Company Number: 02474901

GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL

(unlimited company)

ANNUAL REPORT

31 DECEMBER 2017

STRATEGIC REPORT

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

1. Introduction

Goldman Sachs Asset Management International (the company) is an asset management company principally operating in the Europe, the Middle East and Africa (EMEA) region.

The company is authorised and regulated by the Financial Conduct Authority (FCA).

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 group has a presence in EMEA through a number of subsidiaries, including the company.

As part of the group, the company seeks to be a leading participant in the investment management industry and continues to develop its business having regard to the broader strategy defined by the group.

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 2017. Comparative information has been presented for the year ended 31 December 2016.

The results of the year are shown in the profit and loss account on page 10.

Turnover decreased to US$482.9 million, from US$555.3 million in the prior year, primarily due to a decrease in incentive fees. Administrative expenses increased to US$393.4 million from US$368.0 million in the prior year, primarily due to increases in management fees charged by group undertakings and variable expenses. Profit before taxation was US$92.5 million (31 December 2016: US$187.9 million).

The company had total assets of US$513.3 million (31 December 2016: US$495.4 million).

Average Assets Under Management (AUM) during the year were US$143.5 billion (31 December 2016: US$126.3 billion). AUM at 31 December 2017 were US$148.1 billion (31 December 2016: US$134.8 billion).

3. Exchange rate

The British pound/U.S. dollar exchange rate at the balance sheet date was £/$1.3524 (31 December 2016: £/$1.2337). The average rate for the year was £/$1.3020 (31 December 2016: £/$1.3439).

4. 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 activities is currently expected.

STRATEGIC REPORT (continued)

5. Business environment

Global

During 2017, real gross domestic product (GDP) growth appeared to generally increase compared to 2016 in both advanced and emerging market economies. In advanced economies, real GDP growth was higher in the U.S., the Euro area and Japan, but decreased slightly in the U.K. In emerging markets, real GDP growth increased slightly in China and appeared to decrease in India. Real GDP appeared to grow in Russia and Brazil compared with contractions in 2016. Broadly, global macroeconomic data remained strong throughout 2017, and volatility in equity, fixed income, currency and commodity markets was low. Major elections were held in France, the U.K., Germany and China, but none of these events resulted in significant volatility across markets. Major central banks continued to gradually tighten their stance on monetary policy, as the U.S. Federal Reserve increased its target interest rate three times and began the process of balance sheet normalisation. In investment banking, industry-wide announced and completed mergers and acquisitions transactions remained solid during 2017, although volumes declined compared with 2016. Industry-wide offerings in equity underwriting increased significantly compared with 2016, and industry-wide debt underwriting offerings remained strong, particularly in leveraged finance activity.

Europe

In the Euro area, real GDP increased by 2.5% in 2017, compared with an increase of 1.7% in 2016. Net exports improved, while growth in consumer spending and fixed investment slowed slightly. Measures of inflation remained subdued, prompting the European Central Bank (ECB) to announce an extension of its asset purchase programme in the fourth quarter of 2017, although the pace of its monthly asset purchases decreased from €60 billion to €30 billion beginning in January 2018. The ECB maintained its main refinancing operations rate at 0.00% and its deposit rate at (0.40%). The Euro appreciated by 14% against the U.S. dollar. Yields on 10-year government bonds in the Euro area generally increased during the year. In equity markets, the DAX Index, CAC 40 Index and Euro Stoxx 50 Index increased by 13%, 9% and 6%, respectively, during 2017. During 2017, the process of negotiating an arrangement for the withdrawal of the U.K. from the E.U. began, resulting in an agreement on certain issues in December as negotiations shifted to transitional arrangements. In the U.K., real GDP increased by 1.7% in 2017, compared with an increase of 1.9% in 2016. Inflation increased materially in 2017 prompting the Bank of England to raise the official bank rate by 25 basis points in November. The British pound appreciated by 10% against the U.S. dollar during 2017. Yields on 10-year government bonds in the U.K. decreased slightly during the year and, in equity markets, the FTSE 100 Index increased by 8% during 2017. In investment banking, EMEA industry-wide announced and completed mergers and acquisitions transactions remained solid during 2017, although volumes declined compared with 2016. EMEA industry-wide offerings in equity underwriting increased significantly compared with 2016, and EMEA industry-wide debt underwriting offerings remained strong.

