Company number: 1122503

GOLDMAN SACHS INTERNATIONAL BANK

(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2009

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 57 week period ended 31 December 2009

1. Principal activities

Goldman Sachs International Bank ('the company') is involved in loan origination, secondary dealing in bank loans and related activities and acting as an agent for the stocklending business The company also operates a branch in Korea, the Goldman Sachs Korea Branch ('the branch') whose principal activity is derivative trading and has a representative office in China The company is authorised under the Financial Services and Markets Act 2000

2. Review of business and future developments

During the period, the company changed its accounting reference date to 31 December to be consistent with the group's year end Accordingly, the accounting reference period has been extended to 57 weeks ending 31 December 2009 Consequently, the financial statements have been drawn up for the 57 week period ended 31 December 2009 and comparative information has been presented for the 52 week period ended 28 November 2008

On 15 June 2009, the company began acting as an agent for the stocklending business This business was transferred from a group undertaking

The profit and loss account for the period is set out on page 7 Trading profit of £171 million has been reported for the period (52 week period ended 28 November 2008 £94 million) and profit after tax of £81 million has been reported for the period (52 week period ended 28 November 2008 £64 million) The company has reported total assets of £2,328 million (28 November 2008 £3,693 million) The decrease in assets, as well as liabilities, is primarily driven by a decrease in trading activity in the branch

__Business environment__

As a bank, our businesses are materially affected by conditions in the financial markets and general economic conditions A favourable business environment is typically characterised by, amongst other factors, transparent, liquid and efficient capital markets, low inflation, high business and investor confidence and strong business earnings During 2009, a number of major economies experienced a recession Business activity across a wide range of industries and regions was greatly reduced, reflecting a reduction in consumer spending and low levels of liquidity across credit markets In addition, unemployment continued to rise in 2009 However, economic conditions became generally more favourable during the second half of the period as real gross domestic product growth turned positive in most major economies and growth in emerging markets improved In addition, global equity and credit markets were characterised by increasing asset prices, lower volatility and improved liquidity during the last nine months of the period

__Strategy__

The Goldman Sachs 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) It is also a leading global investment banking, securities and investment management firm that provides a wide-range of services worldwide 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 global financial markets in which it participates

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 businesses including economic and market conditions, liquidity, credit quality, operational infrastructure, and technology risks The key business risks affecting the company are set out below

Economic and market conditions

Our businesses are materially affected by conditions in the global financial markets and economic conditions generally, and these conditions may change suddenly and dramatically Unfavourable or uncertain economic and market conditions may adversely affect our business and profitability

Liquidity

Liquidity is essential to our businesses Our liquidity could be impaired by an inability to access secured and/or unsecured debt markets, an inability to sell assets or redeem our investments or unforeseen outflows of cash or collateral This situation may arise due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects third parties or us or even by the perception amongst market participants that we are experiencing greater liquidity risk Furthermore, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time as is likely to occur in a liquidity or other market crisis In addition, financial institutions with which we interact may exercise set-off rights or the right to require additional collateral, including in difficult market conditions, which could further impair our access to liquidity

Credit quality

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances In addition, deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses or adversely affect our ability to use those securities or obligations for liquidity purposes Although we regularly review credit exposures to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the company

Operational infrastructure

Shortcomings or failures in internal processes, people or systems or external events could lead to impairment of our liquidity, financial loss, disruption of business, liability to clients, regulatory intervention or reputational damage Our businesses are highly dependent on our ability to process and monitor, on a daily basis, a large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies These transactions, as well as information technology services we provide to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards As our client base and our geographical reach expands, developing and maintaining our operational systems and infrastructure becomes increasingly challenging Our 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 our control such as a spike in transaction volume, adversely affecting our ability to process these transactions The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses

REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Operational infrastructure (continued)

We also face the risk of operational failure or termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that we use to facilitate our securities transactions and, as our interconnectivity with our clients grows, we will increasingly face the risk of operational failure with respect to our clients' systems Any such failure or termination could adversely affect our ability to effect transactions, service our clients and manage our exposure to risk

Despite the contingency plans and facilities that we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located This may include a disruption involving electrical, communications, transportation or other services used by the company or third parties with which we conduct business These disruptions may occur, for example, as a result of events that affect only the buildings of the company or such third parties, or as a result of events with a broader impact on the cities where those buildings are located

Technology

Technology is fundamental to our business and our industry The growth of electronic trading and the introduction of new technologies is changing our businesses and presenting us with new challenges Securities, futures and options transactions are increasingly occurring electronically, both on our own systems and through other alternative trading systems, and it appears that the trend toward alternative trading systems will continue and probably accelerate

<u>Risk management</u>

We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems, internal controls, management review process and other mechanisms Our trading risk management process seeks to balance our ability to profit from trading positions with our exposure to potential losses Whilst we employ 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, we may, in the course of our activities, incur losses In addition, refer to the financial risk management section (note 27), below

<u>Future outlook</u>

The directors consider that the period 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 £5,113,402 during the period (52 week period ended 28 November 2008 £5,113 402) The directors do not recommend the payment of an ordinary dividend in respect of the period (52 week period ended 28 November 2008 £Nil)

REPORT OF THE DIRECTORS (CONTINUED)

4. Directors

The directors of the company during the period and as at the date of this report, together with dates of appointment and resignation where applicable, are

