Company Number: 02263951

GOLDMAN SACHS INTERNATIONAL

(unlimited company)

UNAUDITED HALF-YEARLY FINANCIAL REPORT

30 JUNE 2013

MANAGEMENT REPORT

1. Principal activities

Goldman Sachs International ('the company' or 'GSI') provides a wide-range of financial services to clients located worldwide. The company operates a number of branches across Europe, the Middle East and Africa. The principal activity of each branch is to provide financial services to clients within its geographical location. During the period, the company was regulated by the Financial Services Authority ('the FSA') until 31 March 2013. From 1 April 2013, the regulatory responsibilities of the FSA passed to the Financial Conduct Authority ('the FCA') and the Prudential Regulation Authority ('the PRA').

2. Review of business and future developments

The unaudited financial statements have been drawn up for the half-year ended 30 June 2013. Comparative information has been presented for the half-year ended 30 June 2012 and the year ended 31 December 2012.

<u>Business environment</u>

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

Global economic conditions generally improved during the period. In the first quarter of 2013, gross domestic product ('GDP') increased in most major economies outside of the Eurozone. This reflected increased consumer spending in the U.S., increased private investment in Asia and a return to growth in the U.K. This contributed to tighter credit spreads, higher global equity prices and lower levels of volatility. In the Eurozone, GDP continued to decline due to concerns about European sovereign debt risk and ongoing fiscal retrenchment. Political uncertainty and the debt crisis in Cyprus also contributed to increased uncertainty in financial markets. In the second quarter of 2013, economic conditions generally improved as GDP increased in most major economies. In the Eurozone, GDP increased following six consecutive quarters of decline and, in the U.K., GDP growth accelerated. However, concerns emerged in the latter part of the quarter, as interest rates and market volatility increased, and global equity prices declined. This was, in part driven by concerns about the U.S. Federal Reserve potentially tapering its bond-buying program earlier than anticipated. The U.S. Federal Reserve, the Bank of England and the Bank of Japan left interest rates unchanged compared with 2012. The European Central Bank decreased its main refinancing operations rate by 25 basis points to 0.50%. Most major currencies generally depreciated against the U.S. dollar during the period.

The profit and loss account for the period is set out on page 6. Net revenue was US$3,001 million for the half-year ended 30 June 2013 (half-year ended 30 June 2012: US$3,172 million). The results for the company show a pre-tax profit of US$335 million for the half-year ended 30 June 2013 (half-year ended 30 June 2012: US$848 million). GSI has total assets of US$880 billion as at 30 June 2013 (31 December 2012: US$892 billion). Details of the company's business segments are given in note 4 to these financial statements.

<u>Investment Banking</u>

Net revenues in Investment Banking were higher compared to the first half of 2012. This increase primarily reflected increased debt and equity underwriting activity.

<u>Institutional Client Services</u>

The decrease in Institutional Client Services compared with the first half of 2012 reflected lower net revenues from Fixed Income, Currency and Commodities Client Execution ('FICC') and Equities, primarily due to lower net revenues in client execution activity.

MANAGEMENT REPORT (continued)

2. Review of business and future developments (continued)

Investing & Lending

The decrease in Investing & Lending reflected lower net revenues in comparison to the first half of 2012 due to the impact of higher asset prices in that period.

Administrative expenses and interest payable

Administrative expenses increased by US$309 million to US$2,508 million for the half-year ended 30 June 2013 (half-year ended 30 June 2012: US$2,199 million), mainly due to an expense of US$516 million (half-year ended 30 June 2012: charge of US$136 million) relating to the mark-to-market of equity-based compensation awarded in prior years charged by The Goldman Sachs Group, Inc. ('the group').

Interest payable increased to US$168 million for the half-year ended 30 June 2013 (half-year ended 30 June 2012: US$151 million) due to an increase in the average subordinated debt balance.

Pension arrangements

The company has a pension surplus of US$82 million as at 30 June 2013 (31 December 2012: US$212 million) with a full valuation performed, including a review of actuarial assumptions, as at 31 August 2012 and updated to 31 December 2012 and then 30 June 2013. The decrease of US$130 million was mainly driven by an increase in the rate of price inflation.