6. Principal risks and uncertainties

The company faces a variety of risks that are substantial and inherent in its business including market, liquidity, credit, operational, legal, regulatory and reputational risks and uncertainties. The following are some of the more important factors that could affect the company's business.

Economic and market conditions

The company's business, by its nature, produces earnings which are directly linked to its AUM, which can be 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. Poor investment returns, due to either general market conditions or underperformance (relative to our competitors or to benchmarks) by investment funds or separate accounts that the company manages or investment products that it designs or sells, affects its ability to retain existing assets and to attract new clients or additional assets from existing clients. This could affect the management and incentive fees that the company earns on AUM.

Brexit will likely change the arrangements by which U.K. firms are able to provide services in the European Union (E.U.) which may adversely affect the manner in which the company operates its businesses in the E.U. and could require the company to restructure its operations. The outcome of the negotiations between the U.K. and the E.U. in connection with Brexit is highly uncertain. Such uncertainty may result in market volatility and may negatively impact the confidence of investors and clients.

STRATEGIC REPORT (continued)

6. Principal risks and uncertainties (continued)

Liquidity

Liquidity is essential to the company's business. The company's liquidity could be impaired by an inability to access funds from affiliates or by 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 its affiliates or even by the perception amongst market participants that the company, or other market participants, are experiencing greater liquidity risk. In order to mitigate this risk, the company has in place what it considers to be a conservative set of liquidity policies.

Credit quality

The company generates turnover in the form of fees from investment funds and separate accounts. Fees from investment funds are settled from the AUM of the fund, for which the credit risk is considered minimal. For separate accounts, the company manages its credit risk arising from clients by entering into factoring agreements with Group Inc.

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, and occur at high volumes and frequencies, 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.

Many rules and regulations worldwide govern the company's obligations to report transactions and other information to regulators, exchanges and investors. Compliance with these legal and reporting requirements can be challenging, and the group and other financial institutions have been subject to regulatory fines and penalties for failing to report timely, accurate and complete information. As reporting requirements expand, compliance with these rules and regulations has become more challenging.

As the company's client base and geographical reach expands, developing and maintaining operational systems and infrastructure becomes more 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, and invest heavily in systemic controls and training to ensure that such transactions do not violate applicable rules and regulations or, due to errors in processing such transactions, adversely affect markets, clients and counterparties or the company itself. System enhancements and updates, as well as the requisite training, entail significant costs and create risks associated with implementing new systems and integrating them with existing ones.

The company's business is also dependent on its ability to oversee numerous third party vendors including, but not limited to, custodians, prime brokers, administrators and transfer agents. As the company continues to grow its client base, its geographical reach and its transaction breadth and volume, it must continue to evolve its vendor management control framework to ensure all new vendor related risks are captured and changes to regulations considered.

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 its business. This may include a disruption involving electrical, satellite, undersea or other communications, internet, transportation or other services facilities used by the company or third parties with which the company conducts business. These disruptions may occur as a result of events that affect the company's use of buildings or systems or those of such third parties, or as a result of events with a broader impact globally, regionally or in the cities where those buildings or systems are located, including, but not limited, to natural disasters, war, civil unrest, terrorism, economic or political developments, pandemics and weather events.

STRATEGIC REPORT (continued)

6. Principal risks and uncertainties (continued)

Cyber security

The company must continuously monitor and develop its systems to protect its technology infrastructure and data from misappropriation or corruption. The increasing migration of the company's communication and other platforms from company provided devices to employee-owned devices presents additional risks of cyber attacks. In addition, due to the interconnectivity with third-party vendors (and their respective service providers), the company could be adversely impacted if any of them is subject to a successful cyber attack or other information security event. These effects could include the loss of access to information or services from the third party subject to the cyber attack or other information security event, which could, in turn, interrupt certain of the company's businesses.