Name	Appointed	Resigned
E G Corrigan (Chairman)		
D D Buckley		14 October 2009
L S D Chan	3 February 2009	
S Davies		
G P Earle		
R D Henderson		
E H Leouzon		
D W McDonogh	11 February 2009	
D G J Paterson		

No director has, or had during the period, any interest requiring note herein

5. Employment of disabled persons

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant Efforts are made to enable any employees who become disabled during employment to continue their careers within The Goldman Sachs Group, Inc Training, career development and promotion of disabled persons are, to the extent possible, identical to that of other employees who are not disabled

6. Employee involvement

It is group policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs or future prospects Employees share in performance-based incentive schemes

7. 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

REPORT OF THE DIRECTORS (CONTINUED)

8. Statement of directors' responsibilities

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 as 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 judgments 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

9. 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

10. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 30 March 2010

BY ORDER OF THE BOARD

W. J. Elliott
Secretary

30 March 2010

Independent auditors' report to the members of
GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

We have audited the financial statements of Goldman Sachs International Bank for the 57 week period ended 31 December 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, 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' report 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 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

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 2009 and of its profit for the period 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 period 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 6 April 2010

PROFIT AND LOSS ACCOUNT
for the 57 week period ended 31 December 2009

	Note	57 week period ended 31 December 2009 £'000	52 week period ended 28 November 2008 £'000
Interest receivable and similar income	5	6,085	17,634
Interest payable and similar charges	6	(10,353)	(9,701)
Net interest (expense) /income		(4,268)	7,933
Trading profits	4	171,447	94,410
TOTAL OPERATING INCOME		167,179	102,343
Administrative expenses		(7,367)	(5,351)
Other operating charges		(51,730)	(7,578)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	108,082	89,414
Tax on profit on ordinary activities	11	(26,607)	(25,641)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD	23	81,475	63,773

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

The notes on pages 10 to 29 form part of these financial statements
Independent Auditors' report – page 6

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 57 week period ended 31 December 2009

	Note	57 week period ended 31 December 2009 £'000	52 week period ended 28 November 2008 £'000
Profit for the financial period		81,475	63,773
Translation gain	23	15,664	11,916
Loss on net investment hedge	23	(14,576)	(12,707)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL PERIOD AND SINCE LAST FINANCIAL STATEMENTS		82,563	62,982

The notes on pages 10 to 29 form an integral part of these financial statements
Independent Auditors' report – page 6

BALANCE SHEET
as at 31 December 2009

	Note	31 December 2009 £'000	28 November 2008 £'000
ASSETS			
Cash at bank and in hand		152,583	94,010
Loans and advances to banks		55,154	49,231
Customer accounts receivable	13	58,574	108,540
Trading inventory	14	1,295,588	3,050,945
Securities purchased from group companies under agreements to resell		730,002	245,448
Tangible fixed assets	15	761	782
Other assets	16	34,958	143,883
Total assets		2,327,620	3,692,839
LIABILITIES AND SHAREHOLDERS' FUNDS			
Customer accounts payable	19	606,347	327,479
Trading inventory sold but not yet purchased	14	1,253,977	2,911,125
Other liabilities	20	80,666	128,555
Accruals and deferred income		3,206	891
Subordinated debt	21	100,809	119,624
Total liabilities		2,045,005	3,487,674
Called up share capital	22	7,049	7,049
Share premium account	23	61,361	61,361
Other reserve account	23	(992)	(2,080)
Profit and loss account	23	215,197	138,835
Total shareholders' funds	24	282,615	205,165
Total liabilities and shareholders' funds		2,327,620	3,692,839
MEMORANDUM ITEMS			
Contingent liabilities	25	206,306	105
Commitments	25	168,364	54,322

The financial statements on page 7 to 29 were approved by the Board of Directors on 30 March 2010 and were signed on its behalf by

E Leouzon Director EUGENE LEOUZON

The notes on pages 10 to 29 form part of these financial statements
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Company number 1122503

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009

1. ACCOUNTING POLICIES

(a) **Accounting convention:** These financial statements have been prepared under the historical cost convention (except as explained in note 1(i) and 1(e)), the accounting policies set out below, and in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to banking companies, accounting standards and Statements of Recommended Accounting Practice issued by the British Bankers' Association

(b) **Consolidation:** The company is a subsidiary undertaking of a company incorporated in Great Britain and has elected not to prepare group accounts in accordance with the dispensation set out in section 400 of the Companies Act 2006

(c) **Fixed asset investments** Shares in group undertakings, which are intended to be held on a continuing basis in the company's activities, are stated at cost less any provision for permanent impairment

(d) **Tangible fixed assets:** Tangible fixed assets are stated at cost less accumulated depreciation and provision for any impairment Depreciation is provided on a straight-line basis over the estimated useful lives at the following annual rates

	%
Fixtures, fittings and equipment	14-33

Leasehold improvements are depreciated over the shorter of the useful economic life of the asset or the remaining life of the lease when the asset is brought into use

(e) **Repurchase and resale agreements:** Securities purchased under agreements to resell and securities sold under agreements to repurchase are recognised on a trade date basis, treated as collateralised financing transactions and are carried at fair value Where the collateral is in the form of cash the transaction is recorded on trade date within securities sold under agreements to repurchase or within securities purchased under agreements to resell If the collateral is in the form of securities the transaction is recorded within securities sold under agreements to repurchase or within securities purchase under agreements to resell when the collateral is subsequently sold

