference shares have a fixed non-cumulative dividend payable at a rate of 8 cents per share per annum. The Class B ordinary shares are not entitled to participate in any dividend or other distribution paid or made by the company.



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**14. SHARE PREMIUM ACCOUNT AND RESERVES**

	Share Premium Account US\$'000	Profit and Loss Account US\$'000
At 31 December 2010	69,293	93,040
Profit for the financial year	-	140,416
Payment of non-cumulative preference dividend	-	(5,657)
<b>At 31 December 2011</b>	<b>69,293</b>	<b>227,799</b>

**15. DIVIDENDS PAID**

	Year Ended 31 December 2011 US\$'000	Year Ended 31 December 2010 US\$'000
Ordinary shares	-	194,343
Non-cumulative preference shares	5,657	5,657
	<b>5,657</b>	<b>200,000</b>

**16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31 December 2011 US\$'000	31 December 2010 US\$'000
Profit for the financial year	140,416	85,794
Non-cumulative preference dividend paid (see note 15)	(5,657)	(5,657)
Ordinary dividend paid (see note 15)	-	(194,343)
Net increase / (decrease) in shareholders' funds	134,759	(114,206)
Opening shareholders' funds	164,028	278,234
<b>Closing shareholders' funds</b>	<b>298,787</b>	<b>164,028</b>

**17. FINANCIAL RISK MANAGEMENT**

The company is exposed to financial risk through its financial assets and liabilities. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the most important components of financial risk the directors consider relevant to the entity are currency risk, credit risk and liquidity risk. The company, as part of a global group, adheres to global risk management policies and procedures.

**a Currency risk**

Foreign exchange risk results from exposures to changes in spot prices and forward prices. The company manages its currency risk by establishing economic hedges as appropriate to the circumstances of the company.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**

**17. FINANCIAL RISK MANAGEMENT (continued)**

**b. Credit risk**

Credit risk represents the loss the company would incur if a counterparty fails to meet its contractual obligations. Credit risk is monitored by reviewing the repayment profile of the counterparty. If a counterparty fails to perform under its contractual obligation any underlying collateral, against which the assets are secured, may be foreclosed. The company manages its credit risk arising from clients by entering into agreements with its ultimate parent undertaking.

**c. Liquidity risk**

Liquidity is of critical importance to financial institutions. Accordingly, the company has in place a conservative set of liquidity and funding policies. The principal objective is to be able to fund the company and to continue to generate revenues under adverse circumstances.

**18. ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS**

The immediate parent undertaking is Goldman Sachs Holdings (U K ), and the parent company of the smallest group for which consolidated financials are prepared is Goldman Sachs Group Holdings (U K ), companies incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking and the parent company of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc , a company incorporated within the United States of America. Copies of its accounts can be obtained from 200 West Street, New York, NY 10282, United States of America, the group's principal place of business.