Strategy

The group is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System ('Federal Reserve Board'). It is also a leading global investment banking, securities and investment management firm that provides a wide-range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. As part of the consolidated group, GSI seeks to be the advisor of choice for its clients and a leading participant in the global financial markets. GSI's strategy, consistent with that of the group, is to grow its four core businesses: Investment Banking; Institutional Client Services; Investing & Lending; and Investment Management, in markets throughout the world.

Principal risks and uncertainties

GSI faces a variety of risks that are substantial and inherent in its businesses 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 businesses.

Economic and market conditions

GSI's businesses, by their nature, do not produce predictable earnings and are 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.

Market volatility

Certain of the market-making businesses depend on market volatility to provide trading and arbitrage opportunities to clients. Decreases in volatility may reduce these opportunities and adversely affect the results of these businesses. In contrast, increased volatility, whilst it can increase trading volumes and spreads, also increases risk as measured by Value-at-Risk ('VaR') and may expose the company to increased risks in connection with market-making activities or necessitate the reduction in size of these activities in order to avoid increasing VaR. Limiting the size of such market-making positions can adversely affect the company's profitability, even though spreads are widening and the company may earn more on each trade. In periods when volatility is increasing, but asset values are declining significantly, it may not be possible to sell assets at all or it may only be possible to do so at steep discounts. In such circumstances, the company may be forced to either take on additional risk or to incur losses in order to decrease its VaR. In addition, increases in volatility increase the level of the company's risk weighted assets and capital requirements, both of which in turn increase funding costs.

MANAGEMENT REPORT (continued)

2. Review of business and future developments (continued)

Liquidity

Liquidity is essential to the company's businesses. The company's liquidity could be impaired by an inability to access secured and / or unsecured debt markets, an inability to access funds from its affiliates, an inability to sell assets or redeem investments or unforeseen outflows of cash or collateral. This situation may arise due to circumstances that the company may be unable to control, such as a general market disruption or an operational problem that affects third parties or the company or even by the perception amongst market participants that the company is experiencing greater liquidity risk. Furthermore, the company's 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 the company interacts may exercise set-off rights or the right to require additional collateral, including in difficult market conditions, which could further impair its access to liquidity.

Credit quality

The company is exposed to the risk that third parties who owe money, securities or other assets will not perform on their obligations. These parties may default on their obligations to the company due to bankruptcy, lack of liquidity, operational failure or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the company.

The company is also subject to the risk that its 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 are held by the company could result in losses and / or adversely affect the company's ability to use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of the company's counterparties could also have a negative impact on the company's results. While, in many cases, the company is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral the company is entitled to receive and the value of pledged assets. The termination of contracts and the foreclosure on collateral may subject the company to claims for the improper exercise of its rights. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress and illiquidity.

As part of its clearing and prime brokerage business, the company finances client positions and it could be held responsible for the defaults or the misconduct of its clients. Although credit exposures to specific clients and counterparties and to specific industries, countries and regions that are believed to present credit concerns are regularly reviewed, default risk may arise from events or circumstances that are difficult to detect or foresee.

Derivative transactions

The company is party to a large number of derivative transactions. Many of these derivative instruments are individually negotiated and non-standardised, which can make exiting, transferring or settling positions difficult. Many derivatives require that the company delivers to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, the company does not hold or may not be able to obtain the underlying security, loan or other obligation. This could cause the company to forfeit the payments due to it under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to the company. Derivative transactions may also involve 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.

MANAGEMENT REPORT (continued)

2. Review of business and future developments (continued)

Derivative transactions (continued)

Derivative contracts and other transactions entered into with third parties are not always confirmed by the counterparties or settled on a timely basis. While the transaction remains unconfirmed or during any delay in settlement, the company is subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce its rights. In addition, as new and more complex derivative products are created, covering a wider array of underlying credit and other instruments, disputes about the terms of the underlying contracts could arise, which could impair the company's ability to effectively manage its risk exposures from these products and subject it to increased costs. The provisions of legislation requiring central clearing of credit derivatives and other over-the-counter ('OTC') derivatives, or a market shift toward standardised derivatives, could reduce the risk associated with such transactions, but under certain circumstances could also limit the company's ability to develop derivatives that best suit client and company needs and adversely affect the company's profitability and increase the credit exposure to such a platform.