(f) **Foreign currencies.** Transactions denominated in foreign currencies are translated into Sterling at rates of exchange ruling on the date the transaction occurred Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date All other gains and losses on exchange are recognised in other operating charges

(g) **Net investment hedging:** Where net investment hedging is employed, all gains and losses on the effective portion of the hedging instrument, together with any gains and losses on the foreign currency translation of the hedged investment in accordance with FRS 23 are taken directly to equity Any gains or losses on the ineffective portion are recognised immediately in the profit and loss account The cumulative gains and losses on the hedging instrument and gains and losses on the translation of the hedged item are recognised in the profit and loss account only on disposal of the investment

1. *ACCOUNTING POLICIES (CONTINUED)*

(h) **Operating income:** The operating results for the period include all profits or losses arising from the trading operations of the company, including loan origination, secondary dealing in bank loans and related activities, derivative trading and fees and commission from agency lending Revenues are recorded on a trade date basis

(i) **Financial instruments held for trading:** Trading inventory and trading inventory sold, but not yet purchased consists of financial instruments carried at fair value or amounts that approximate fair value Financial assets and liabilities within the trading portfolio have been classified as held for trading and are carried at fair value with realised and unrealised gains and losses included in net trading income

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale

The fair values of the company's derivative contracts consist of exchange-traded and over-the-counter ('OTC') derivatives The fair values of the company's exchange-traded derivatives are generally determined from quoted market prices OTC derivatives are valued using valuation models The company uses a variety of valuation models including the present value of known or estimated cash flows and option pricing models The valuation models used to derive the fair values of the company's OTC derivatives require inputs including contractual terms, market prices, yield curves, credit curves, measures of volatility and correlations of such inputs The selection of a model to value an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market The company generally uses similar models to value similar instruments Where possible, the company verifies the values produced by its pricing models to market transactions

For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement For OTC derivatives that trade in less liquid markets with limited pricing information, the determination of fair value is inherently more difficult Further, complex structures often involve multiple product types, requiring additional complex inputs such as correlations and volatilities At the inception of an OTC derivative contract, the company values the contract at the model value if the company can verify all of the significant model inputs to observable market data and verify the model to market transactions When appropriate, valuations are adjusted to reflect various factors such as liquidity, bid / offer spreads and credit considerations These adjustments are generally based on market evidence or predetermined policies In certain circumstances, such as for highly illiquid positions, management's estimates are used to determine these adjustments Where the firm does not have corroborating market evidence to support significant model inputs and cannot verify the model to market transactions, management believes that transaction price is the best estimate of fair value at inception Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception equals the transaction price

'Day 1 P&L' is the term used to describe the difference between the initial transaction price and the fair value calculated by internal models Day 1 P&L is released to profit and loss at the earlier of the fair value becoming observable using market parameters, or through reference to similar quoted products, and derecognition of the financial instruments The gains or losses resulting from the application of this policy are taken to the profit and loss account

(j) **Operating leases:** Costs in respect of operating leases are charged on a straight-line basis over the lease term

1. *ACCOUNTING POLICIES (CONTINUED)*

(k) **Offsetting financial instruments:** Financial assets and liabilities are offset and the net amount presented in the balance sheet where the company

(i) currently has a legally enforceable right to set off the recognised amounts, and

(ii) intends 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

(l) **Deferred taxation:** Full provision is made for deferred taxation in respect of all differences in timing between the accounting and tax treatments of income and expenses The timing differences are recognised as deferred tax liabilities or assets, measured at the average tax rates that are expected to apply in periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantially enacted by the balance sheet date An asset is not recognised if the transfer of economic benefits in the future is uncertain Deferred tax assets and liabilities are not discounted

(m) **Dividends:** Final equity dividends (including dividends payable on preference shares deemed equity) are recognised in the period that they are approved by the shareholders Interim equity dividends are recognised in the period that they are paid Equity dividends are distributed directly from equity

(n) **Pension cost:** The company participates in a defined contribution plan The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet

(o) **Share-based payments:** The Goldman Sachs Group, Inc issues awards in the form of restricted stock units ('RSUs') to the company's employees for services rendered to the company The cost of equity based transactions with employees is measured based on the fair value of the equity instruments at the grant date Non-market based vesting conditions are not taken into account in measuring the fair value of awards, but are reflected by adjusting over time the number of equity awards that are expected to vest Share-based awards that do not contain vesting conditions are expensed immediately Share-based employee awards that require future service are amortised over the relevant service period

The Goldman Sachs Group, Inc settles equity awards through the delivery of ordinary shares in The Goldman Sachs Group, Inc The group pays cash dividend equivalents on outstanding restricted stock units The company has also entered into a chargeback agreement with The Goldman Sachs Group, Inc , under which it is committed to pay the market value at grant date of those awards to the group at the time of delivery to its employees

2. *CASH FLOW STATEMENT*

The company is a wholly owned subsidiary of The Goldman Sachs Group, Inc , and is therefore exempt from preparing a cash flow statement as required by FRS1 'Cash flow statements' as the ultimate parent undertaking's consolidated accounts are publicly available

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009

3. *CHANGES IN ACCOUNTING POLICIES*

The company has amended its accounting policy so that repurchase and resale agreements are accounted for and measured at fair value under FRS26 (IAS39), 'Financial Instruments Measurement', rather than on an accruals basis as the directors believe this more appropriately reflects the impact of these transactions and is consistent with how this activity is managed There was no material impact on the current period or comparative results following the revision of this accounting policy