Despite the company's efforts to ensure the integrity of its systems and information, it may not be able to anticipate, detect or implement effective preventive measures against all cyber threats. Cyber attacks can originate from a variety of sources and third parties may also attempt to place individuals within the company or induce employees, clients or other users of the company's systems to disclose sensitive information or provide access to the company's data or that of its clients, and these types of risks may be difficult to detect or prevent.

Although the company takes protective measures and endeavours to modify them as circumstances warrant, its computer systems, software and networks may be vulnerable to unauthorised access, misuse, computer viruses or other malicious code and other events that could have a security impact. Due to the complexity and interconnectedness of the company's systems, the process of enhancing protective measures can itself create a risk of systems disruptions and security issues. If one or more of such events occur, this potentially could jeopardise the company or its clients' or counterparties' confidential and other information processed and stored in, and transmitted through, the company's computer systems and networks, or otherwise cause interruptions or malfunctions in the company's, its clients', its counterparties' or third parties' operations, which could impact their ability to transact with the company or otherwise result in legal or regulatory action, significant losses or reputational damage.

The company routinely transmits and receives personal, confidential and proprietary information by email and other electronic means. The company has discussed and worked with clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and protect against cyber attacks, but does not have, and may be unable to put in place, secure capabilities with all of its clients, vendors, service providers, counterparties and other third parties and it may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a client, vendor, service provider, counterparty or other third party could result in legal liability, regulatory action and reputational harm.

Regulation

As a participant in the investment management industry and a subsidiary of a systemically important financial institution, the company is subject to extensive regulation principally in the U.K. and the E.U. more generally but also in the U.S. as a subsidiary of Group Inc.. The company faces the risk of intervention by regulatory and tax authorities in all jurisdictions in which it conducts its business. Among other things, as a result of regulators or private parties challenging the company's compliance with enforcing existing laws and regulations, it could be fined, prohibited from engaging in its business activity, subject to limitations or conditions on its business activity or subjected to new or substantially higher taxes or other governmental charges in connection with the conduct of its business. Such limitations or conditions may negatively impact the company's profitability.

If there are new laws or regulations or changes in the enforcement of existing laws or regulations applicable to the company's business or that of the company's clients, including capital and liquidity requirements, reporting requirements, tax burdens and compensation restrictions, that are imposed on a limited subset of financial institutions (either based on size, activities, geography or other criteria) which may include the company or Group Inc., compliance with these new laws and regulations, or changes in the enforcement of existing laws or regulations, could adversely affect the company's ability to compete effectively with other institutions that are not affected in the same way. In addition, regulation imposed on financial institutions or market participants generally, such as taxes on financial transactions, could adversely impact levels of market activity more broadly, and thus impact the company's business.

STRATEGIC REPORT (continued)

6. Principal risks and uncertainties (continued)

Regulation (continued)

Regulatory developments, in particular the Markets in Financial Instruments Regulation and the revision of the Markets in Financial Instruments Directive (collectively, MiFID II), may adversely affect the company's competitive position and profitability. Additional market reforms also include rules on the recovery and resolution of E.U. institutions. The implementation of these reforms may adversely affect the company's profitability and competitive position, particularly if these requirements do not apply, or do not apply equally, to the company's competitors or are not implemented uniformly across jurisdictions.

Legal liability

Substantial legal liability or significant regulatory action against the company could have material adverse financial effects or cause significant reputational harm, which in turn could seriously harm its business prospects. The company faces significant legal risks in its business, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high.

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. Thus, the company may, in the course of its activities, incur losses. In addition, refer to the financial risk management section (see note 15).