Operational infrastructure

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

The company also faces the risk of operational failure, termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that it uses to facilitate securities transactions and, as interconnectivity with clients grows, the company will increasingly face the risk of operational failure with respect to clients' systems. Any such failure, termination or constraint could adversely affect the company's ability to effect transactions, service its clients and manage its exposure to risk.

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 these businesses and the communities in which the company is located. This may include a disruption involving electrical, communications, transportation or other services facilities used by the company or third parties with which the company conducts business.

Technology

Technology is fundamental to the company's businesses and industry. The growth of electronic trading and the introduction of new technologies is changing these businesses and presenting the company with new challenges. Securities, futures and options transactions are increasingly occurring electronically, both on the company's own systems and through other alternative trading systems, and it appears that the trend toward alternative trading systems will continue and probably accelerate. Some of these alternative trading systems compete with the company's businesses increasing competitive pressures in these and other areas. In addition, the increased use by clients of low-cost electronic trading systems and direct electronic access to trading markets could cause a reduction in commissions and spreads. As clients increasingly use the company's systems to trade directly in the markets, the company may incur liabilities as a result of their use of its order routing and execution infrastructure. Significant resources have been invested into the development of electronic trading systems and the company expects to continue to do so, but there is no assurance that the revenues generated by these systems will yield an adequate return on this investment, particularly given the relatively lower commissions arising from electronic trades.

MANAGEMENT REPORT (continued)

2. Review of business and future developments (continued)

Regulatory uncertainty

As a participant in the financial services industry, the company is subject to regulation in jurisdictions around the world. The company faces the risk of intervention by regulatory and taxing authorities in all jurisdictions in which it conducts its businesses. Among other things, as a result of regulators enforcing existing laws and regulations, the company could be fined, prohibited from engaging in some of its business activities, subject to limitations or conditions on its business activities or subjected to new or substantially higher taxes or other governmental charges in connection with the conduct of its business or with respect to its employees.

There is also the risk that new laws or regulations or changes in enforcement of existing laws or regulations applicable to the company's businesses or those of the company's clients, including capital, liquidity and margin requirements, tax burdens and compensation restrictions, could be imposed on a limited subset of financial institutions (either based on size, activities, geography or other criteria), which may 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 businesses.

The impact of such developments could impact the company's profitability in the affected jurisdictions, or even make it uneconomic to continue to conduct all or certain businesses in such jurisdictions, or could result in the company incurring significant costs associated with changing business practices, restructuring businesses, moving certain businesses and employees to other locations or complying with applicable capital requirements, including liquidating assets or raising capital in a manner that adversely increases the company's funding costs or otherwise adversely affects shareholders and creditors.

Risk management

The company seeks to monitor and control 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 processes and other mechanisms. The risk management process seeks to balance the company's ability to profit from market-making positions with exposure to potential losses. 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. Further information is contained in the financial risk management section (see note 12 to the financial statements).

Future outlook

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. Responsibility statement

The financial statements have been prepared in accordance with the Accounting Standards Board statement on 'half-yearly financial reports' and the interim management report herein includes a fair review of the information required by the FCA's Disclosure and Transparency Rules 4.2.7 R and 4.2.8 R.