4. *SEGMENTAL REPORTING*

The branch and the head office operate in two geographically distinct regions Geographic segmental analysis is provided below Geographic results have been allocated based on the location of the trading desk

	Europe, Middle East, and Africa		Asia		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trading profits	144,321	52,253	27,126	42,157	171,447	94,410
Profit on ordinary activities before tax	93,283	37,654	14,799	51,760	108,082	89,414
Net assets	160,450	95,360	122,165	109,805	282,615	205,165

Both the branch and the head office operate within the trading and principal investments business segment As a result, no disclosure of segmental information by business has been provided

5. *INTEREST RECEIVABLE AND SIMILAR INCOME*

	57 week period ended 31 December 2009 £'000	52 week period ended 28 November 2008 £'000
Interest on securities purchased under agreements to resell	3,967	10,731
Interest on loans to banks and customers	1,930	6,484
Interest on loans to group undertaking	188	419
	6,085	**17,634**

6. *INTEREST PAYABLE AND SIMILAR CHARGES*

	57 week period ended 31 December 2009 £'000	52 week period ended 28 November 2008 £'000
Interest payable on subordinated debt to parent undertaking	5,012	7,037
Interest on loans from group undertaking	4,075	1,474
Interest payable on loans to banks and customers	1,266	1,190
	10,353	**9,701**

7. *PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION*

	57 week period ended 31 December 2009 £'000	52 week period ended 28 November 2008 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration - audit services	61	61
Management fees charged by group undertakings	47,570	20,593
Staff related costs (see note 9)	4,487	3,138
Depreciation of tangible fixed assets	292	204
Foreign exchange loss / (gain) on revaluation	1,662	(14,270)
Operating lease rentals land and buildings	299	237

8. *DIRECTORS' EMOLUMENTS*

	57 week period ended 31 December 2009 £'000	52 week period ended 28 November 2008 £'000
Aggregate emoluments	179	52
Company pension contributions to money purchase schemes	1	1
	180	**53**

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 Directors also receive emoluments for non-qualifying services which are not required to be disclosed Seven directors are members of the defined contribution pension scheme and defined benefit pension scheme

Six directors have been granted shares in respect of long term incentive schemes Two directors have exercised options

9. *STAFF COSTS*

All persons involved in the company's operations, other than the branch, are employed by a group undertaking The charges made by this group undertaking for all the services provided (personnel and other) to the company are included in the management fees charged by group undertakings

The employees at the branch are employed directly by the branch Under Korean regulations, the branch is treated as a legal entity, hence it has the ability to enter into contractual agreements in its own right

9. *STAFF COSTS (CONTINUED)*

The average number of employees of the branch, is analysed below

	57 week period ended 31 December 2009 Number	52 week period ended 28 November 2008 Number
Trading and sales	6	8
Support functions	19	21
	25	**29**

The employment costs incurred by the branch were

	57 week period ended 31 December 2009 £'000	52 week period ended 28 November 2008 £'000
Aggregate gross wages and salaries	4,210	2,922
Employer's National Insurance Contributions	143	76
Employer's contributions to the defined contribution plan	134	140
Total direct costs of employment	**4,487**	**3,138**

Pension schemes

The branch operates a defined contribution plan under Korean regulations It is required to have a severance plan within the defined contribution plan it operates For employees with up to two years of service, the branch contributes 8 33% of each employee's annual base salary For employees with more than two years of service, the firm contributes the higher of 12 5% of each employee's annual base salary capped at 150,000,000 Korean Won (£80,051) or 8 33% of total annual base salary with no cap The total contribution cost for the financial period is £133,720 (2008 £140,153) and there is no amount in respect of this cost that remains payable as at the balance sheet date

10. *SHARE-BASED PAYMENTS*

Stock incentive plan

Goldman Sachs International Bank's ultimate parent company, The Goldman Sachs Group, Inc , sponsors a stock incentive plan, The Goldman Sachs Amended and Restated Stock Incentive Plan ('the Amended SIP'), which provides for grants of incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units, awards with performance conditions and other share-based awards

During the period, the group issued RSUs to the employees of Goldman Sachs International Bank's Korea branch

10. *SHARE-BASED PAYMENTS (CONTINUED)*

Restricted stock units

The ultimate parent company issued restricted stock units to the branch's employees under the Amended SIP, primarily in connection with year-end compensation Restricted stock units are valued based on the closing price of the underlying shares at the date of grant Period end restricted stock units generally vest as outlined in the applicable restricted stock unit agreements All employee-restricted stock unit agreements provide that vesting is accelerated in certain circumstances, such as upon retirement, death and extended absence In all cases, delivery of the underlying shares of common stock is conditioned on the grantees satisfying certain vesting and other requirements outlined in the award agreements The activity related to these restricted stock units is set out below

	31 December 2009		**28 November 2008**	
	No. of RSUs		**No. of RSUs**	
	No future service requirement	**Future service requirement**	**No future service requirement**	**Future service requirement**
Outstanding at the beginning of the period	4,543	5,339	1,590	5,193
Granted during the period	-	6,031	-	4,130
Forfeited during the period	-	(80)	-	(466)
Delivered during the period	(4,259)	-	(580)	
Transferred in / (out) during the period	-	(1,647)	-	15
Vested during the period	5,322	(5,322)	3,533	(3,533)
Outstanding at the end of the period	**5,606**	**4,321**	**4,543**	**5,339**