Conflicts of interest

A failure to appropriately identify and address potential conflicts of interest could adversely affect the company's businesses. Due to the broad scope of GS Group's businesses and client base, the company regularly addresses potential conflicts of interest, including situations where services to a particular client or GS Group's own investments or other interests conflict, or are perceived to conflict, with the interests of another client, as well as situations where one or more of its businesses have access to material non-public information that may not be shared with other businesses within GS Group and situations where it may be a creditor of an entity with which GS Group also has an advisory or other relationship.

Extensive procedures and controls are in place that are designed to identify and address conflicts of interest, including those designed to prevent the improper sharing of information among businesses. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and the company's reputation, which is one of its most important assets, could be damaged and the willingness of clients to enter into transactions with the company may be affected if it fails, or appears to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions.

7. Date of authorisation of issue

The strategic report was authorised for issue by the Board of Directors on 17 April 2018.

BY ORDER OF THE BOARD

D. T. Jackson

Secretary

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 businesses and a description of the principal risks and uncertainties facing the company. The directors have chosen to make reference to the future outlook of the company in the strategic report in accordance with section 414C(11) of the Companies Act 2006. The company's risk management objectives and policies, including exposures to market risk, credit risk and liquidity risk are described in note 15 to the financial statements.

2. Dividends

The directors declared and paid an interim dividend of US$100.0 million on 17 May 2017 (31 December 2016: US$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/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

4. Independent auditors

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, except where noted, were:

Name	Appointed	Resigned
K. P. Uniacke (Chairman)		
L. A. Donnelly		
M. Holmes	12 January 2018	
T. T. Sotir		31 December 2017
G. R. Thorpe		
K. D. Wianecki		27 January 2017
A. F. Wilson		
C. S. Withey		

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, 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 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 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. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 17 April 2018.

BY ORDER OF THE BOARD

D. T. Jackson

Secretary

Report on the audit of the financial statements

Opinion

In our opinion, Goldman Sachs Asset Management International'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 then 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.

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 Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nick Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 April 2018

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2017

	Note	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Turnover		482,934	555,335
Interest receivable and similar income	5	3,026	597
Administrative expenses	6	(393,430)	(368,030)
OPERATING PROFIT AND PROFIT BEFORE TAXATION		92,530	187,902
Tax on profit	9	(17,478)	(36,166)
PROFIT FOR THE FINANCIAL YEAR		75,052	151,736

The operating profits of the company are derived from continuing operations in the current and prior years.

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

BALANCE SHEET

as at 31 December 2017

	Note	31 December 2017 US$'000	31 December 2016 US$'000
FIXED ASSETS			
Investments	10	101	101
CURRENT ASSETS			
Cash at bank and in hand		303,660	134,268
Debtors	11	209,534	361,022
		513,194	495,290
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(170,020)	(127,168)
NET CURRENT ASSETS		343,174	368,122
NET ASSETS		343,275	368,223
CAPITAL AND RESERVES			
Called up share capital	13	1,756	1,756
Share premium account		69,232	69,232
Profit and loss account		272,287	297,235
TOTAL SHAREHOLDER'S FUNDS		343,275	368,223

The financial statements were approved by the Board of Directors on 17 April 2018 and signed on its behalf by:

M. Holmes

M. Holmes
Director

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Called up share capital	Share premium account	Profit and loss account	Total shareholder's funds
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2016	1,756	69,232	145,499	216,487
Profit for the financial year	-	-	151,736	151,736
Balance at 31 December 2016	1,756	69,232	297,235	368,223
Profit for the financial year	-	-	75,052	75,052
Interim dividends paid	-	-	(100,000)	(100,000)
Balance 31 December 2017	1,756	69,232	272,287	343,275

Interim dividends paid: US$100.0 million (2016: US$nil).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

1. GENERAL INFORMATION

The company is a private unlimited 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 (GSG UK), 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, the group's principal place of business, or at www.goldmansachs.com/shareholders/.