Rob. Vince

Robin Vince
Director
22 August 2013

PROFIT AND LOSS ACCOUNT (UNAUDITED)

for the half-year ended 30 June 2013

	Note	Half-year ended 30 June 2013 US$'000	Half-year ended 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Net revenue	4	3,000,529	3,171,863	5,578,091
Administrative expenses		(2,507,967)	(2,199,123)	(4,466,115)
OPERATING PROFIT		492,562	972,740	1,111,976
Other interest receivable and similar income		-	15,187	17,512
Interest payable and similar charges		(167,885)	(151,323)	(323,339)
Net finance income		10,749	10,925	21,817
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		335,426	847,529	827,966
Tax on profit on ordinary activities	5	(86,151)	(152,693)	(144,006)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL PERIOD	11	249,275	694,836	683,960

Net revenue and operating profit of the company are derived from continuing operations in the current and prior periods.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (UNAUDITED)

for the half-year ended 30 June 2013

	Note	Half-year ended 30 June 2013 US$'000	Half-year ended 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Profit for the financial period	11	249,275	694,836	683,960
Actuarial (loss) / gain relating to the pension scheme		(124,990)	(42,907)	60,356
UK deferred tax attributable to the actuarial (loss) / gain		28,748	10,298	(13,882)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL PERIOD AND SINCE LAST FINANCIAL STATEMENTS		153,033	662,227	730,434

The notes on pages 8 to 17 form an integral part of these financial statements.

BALANCE SHEET (UNAUDITED)
as at 30 June 2013

	Note	30 June 2013 US$'000	31 December 2012 US$'000
FIXED ASSETS			
Tangible assets		14,975	16,064
Investments		516,553	500,880
		531,528	516,944
CURRENT ASSETS			
Financial instruments owned	6	503,792,373	561,492,911
Financial instruments owned pledged as collateral	6	21,109,769	24,986,812
Collateralised agreements		244,725,882	221,527,555
Debtors	7	92,220,081	70,208,531
Cash at bank and in hand		17,509,136	13,083,945
		879,357,241	891,299,754
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Financial instruments sold, but not yet purchased	6	(474,548,051)	(520,174,451)
Collateralised financing		(199,541,240)	(181,477,383)
Other creditors	8	(168,354,230)	(155,199,988)
		(842,443,521)	(856,851,822)
NET CURRENT ASSETS		36,913,720	34,447,932
TOTAL ASSETS LESS CURRENT LIABILITIES		37,445,248	34,964,876
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9	(17,166,043)	(14,968,588)
PROVISIONS FOR LIABILITIES		(15,164)	(15,305)
NET ASSETS EXCLUDING PENSION SURPLUS		20,264,041	19,980,983
Pension surplus		82,445	212,470
NET ASSETS INCLUDING PENSION SURPLUS		20,346,486	20,193,453
CAPITAL AND RESERVES			
Called up share capital	10, 11	533,447	533,447
Share premium account	11	2,862,936	2,862,936
Capital reserve (non-distributable)	11	17,286	17,286
Profit and loss account	11	16,932,817	16,779,784
TOTAL SHAREHOLDERS' FUNDS	11	20,346,486	20,193,453

The notes on pages 8 to 17 form an integral part of these financial statements.
Company number: 02263951

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2013

1. BASIS OF PREPARATION

The financial statements for the half-year ended 30 June 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the FCA and Accounting Standards Board statement on 'half-yearly financial reports'. The financial statements should be read in conjunction with the financial statements for the year ended 31 December 2012 which have been prepared in accordance with applicable accounting standards.

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2012, as described in those financial statements.

3. REPORTING AND DISCLOSURE EXEMPTIONS

a. FRS1 (Revised 1996) 'Cash Flow Statements'

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

b. FRS8 'Related Party Disclosures'

The company is a wholly-owned subsidiary of The Goldman Sachs Group, Inc. whose consolidated financial statements include the company and are publicly available. As a result, under the terms of paragraph 3(c) of FRS8 'Related Party Disclosures', the company is exempt from disclosing transactions with companies also wholly owned within The Goldman Sachs Group, Inc.

c. FRS29 (IFRS7) 'Financial Instruments: Disclosures'

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

4. SEGMENTAL REPORTING

The company's net revenue is categorised into the following principal segments:

	Half-year ended 30 June 2013 US$'000	Half-year ended 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Investment Banking	591,402	420,935	838,016
Institutional Client Services	2,203,919	2,485,733	4,092,144
Investing & Lending	98,957	170,202	455,339
Investment Management	106,251	94,993	192,592
	3,000,529	**3,171,863**	**5,578,091**

The company has revised its prior period allocation of net revenue between segments to conform to the current period presentation. The change is a reallocation of US$38 million from Investment Management to Institutional Client Services and does not impact net revenue in either the current or prior periods.