The weighted average grant-date fair value of the equity instruments granted during the 57 week period ended 31 December 2009 was $75 92 (52 week period ended 28 November 2008 $191 88)

The branch recorded expenses of £512,974 for the 57 week period ended 31 December 2009 (52 week period ended 28 November 2008 £396,424) related to the amortisation of equity awards The corresponding credit to equity has been transferred to liabilities as a result of the terms of the intercompany agreements with the group

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge in period:

	57 week period ended 31 December 2009	52 week period ended 28 November 2008
Current Tax	**£'000**	**£'000**
UK corporation tax	30,571	25,770
Double Taxation Relief	(4,452)	(14,262)
Overseas taxation	3,515	13,526
Total current tax (see note (11b))	**29,634**	**25,034**
Deferred tax:		
Other timing differences (see note 17)	(3,027)	607
Tax charge on profit on ordinary activities	**26,607**	**25,641**

(b) Factors affecting tax charge for the period:

The current tax assessed for the current period is lower than the standard rate of corporation tax in the UK of 28% (2008 28 67%) The differences are explained below

	57 week period ended 31 December 2009 £'000	52 week period ended 28 November 2008 £'000
Profit on ordinary activities before taxation	108,082	89,414
Profit on ordinary activities multiplied by standard rate in the UK (28%) (2008 28 67%)	30,263	25,635
Expenses not deductible for tax purposes	75	101
Adjustment in respect of foreign taxation	(937)	(736)
Other timing differences	233	34
Current tax charge for the period	**29,634**	**25,034**

12. DIVIDENDS PAID

	57 week period ended 31 December 2009 £'000	52 week period ended 28 November 2008 £'000
Dividend on equity shares		
£0 01 fixed rate preference shares	**5,113**	**5,113**

13. *CUSTOMER ACCOUNTS RECEIVABLE*

	31 December 2009 £'000	28 November 2008 £'000
Customer accounts comprise the following repayable on demand		
Amounts due from customers	1,769	3,624
Amounts due from group undertakings	56,805	104,916
	58,574	**108,540**

14. *TRADING INVENTORY*

Trading inventory comprises financial instruments within the trading activities of the company

Included within trading inventory are amounts due from group undertakings of £773,903,815 (28 November 2008 £1,700,406,759) and amounts due to group undertakings of £908,966,938 (28 November 2008 £1,942,143,892)

15. *TANGIBLE FIXED ASSETS*

The movements in tangible fixed assets during the period were as follows

	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost			
At 28 November 2008	367	784	1,151
Additions	1	121	122
Currency translation	76	174	250
Asset transfer	-	(5)	(5)
At 31 December 2009	**444**	**1,074**	**1,518**
Depreciation			
At 28 November 2008	147	222	369
Charge for period (see note 7)	92	200	292
Currency translation	37	59	96
At 31 December 2009	**276**	**481**	**757**
Net Book Value			
At 31 December 2009	**168**	**593**	**761**
At 28 November 2008	220	562	782

16. *OTHER ASSETS*

	31 December 2009 £'000	28 November 2008 £'000
Amounts due from group undertakings	11,139	53,801
Amounts due from customers	19,284	88,514
Deferred tax (see note 17)	3,212	66
Other assets	1,323	1,502
	34,958	**143,883**

17. *DEFERRED TAX*

The deferred tax balance comprises:	31 December 2009 £'000	28 November 2008 £'000
Timing differences in respect of foreign taxation	2,936	-
Other timing differences	276	66
	3,212	**66**
The movements in the deferred tax balance were as follows		
At 28 November 2008	66	
Translation adjustments	119	
Transfer to the profit and loss account for the period (see note 11a)	3,027	
At 31 December 2009	**3,212**	

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

18. *INVESTMENT IN SUBSIDIARY UNDERTAKINGS*

The company owns 100% of the £1 ordinary shares of Restamove Limited, a non-trading company that is registered in England and Wales

Cost and Net Book Value	£
At 28 November 2008 and at 31 December 2009	2

19. *CUSTOMER ACCOUNTS PAYABLE*

	31 December 2009 £'000	28 November 2008 £'000
Customer accounts comprise the following repayable on demand		
Demand deposits	84,573	207,780
Demand deposits from group undertaking	381,391	-
Amounts due to customers	49,349	-
Amounts due to group undertakings	91,034	119,699
	606,347	**327,479**

Amounts due to group undertakings include amounts deposited with the company to collateralise fully the undrawn commitments which have been sub-participated

20. *OTHER LIABILITIES*

	31 December 2009 £'000	28 November 2008 £'000
Amounts due to group undertakings	50,296	106,391
Corporation tax payable	30,335	22,120
Other liabilities	35	44
	80,666	**128,555**

21. *SUBORDINATED DEBT*

Subordinated debt comprises loan capital from the ultimate parent undertaking of £100,809,335 (28 November 2008 £119,623,650) Of this balance, £7,428,501 matures on 12 January 2010, £12,380,834 matures on 20 May 2010, £55,000,000 matures on 1 August 2055, with the remaining £26,000,000 maturing on 1 February 2056 Interest is payable on the loan at a margin over LIBOR The rights of the lender are subordinated to the claims of the senior creditors