Basel III Pillar 3 disclosures

The company is included in the consolidated Pillar 3 disclosures of GSG UK, as required by the E.U. Capital Requirements Regulation. GSG UK's 2017 Pillar 3 disclosures will be made available in conjunction with the publication of its consolidated financial information at www.goldmansachs.com/disclosures/.

Country-by-Country Reporting

The company is included in the consolidated country-by-country reporting disclosures of GSG UK, which are required by the Capital Requirements (Country-by-Country Reporting) Regulations 2013. GSG UK's 2017 country-by-country disclosures will be made available by 31 December 2018 at www.goldmansachs.com/disclosures/.

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 the 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' paragraphs 79 (a)(iv);

(iii) IAS 1 'Presentation of Financial Statements' paragraphs 10(f), 16, and 40A-D;

(iv) IAS 7 'Statement of Cash Flows';

(v) IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;

(vi) IAS 24 'Related Party Disclosures' paragraph 17; and

(vii) IAS 24 'Related Party Disclosures' requirements to disclose transactions with companies also wholly owned within the group.

2. ACCOUNTING POLICIES (continued)

b. Revenue recognition

Turnover comprises of the following:

Management fees

Management fees are recognised on an accruals basis and are generally calculated as a percentage of an account'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 an account's return or a percentage of an account's excess return above a specified benchmark or other performance target. Incentive fees are only recognised at the end of the performance period when the fee has crystalised.

c. Dividends

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

d. Cash at bank and in hand

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

e. Foreign currencies

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

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

f. Fixed asset investments

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

2. ACCOUNTING POLICIES (continued)

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 by that date that will result in an obligation to pay more tax or a right to pay less tax in the future with the following exceptions:

(i) Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying temporary differences can be deducted.

(ii) Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

h. Financial assets and financial liabilities

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and substantially all the risk 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 all of the company's current assets, and financial liabilities comprise all of the company's creditors.

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

Loans and receivables and financial liabilities measured at amortised cost are initially recognised at fair value and are subsequently remeasured at amortised cost, with finance income and expense recognised on an accruals basis. All finance income and expense is recognised in the profit and loss account.

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

2. ACCOUNTING POLICIES (continued)

i. New accounting standards

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. This standard, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures.

The standard became effective for the company in January 2018, and was implemented under the cumulative effect transition approach. As a result of adopting this standard, the company will recognise certain investment management fees earlier than under the company's existing revenue recognition policies. The implementation of this standard did not have a significant impact on the company's profit and loss account or balance sheet on the date of adoption.

The presentation of certain costs will change prospectively from a net presentation within turnover to a gross basis. Whilst this presentational change will not change the company's operating profit, it is expected to increase the company's turnover and administrative expenses, in comparison to the company's current presentation.

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

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

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Interest on overnight deposits	1,164	295
Interest on collateralised agreements with group undertakings	-	228
Interest on loans to group undertakings (note 11)	1,862	74
	3,026	**597**

6. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Management fees charged by group undertakings (note a)	286,372	277,964
Brokerage, clearing and distribution fees	101,485	82,401
Market development	414	3,899
Other expenses	5,112	3,723
Auditors' renumeration - audit services	47	43
	393,430	**368,030**

a. Management fees charged by group undertakings relate to operational and administrative support, and management services received from group undertakings.

7. STAFF COSTS

As in the prior year, the company has no employees. All persons involved in the company's operations are employed by fellow group undertakings. The charges made by these group undertakings for all services provided to the company are included in the management fees charged by group undertakings (see note 6).

8. DIRECTORS' EMOLUMENTS

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

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Directors:		
Aggregate emoluments	2,672	2,662
Company pension contributions to money purchase schemes	5	5
	2,677	**2,667**

	US$'000	US$'000
Highest paid director:		
Aggregate emoluments	2,327	2,332
Company pension contributions to money purchase schemes	4	4
Accrued annual 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. This total only includes the value of cash and benefits in kind, and does not include the value of equity awards in accordance with Schedule 5 of SI 2008/410. Directors also receive emoluments for non-qualifying services which are not required to be disclosed.