4. SEGMENTAL REPORTING (continued)

Investment Banking

Investment Banking activities consist of:

- *Financial advisory* – includes strategic advisory assignments with respect to mergers and acquisitions, divestitures, corporate defence activities, risk management, restructurings and spin offs, and derivative transactions directly related to client advisory assignments; and

- *Underwriting* – includes public offerings and private placements of a wide-range of securities, loans and other financial instruments, and derivative transactions directly related to client underwriting activities.

Institutional Client Services

Institutional Client Services is comprised of:

- *Fixed Income, Currency and Commodities Client Execution* – includes client execution activities related to making markets in interest rate products, credit products, mortgages, currencies and commodities; and

- *Equities* – includes client execution activities related to making markets in equity products, as well as commissions and fees from executing and clearing institutional client transactions on major stock, options and futures exchanges worldwide. Equities also includes the securities services business, which provides financing, securities lending and other prime brokerage services to institutional clients, including hedge funds, mutual funds, pension funds and foundations, and generates revenues primarily in the form of interest rate spreads or fees.

Investing & Lending

Investing & Lending includes investing activities, directly and indirectly through funds that The Goldman Sachs Group, Inc. manages, in debt securities and loans, public and private equity securities and other investments.

Investment Management

Investment Management offers wealth advisory services, including portfolio management and financial counselling, and brokerage and other transaction services to high-net-worth individuals and families.

Geographical Analysis

Due to the highly integrated nature of international financial markets, the directors consider that the company operates in a single global market. As a result, no disclosure of segmental information relating to the geographical origin of results has been provided.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge for the period:

	Half-year ended 30 June 2013 US$'000	Half-year ended 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Current tax:			
UK corporation tax	88,840	62,948	243,804
Adjustments in respect of previous periods	(3,573)	(6,089)	(30,343)
Overseas taxation	26,531	24,129	50,447
Total current tax	**111,798**	**80,988**	**263,908**
Deferred tax:			
Provisions and other timing differences	(36,231)	52,027	(148,721)
Effect of decreased tax rate on opening asset	9,082	19,880	28,523
Adjustments in respect of previous periods	1,502	(202)	296
Total deferred tax	**(25,647)**	**71,705**	**(119,902)**
Tax charge on profit on ordinary activities	**86,151**	**152,693**	**144,006**

In July 2013, the Finance Act 2013 was substantively enacted, which will decrease the main rate of UK corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. The company did not include these rate reductions in its measurement of deferred tax balances as they were not substantively enacted as at 30 June 2013. The company estimates that the impact of these rate reductions in the second half of the year will be to decrease the deferred tax asset by approximately US$46 million.

6. FINANCIAL INSTRUMENTS OWNED AND FINANCIAL INSTRUMENTS SOLD, BUT NOT YET PURCHASED

Financial instruments owned and financial instruments sold, but not yet purchased comprise financial instruments and investments within the operating activities of the company. Financial instruments owned pledged as collateral represents financial instruments owned and pledged to counterparties that have the right to deliver or repledge.

Financial instruments owned, including financial instruments pledged as collateral, comprises:

	30 June 2013 US$'000	31 December 2012 US$'000
Cash instruments:		
Government and agency obligations	26,571,172	25,492,194
Equities	25,436,782	33,955,630
Corporate debt	10,704,252	12,280,613
Commercial paper	733,218	475,132
	63,445,424	**72,203,569**
Derivative instruments:		
Interest rate	240,070,618	298,333,723
Credit	92,511,685	104,822,971
Equity	68,540,094	65,673,030
Foreign currency	54,412,643	40,281,289
Commodities	5,921,678	5,165,141
	461,456,718	**514,276,154**
	524,902,142	**586,479,723**
Financial instruments owned	503,792,373	561,492,911
Financial instruments owned pledged as collateral	21,109,769	24,986,812
	524,902,142	**586,479,723**