22. *SHARE CAPITAL*

	No.	31 December 2009 £'000	No.	28 November 2008 £'000
Authorised				
Ordinary Shares of £1 each	45,595,600	45,596	45,595,600	45,596
Preference shares of £0 01 each	100,000,000	1,000	100,000,000	1,000
		46,596		**46,596**
Allotted, called up and fully paid				
Ordinary Shares of £1 each	6,410,256	6,410	6,410,256	6,410
Preference shares of £0 01 each	63,917,526	639	63,917,526	639
		7,049		**7,049**

22. SHARE CAPITAL (CONTINUED)

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

The company's preference shares carry a fixed non-cumulative preferential dividend at the rate of 8 pence per share per annum

23. SHARE PREMIUM ACCOUNT AND RESERVES

	Share Premium Account £'000	Other Reserve Account £'000	Profit and Loss Account £'000
At 28 November 2008	61,361	(2,080)	138,835
Profit for the period	-	-	81,475
Payment of preference dividend	-	-	(5,113)
Cumulative Translation Adjustment	-	15,664	-
Loss on net investment hedge	-	(14,576)	-
At 31 December 2009	**61,361**	**(992)**	**215,197**

The other reserve account comprises the translation differences arising on consolidation of the branch whose functional currency is Korean Won and also includes the gain on the net investment hedge in respect of the Korea Branch

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2009 £'000	28 November 2008 £'000
Profit on ordinary activities after taxation	81,475	63,773
Non-cumulative preference dividend paid (see note 12)	(5,113)	(5,113)
Movement in other reserve account	1,088	(791)
Net increase in shareholders' funds	77,450	57,869
Opening shareholders' funds	205,165	147,296
Closing shareholders' funds	**282,615**	**205,165**

25. FINANCIAL COMMITMENTS AND CONTINGENCIES

Commitments

(a) The commitments below are sub-participated to third party institutions Amounts sub-participated to group undertakings are not included as these companies have deposited cash with the company to collateralise the undrawn commitments fully (see note 19)

	31 December 2009 £'000	28 November 2008 £'000
Undrawn loan commitments	**168,081**	**54,088**

25. *FINANCIAL COMMITMENTS AND CONTINGENCIES (CONTINUED)*

Commitments (continued)

(b) The company leases certain buildings on long-term leases Under these leases, which are subject to renegotiation at various intervals specified in the leases, the company pays all insurance, maintenance and repairs of these properties The rentals that the company is committed to pay in the next year is as follows

	31 December 2009 £'000	28 November 2008 £'000
Maturity of lease:		
Less than one year	-	-
Between one and two years	-	-
Between two and five years	283	234
Over five years	-	-
	283	**234**

Contingent Liabilities

(a) The company had a contingent liability to third party borrowers, arising from the sale of a loan portfolio in the ordinary course of business This related to collateral received that borrowers were required to place with the loan originator as a condition of them being granted a loan and which the company may have been required to repay if certain conditions were met by such borrowers All costs arising from the contingent liability were fully reimbursable to the company from a related party The present value of the contingent liability is £Nil (28 November 2008 £105,000)

(b) The company has a contingent liability to tax authorities in relation with certain tax obligations of Goldman Sachs (U K) L L C and Goldman Sachs Holdings (U K) The present value of guarantee is £8,891,545 (28 November 2008 £Nil) This is covered by a back to back guarantee with the ultimate holding company Goldman Sachs Group Inc

(c) The company, in its capacity as an agency lender, indemnifies most of its securities lending customers against losses incurred in the event that borrowers do not return securities The maximum exposure to loss under guarantee at the period end is £197,414,592 (28 November 2008 £Nil) The market value of the collateral held to cover the loss was £215,740,183 (28 November 2008 £Nil) There is minimal performance risk associated with these guarantees

26. *RELATED PARTIES*

Under the terms of paragraph 3(c) of FRS 8, 'Related Party Disclosures', the company is exempt from disclosing transactions with wholly owned group companies There were no other related party transactions requiring disclosure

27. *FINANCIAL RISK MANAGEMENT*

Normal trading activities expose the company to market, credit and liquidity risk These activities include loan origination, secondary trading and related activities in the company and derivative positions in the branch The risks, described below, are managed in accordance with established risk management policies and procedures

The Goldman Sachs Group, Inc manages market, credit and liquidity risk on a consistent basis firmwide Consequently, the company, as part of a global group adheres to global risk management policies and procedures

We seek to monitor and control our risk exposure through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems In addition, a number of global, regional and entity committees are responsible for monitoring risk exposures and for general oversight of our risk management process These committees meet regularly and consist of senior members of both our revenue-producing units and departments that are independent of our revenue-producing units In addition to the committees, functions that are independent of the revenue-producing units, such as Compliance, Finance, Legal, Internal Audit and Operations, perform global risk management functions, which include monitoring, analysing and evaluating risk

(a) Market risk

The potential for changes in the market value of our trading and investing positions is referred to as market risk Such positions result from market making and proprietary trading, investing and underwriting activities Categories of market risk include exposures to interest rates and currency rates A description of each market risk category is set forth below

- Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, funding spreads and credit spreads
- Currency rate risks result from exposures to changes in spot prices, forward prices and volatilities of currencies

The company seeks to manage these firmwide risks by diversifying exposures, controlling position sizes and establishing economic hedges in related derivatives Firmwide market risk limits are monitored on a daily basis by the Finance Division and are reviewed regularly by the appropriate risk committee