For persons who were directors for some or all of the year, four directors were members of a defined contribution scheme. Four directors, including the highest paid director, have received or are due to receive Group Inc. shares in respect of long-term incentive schemes during the year. No director has exercised stock options during the year.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

9. TAX ON PROFIT

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Current tax:		
U.K. corporation tax	17,443	36,168
Adjustments in respect of prior periods	35	(2)
Total tax on profit	**17,478**	**36,166**

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 US$'000	Year ended 31 December 2016 US$'000
Profit before taxation	92,530	187,902
Profit multiplied by the weighted average rate in the U.K. of 19.25% (2016: 20%)	17,812	37,580
Permanent differences	6	12
Exchange differences	(375)	(1,424)
Adjustments in respect of prior periods	35	(2)
Total tax on profit	**17,478**	**36,166**

10. INVESTMENTS

	31 December 2017 US$'000	31 December 2016 US$'000
Investments	**101**	**101**

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

11. DEBTORS

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

	31 December 2017 US$'000	31 December 2016 US$'000
Amounts due from group undertakings	98,631	226,396
Amounts due from customers	110,436	134,574
Other debtors	467	52
	209,534	**361,022**

Amounts due from group undertakings includes US$3.0 million (31 December 2016: US$5.1 million) of cash balances held on account by a fellow group undertaking.

Amounts due from group undertakings includes a loan of US$72.5 million (31 December 2016: US$220.0 million) advanced by the company to Goldman Sachs International, a fellow group undertaking. The loan is unsecured and carries interest at a variable margin over the U.S. Federal Reserve's federal funds rate. The loan is repayable 94 days from when the company demands repayment or 22 December 2065, whichever is earlier.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2017 US$'000	31 December 2016 US$'000
Amounts due to group undertakings	125,156	63,722
Accruals	31,959	37,344
Group relief payable	12,905	26,102
	170,020	**127,168**

13. 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
Allotted, called up and fully paid				
Ordinary shares of US$1 each	1,755,712	1,756	1,755,712	1,756
Class B ordinary shares of £1 each	2	-	2	-
		1,756		**1,756**

The Class B ordinary shares are not entitled to participate in any dividend or other distribution paid or made by the company.

14. FINANCIAL COMMITMENTS AND CONTINGENCIES

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

15. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The company monitors its capital on an ongoing basis. The company's objective is to be prudently capitalised in terms of the amount and composition of its equity base compared to the company's risk exposures. The appropriate level and composition of equity capital is determined by multiple factors including the company's current and future regulatory capital requirements, the results of the company's capital planning and stress testing process and other factors such as the business environment and conditions in the financial markets.

During 2017 and 2016, the company was in compliance with the capital requirements set by the FCA.

Tier 1 capital as at 31 December 2017 was US$343.3 million (31 December 2016: US$368.2 million).

The company is exposed to financial risk through its financial assets and financial 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 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 the value of the company's 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.

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

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant the company's profit for the year ended 31 December 2017 would increase/decrease by US$0.4 million (2016: US$1.1 million).

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 counterparties and reviewing, if applicable, the underlying collateral against which the 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.

15. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

b. Credit risk (continued)

Credit exposures

The company's credit exposures are described further below.

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

Debtors. The company is exposed to credit risk from its amounts due from customers and amounts due from group undertakings. Fees from investment accounts are settled from the AUM of the fund, for which the credit risk is considered minimal. For separate accounts, the company manages its credit risk arising from clients by entering into factoring agreements with Group Inc.

c. Liquidity risk

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

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a. Financial assets and financial liabilities by category

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

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

The company has US$512.6 million (31 December 2016: US$495.3 million) of current financial assets and US$161.5 million (31 December 2016: US$127.2 million) of current financial liabilities that are not measured at fair value. Given the short-term nature of these instruments, the carrying amounts of the financial assets and financial liabilities on the balance sheet are a reasonable approximation of fair value.

c. Maturity of financial liabilities

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