Financial instruments sold, but not yet purchased comprises:

	30 June 2013 US$'000	31 December 2012 US$'000
Cash instruments:		
Government and agency obligations	12,713,114	13,506,781
Equities	15,447,839	11,813,137
Corporate debt	3,739,734	2,881,237
	31,900,687	**28,201,155**
Derivative instruments:		
Interest rate	236,411,754	294,450,307
Credit	83,841,985	93,313,839
Equity	63,524,184	59,839,160
Foreign currency	53,436,644	39,724,702
Commodities	5,432,797	4,645,288
	442,647,364	**491,973,296**
	474,548,051	**520,174,451**

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2013

7. DEBTORS

	30 June 2013 US$'000	31 December 2012 US$'000
Amounts due from broker / dealers and customers	65,829,599	54,823,699
Amounts due from parent and group undertakings	25,638,299	14,782,022
Deferred tax	545,381	492,370
Other debtors	77,229	50,971
Prepayments and accrued income	50,486	8,858
Corporation tax receivable	79,087	50,611
	92,220,081	**70,208,531**

Of the amounts due from broker / dealers and customers, US$165 million (31 December 2012: US$165 million) is due in more than one year. This relates to secured lending on a collateralised debt obligation. The remaining debtors are all due within one year of the balance sheet date.

8. OTHER CREDITORS

Other creditors, all of which are payable within one year of the balance sheet date, comprise:

	30 June 2013 US$'000	31 December 2012 US$'000
Bank loans and overdrafts	354,034	432,324
Debt securities issued	17,893,142	16,292,350
Amounts due to broker / dealers and customers	88,993,854	77,468,307
Amounts due to parent and group undertakings	58,546,028	58,806,627
Amounts due to subsidiary undertakings	-	1,444
Accrual for management charges payable to parent and group undertakings	1,339,983	1,112,336
Other taxes and social security costs	180,814	211,513
Other creditors and accruals	1,046,375	875,087
	168,354,230	**155,199,988**

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

	30 June 2013 US$'000	31 December 2012 US$'000
Long-term subordinated loans	9,958,000	9,508,000
Debt securities issued	3,631,337	3,784,372
Amounts due to parent and group undertakings	2,863,752	820,878
Accrual for management charges payable to parent and group undertakings	712,954	855,338
	17,166,043	**14,968,588**

10. SHARE CAPITAL

At 31 December 2012 and 30 June 2013 share capital comprised:

	30 June 2013		31 December 2012	
	No.	US$'000	No.	US$'000
Allotted, called up and fully paid				
Ordinary shares of US$1 each	533,447,150	533,447	533,447,150	533,447

11. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital US$'000	Share premium account US$'000	Capital reserve (non-distributable) US$'000	Profit and loss account US$'000	Total US$'000
At 1 January 2013	**533,447**	**2,862,936**	**17,286**	**16,779,784**	**20,193,453**
Profit for the financial period	-	-	-	249,275	249,275
Other recognised losses for the period	-	-	-	(96,242)	(96,242)
Share-based payments	-	-	-	446,160	446,160
Management recharge related to share-based payments	-	-	-	(446,160)	(446,160)
At 30 June 2013	**533,447**	**2,862,936**	**17,286**	**16,932,817**	**20,346,486**

12. FINANCIAL RISK MANAGEMENT

Normal trading activities expose the company to market, credit and liquidity risk. These 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 across the group. Consequently, the company, as part of that group, adheres to global risk management policies and procedures.