In addition to applying business judgement, senior management uses a number of quantitative tools to manage our exposure to market risk for 'Trading inventory' and 'Trading inventory sold, but not yet purchased' in the consolidated financial statements These tools include

- risk limits based on a summary measure of market risk exposure referred to as Value-at-Risk ('VaR') which are updated and monitored on a daily basis,
- scenario analyses, stress tests and other analytical tools that measure the potential effects on our trading net revenues of various market events, including, but not limited to, a large widening of credit spreads, a substantial decline in equity markets and significant moves in selected emerging markets

VaR

VaR is the potential loss in value of trading positions due to adverse market movements over a defined time horizon with a specified confidence level

27. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(a) Market risk (continued)

For the VaR numbers reported below, a one-day time horizon and a 95% confidence level were used This means that there is a 1 in 20 chance that daily trading net revenues will fall below the expected daily trading profit by an amount at least as large as the reported VaR Thus, shortfalls from expected trading profit on a single trading day greater than the reported VaR would be anticipated to occur, on average, about once a month Shortfalls on a single day can exceed reported VaR by significant amounts Shortfalls can also accumulate over a longer time horizon such as a number of consecutive trading days

The modelling of the risk characteristics of our trading positions involves a number of assumptions and approximations While management believes that these assumptions and approximations are reasonable, there is no standard methodology for estimating VaR and different assumptions and/or approximations could produce materially different VaR estimates

We use historical data to estimate our VaR and, to better reflect current asset volatilities, we generally weight historical data to give greater importance to more recent observations Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions An inherent limitation of VaR is that the distribution of past changes in market risk factors may not produce accurate predictions of future market risk Different VaR methodologies and distributional assumptions could produce a materially different VaR Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day

The following table sets forth the year end and daily VaR

	31 December 2009 £'000	28 November 2008 £'000
Total VaR at the end of the year	327	800
Average daily VaR for the period	817	700

In addition, the company's VaR excludes certain funding liabilities As at 31 December 2009, the carrying value of these liabilities was £100,809,335 (28 November 2008 £119,623,650) If interest rates had been 50 basis points higher or lower and all other variables were held constant, the impact on these funding liabilities would be to increase / decrease the company's net profit by £523,757 (28 November 2008 £405,806), mainly attributable to exposure to interest rates on the company's variable rate borrowings

(b) Credit risk

Credit risk represents the loss that we would incur if a counterparty or an issuer of securities or other instruments we hold fails to perform under its contractual obligations to us or upon a deterioration in the credit quality of third parties whose securities or obligations we hold

To reduce our credit exposures, we seek to enter into netting agreements with counterparties that permit us to offset receivables and payables with such counterparties In addition, we attempt to further reduce credit risk with certain counterparties by

- entering into agreements that enable us to obtain collateral from a counterparty or to terminate or reset the terms of the transactions after specified time periods or upon the occurrence of credit related events, and

- seeking third-party guarantees of the counterparty's obligations,

27. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(b) Credit risk (continued)

To measure and manage our credit exposures, we use a variety of tools, including credit limits referenced to both current exposure and potential exposure Potential exposure is generally based on projected worst-case market movements over the life of a transaction In addition, as part of our market risk management process, for positions measured by changes in credit spreads, we use VaR and other sensitivity measures To supplement our primary credit exposure measures, we also use scenario analyses, such as credit spread widening scenarios, stress tests and other quantitative tools

Our global credit management systems monitor credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates These systems also provide management, including the Firmwide Risk and Credit Policy Committees, with information regarding credit risk by product, industry sector, country and region

While our activities expose us to many different industries and counterparties, we routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment funds and other institutional clients, resulting in significant credit concentration with respect to this industry In the ordinary course of business, we may also be subject to a concentration of credit risk to a particular counterparty, borrower or issuer

Derivatives

Derivative contracts are instruments, such as futures, forwards, swaps or option contracts, that derive their value from underlying assets, indices, reference rates or a combination of these factors Derivative instruments may be privately negotiated contracts, which are often referred to as OTC derivatives, or they may be listed and traded on an exchange

Substantially all of our derivative transactions are entered into to facilitate client transactions, to take proprietary positions or as a means of risk management In addition to derivative transactions entered into for trading purposes, we enter into derivative contracts to manage currency exposure on our net investment in non-U S operations and to manage the interest rate and currency exposure on our long-term borrowings and certain short-term borrowings

Derivatives are used in our business and we believe that the associated market risk can only be understood relative to all of the underlying assets or risks being hedged, or as part of a broader trading strategy

The fair value of our derivative contracts is reflected net of cash paid or received pursuant to credit support agreements and is reported on a gross-by-counterparty basis in our financial statements unless the company has a current legal right of set off and also intends to settle on a net basis For an OTC derivative, our credit exposure is directly with our counterparty and continues until the maturity or termination of such contract

Derivative transactions may also involve legal risks including the risk that they are not authorised or appropriate for a counterparty, that documentation has not been properly executed or that executed agreements may not be enforceable against the counterparty We attempt to minimise these risks by obtaining advice of counsel on the enforceability of agreements as well as on the authority of a counterparty to effect the derivative transaction In addition, certain derivative transactions (e g , credit derivative contracts) involve the risk that we may have difficulty obtaining, or be unable to obtain, the underlying security or obligation in order to satisfy any physical settlement requirement

27. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(b) Credit risk (continued)

The following table represent the company's maximum exposure to credit risk without taking account of the value of collateral obtained or any other credit enhancements (for example derivative master netting agreements)

	31 December 2009 £'000	28 November 2008 £'000
AAA/Aaa	-	80
AA/Aa	34,819	831,515
A/A	1,991,861	2,366,064
BBB/Baa	231,191	51,633
BB/Ba	21,163	114,238
B/B	22,406	317,225
D	-	190
Not Rated	26,180	11,894
	2,327,620	**3,692,839**

The table above groups exposure based on internal ratings assigned by the Credit department As of the period end, financial assets past due or impaired were insignificant

Collateralised Transactions

The company receives financial instruments as collateral, primarily in connection with resale agreements, securities borrowed, derivative transactions and customer margin loans Such financial instruments may include obligations of the U S Government, federal agencies, sovereigns and corporations as well as equities and convertibles

In many cases, the company is permitted to deliver or repledge these financial instruments in connection with entering into repurchase financings, collateralising derivative transactions and meeting firm or customer settlement requirements As of 31 December 2009, the fair value of financial instruments received as collateral by the company that they were permitted to deliver or repledge was £747 8 million (28 November 2008 £241 5 million), of which the company delivered or repledged £ Nil (28 November 2008 £ Nil)

The company did not pledge assets in the current period or prior period that they own to counterparties who may or may not have the right to deliver or repledge

(c) Liquidity risk

Liquidity is of critical importance to companies in the financial services sector Most failures of financial institutions have occurred in large part due to insufficient liquidity resulting from adverse circumstances Accordingly, the company has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address both firmwide-specific and broader industry or market liquidity events Our principal objective is to be able to fund the company and to enable our core businesses to continue to generate revenues, even under adverse circumstances

27. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(c) Liquidity risk (continued)

The following table details the company's undiscounted cash flows of its financial liabilities by contractual maturity including interest that will accrue except where the company is entitled to repay the liability before its maturity Derivative contracts included within trading inventory sold, but not yet purchased are presented at their fair value and disclosed as 'on demand' The company considers this more accurately represents the liquidity risk arising from derivatives and is consistent with how those risks are managed

31 December 2009

	Trading/On Demand	Subject to notice	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities:							
Customer accounts payable	(90,754)	(84,573)	(431,020)	-	-	-	(606,347)
Trading inventory	(1,253,977)	-	-	-	-	-	(1,253,977)
Other liabilities	(6,092)	(126)	(42,724)	(30,863)	(861)	-	(80,666)
Accruals and deferred income	-	-	(3,206)	-	-	-	(3,206)
Subordinated debt	-	-	(7,429)	(14,414)	(31,353)	(55,000)	(108,196)
Total at 31 December 2009	**(1,350,823)**	**(84,699)**	**(484,379)**	**(45,277)**	**(32,214)**	**(55,000)**	**(2,052,392)**

28 November 2008

	Trading/On Demand	Subject to notice	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities:							
Customer accounts payable	(119,699)	(206,203)	(1,577)	-	-	-	(327,479)
Trading inventory	(2,911,125)	-	-	-	-	-	(2,911,125)
Other liabilities	(104,610)	-	(9,973)	(13,278)	(694)	-	(128,555)
Accruals and deferred income	-	-	(891)	-	-	-	(891)
Subordinated debt	-	-	-	-	-	(119,624)	(119,624)
Total at 28 November 2008	**(3,135,434)**	**(206,203)**	**(12,441)**	**(13,278)**	**(694)**	**(119,624)**	**(3,487,674)**

27. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(d) Fair value of financial instruments

For financial assets and liabilities not measured at fair value, the carrying amounts in the balance sheet are a reasonable approximation of fair value given the short term nature of these instruments, with the exception of the below

	Carrying value		Approximate fair value	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Long-term subordinated debt (see note 21)	81,000	119,624	78,132	103,807

The long term subordinated loans are repayable on either 2 years and 1 day or 5 years and 1 day's notice to or from the holder Consequently, the fair value of long term subordinated debt has been determined on the assumption that all loans are repaid on their earliest potential repayment date, although repayment is subject to FSA approval

(e) Capital management

The company is regulated by the UK Financial Services Authority (FSA) and as such is subject to examination by the FSA and to minimum capital adequacy standards In implementing the Capital Requirements Directive (CRD) the FSA requires each bank and banking group to maintain an individually prescribed ratio of capital to risk weighted assets The company monitors and demonstrated compliance with the relevant regulatory capital requirements of the FSA at all times during the period

The level and composition of our capital is principally determined by our regulatory capital requirements, but may also be influenced by the business environment, conditions in the financial markets and assessments of potential future losses due to extreme and adverse changes in our business and market environment

For regulatory purposes, the company's capital is divided into three tiers

As at 31 December 2009

- Tier 1 capital - £282,615,000 - comprises permanent share capital, Profit and Loss account and reserves, share premium account, perpetual non-cumulative preference shares
- Tier 2 capital - £55,000,000 - solely comprises qualifying long term subordinated debt
- Tier 3 capital - £45,809,000 - comprises qualifying short term subordinated debt

Various regulatory limits and deductions are applied

28. *ULTIMATE PARENT UNDERTAKING*

The immediate parent undertaking and the parent company of the smallest group for which consolidated financial statements are prepared is Goldman Sachs Group Holdings (U K), a company 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