The company seeks to monitor and control its 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 processes and other mechanisms. In addition, a number of global, regional and entity committees are responsible for monitoring risk exposures and for general oversight of the company's risk management process. These committees meet regularly and consist of senior members of both the revenue-producing units and departments that are independent of the revenue-producing units. In addition to the committees, functions that are independent of the revenue-producing units, such as Compliance, Finance (including Risk Management), Legal, Internal Audit and Operations, perform global risk management functions, which include monitoring, analysing and evaluating risk.

a. Market risk

Market risk is the risk of loss in the value of the company's inventory due to changes in market prices. Financial instruments are held primarily for market making for clients and for investing and lending activities. Therefore, the value of these financial instruments changes based on client demands and investment opportunities. Financial instruments are accounted for at fair value and, therefore, fluctuate on a daily basis. Categories of market risk include the following:

- interest rate risk primarily results from exposures to changes in the level, slope and curvature of yield curves, the volatilities of interest rates, mortgage prepayment speeds and credit spreads;

- equity price risk results from exposures to changes in prices and volatilities of individual equities, baskets of equities and equity indices; and

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

The company manages market risk by diversifying exposures, controlling position sizes and establishing economic hedges in related securities or derivatives. The risk management process includes:

- accurate and timely exposure information incorporating multiple risk metrics;

- a dynamic limit setting framework; and

- constant communication among revenue-producing units, risk managers and senior management.

Market Risk Management, which is independent of the revenue-producing units and reports to the chief risk officer, has primary responsibility for assessing, monitoring and managing market risk. Risks are monitored and controlled through strong oversight and independent control and support functions across the global businesses.

Market Risk Management produces risk measures and monitors them against market risk limits set by the GSI Risk Committee. These measures reflect an extensive range of scenarios and the results are aggregated at trading desk, business and company levels.

A variety of risk measures are used to estimate the size of potential losses for both moderate and more extreme market moves over both short-term and long-term time horizons. Risk measures used for shorter-term periods include Value-at-Risk ('VaR') and sensitivity metrics. For longer-term horizons, the primary risk measures are stress tests. The risk reports detail key risks, drivers and changes for each desk and business, and are distributed daily to senior management of both the revenue-producing units and independent control and support functions.

12. FINANCIAL RISK MANAGEMENT (continued)

a. Market risk (continued)

Management has made a significant investment in technology to monitor market risk including:

- an independent calculation of VaR and stress measures;
- risk measures calculated at individual position levels;
- attribution of risk measures to individual risk factors of each position;
- the ability to report many different views of the risk measures, e.g. by desk, business or product type; and
- the ability to produce *ad hoc* analyses in a timely manner.

Risk limits are used at various levels in the group (including company, business and product) to govern risk appetite by controlling the size of exposures to market risk. Limits are reviewed frequently and amended on a permanent or temporary basis to reflect changing market conditions, business conditions or tolerance for risk.

The GSI Risk Committee sets market risk limits at company, business and product levels. The purpose of the limits is to assist senior management in controlling the company's overall risk profile. Business level limits are designed to set the desired maximum amount of exposure that may be managed by any particular business on a day-to-day basis without additional levels of senior management approval, effectively leaving day-to-day trading decisions to individual desk managers and traders. Accordingly, sub-limits are a management tool designed to ensure appropriate escalation rather than to establish maximum risk tolerance. Sub-limits are also designed to distribute risk among various businesses in a manner that is consistent with their level of activity and client demand, taking into account the relative performance of each area.

Market risk limits are monitored daily by Market Risk Management, which is responsible for identifying and escalating, on a timely basis, instances where limits have been exceeded. The business-level limits are subject to the same scrutiny and limit escalation policy as the company and group limits. When a risk limit has been exceeded, e.g. due to changes in market conditions, such as increased volatilities or changes in correlations, it is reported to the GSI Risk Committee and a discussion takes place with the relevant desk managers, after which either the risk position is reduced or the risk limit is temporarily or permanently increased.

b. Credit risk

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty, e.g. an OTC derivatives counterparty or a borrower, or an issuer of securities or other instruments the company holds. Exposure to credit risk comes mostly from client transactions in OTC derivatives. Credit risk also comes from cash placed with banks, securities financing transactions, i.e. resale and repurchase agreements and securities borrowing and lending activities, and receivables from brokers / dealers, clearing organisations, customers and counterparties.

Credit Risk Management, which is independent of the revenue-producing units and reports to the chief risk officer, has primary responsibility for assessing, monitoring and managing credit risk. The group's Credit Policy Committee, GSI Risk Committee and GSI Credit Committee establish and review credit policies and parameters. In addition, the company holds other positions that give rise to credit risk, e.g. bonds held in inventory. These credit risks are captured as a component of market risk measures, which are monitored and managed by Market Risk Management, consistent with other inventory positions.

Policies authorised by the company's aforementioned committees and the group's Credit Policy Committee prescribe the level of formal approval required for the company to assume credit exposure to a counterparty across all product areas, taking into account any enforceable netting provisions, collateral or other credit risk mitigants.

12. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

Effective management of credit risk requires accurate and timely information, a high level of communication and knowledge of customers, countries, industries and products. The process for managing credit risk includes:

- approving transactions and setting and communicating credit exposure limits;
- monitoring compliance with established credit exposure limits;
- assessing the likelihood that a counterparty will default on its payment obligations;
- measuring the company's current and potential credit exposure and losses resulting from counterparty default;
- reporting of credit exposures to senior management, the Board and regulators;
- use of credit risk mitigants, including collateral and hedging; and
- communication and collaboration with other independent control and support functions such as Operations, Legal and Compliance.

As part of the risk assessment process, Credit Risk Management performs credit reviews which include initial and ongoing analyses of the company's counterparties. A credit review is an independent judgement about the capacity and willingness of a counterparty to meet its financial obligations. For substantially all of the company's credit exposures, the core of the process is an annual counterparty review. A counterparty review is a written analysis of a counterparty's business profile and financial strength resulting in an internal credit rating which represents the probability of default on financial obligations to the company. The determination of internal credit ratings incorporates assumptions with respect to the counterparty's future business performance, the nature and outlook for the counterparty's industry and the economic environment. Senior personnel within Credit Risk Management, with expertise in specific industries, inspect and approve credit reviews and internal credit ratings.

The global credit risk management systems capture credit exposure to individual counterparties and on an aggregate basis to counterparties and their subsidiaries (economic groups). These systems also provide management with comprehensive information on aggregate credit risk by product, internal credit rating, industry, country and region.

Credit risk is measured based on the potential loss in an event of non-payment by a counterparty. For derivatives and securities financing transactions, the primary measure is potential exposure, which is the estimate of the future exposure that could arise over the life of a transaction based on market movements within a specified confidence level. Potential exposure takes into account netting and collateral arrangements. Credit risk is also monitored in terms of current exposure, which is the amount presently owed to the company after taking into account applicable netting and collateral.

c. Liquidity risk

Liquidity is of critical importance to financial institutions. Accordingly, the company has in place a comprehensive and conservative set of liquidity and funding policies to address both company-specific and broader industry or market liquidity events. The principal objective is to be able to fund the company and to enable the core businesses to continue to generate revenues under adverse circumstances.

12. FINANCIAL RISK MANAGEMENT (continued)

c. Liquidity risk (continued)

The company manages liquidity risk according to the following principles:

- excess liquidity – maintain substantial excess liquidity to meet a broad range of potential cash outflows and collateral needs in a stressed environment;

- asset-liability management – assess the overall anticipated holding periods for the company's assets and their expected liquidity in a stressed environment. Manage the maturities and diversity of funding across markets, products and counterparties, and seek to maintain liabilities of appropriate tenor relative to the asset base; and

- contingency funding plan ('CFP') – a CFP is maintained to provide a framework for analysing and responding to a liquidity crisis situation or periods of market stress. This framework sets forth the plan of action to fund normal business activity in emergency and stress situations.

13. ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS

The immediate parent undertaking is Goldman Sachs Holdings (U.K.). The parent company of the smallest group for which consolidated financial statements are prepared is Goldman Sachs Group Holdings (U.K.). Both companies are 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 in the United States of America. Copies of its consolidated financial statements, as well as certain regulatory filings, for example Forms 10-Q and 10-K, that provide additional information on the group and its business activities, 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/.