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Company Number: FC027788  
Cayman Company Number: MC-191334

**GS FUNDING EUROPE II LTD**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2010**

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## GS FUNDING EUROPE II LTD

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### REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the 52 week period ended 31 December 2010

#### 1. Principal activities

GS Funding Europe II Ltd ('the company') was incorporated in the Cayman Islands as an exempted limited liability company

The company primarily operates in a US dollar environment as part of The Goldman Sachs Group, Inc. Accordingly, the company's functional currency is US dollars and these financial statements have been prepared in that currency

The principal activity of the company is to undertake investment business

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

The financial statements have been drawn up for the 52 week period ended 31 December 2010. Comparative information has been presented for the 57 week period ended 31 December 2009. In the prior period, the company changed its accounting reference date to 31 December

The profit and loss account for the period is set out on page 3. Profit on ordinary activities before taxation was US\$169,082,000 for the 52 week period ended 31 December 2010 (57 week period ended 31 December 2009 US\$230,372,000). The company has total assets of US\$8,007,965,000 (31 December 2009 US\$8,096,952,000).

The directors consider that the period end financial position of the company was satisfactory and do not anticipate any significant changes in its activities in the forthcoming period.

#### 3. Dividends

The directors paid and declared interim dividends of US\$139,329,000 during the period (57 week period ended 31 December 2009 US\$146,994,000). The directors do not recommend the payment of a final ordinary dividend in respect of the period (57 week period ended 31 December 2009 US\$nil).

#### 4. Exchange rate

The US dollar / sterling exchange rate at the balance sheet date was 1.5590 (31 December 2009 1.6154). The average rate for the period was 1.5424 (57 week period ended 31 December 2009 1.5616).

#### 5. Directors

The directors of the company who served throughout the period and to the date of this report were

##### Name

M A Allen

P N Curle

W T Gasson

D J Hugo

S B Scobie

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

#### 6. Financial risk management

The company's risk management objectives and policies, as well as its risk exposures, are described in note 11 to the financial statements.

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## GS FUNDING EUROPE II LTD

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### REPORT OF THE DIRECTORS (continued)

#### 7. 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 judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 2006, as applicable to overseas companies. 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.

#### 8. Date of authorisation of issue

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

**BY ORDER OF THE BOARD**



**Director**

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## GS FUNDING EUROPE II LTD

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### PROFIT AND LOSS ACCOUNT

for the 52 week period ended 31 December 2010

		52 week period ended 31 December 2010	57 week period ended 31 December 2009
	Note	US\$'000	US\$'000
Foreign exchange gains		52	246
Interest receivable and similar income	3	169,030	230,126
<b>OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		169,082	230,372
Tax on profit on ordinary activities	4	(47,313)	(67,599)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE PERIOD</b>	9	121,769	162,773

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

There is no difference between the profit on ordinary activities before taxation and the profit for the period as stated above and their historical cost equivalents

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

The notes on pages 5 to 8 form an integral part of these financial statements

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## GS FUNDING EUROPE II LTD

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### BALANCE SHEET

as at 31 December 2010

	Note	31 December 2010 US\$'000	31 December 2009 US\$'000
<b>CURRENT ASSETS</b>			
Debtors	5	8,007,965	8,096,952
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	6	(3,459)	(74,886)
<b>NET ASSETS AND NET CURRENT ASSETS</b>		<u>8,004,506</u>	<u>8,022,066</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	40	40
Share premium	9	7,999,578	7,999,578
Profit and loss account	9	4,888	22,448
<b>TOTAL SHAREHOLDERS' FUNDS</b>	10	<u>8,004,506</u>	<u>8,022,066</u>

The financial statements were approved by the Board of Directors on

2011 and signed on its behalf by

 Director

The notes on pages 5 to 8 form an integral part of these financial statements  
Company number FC027788 / Cayman company number MC-191334

# GS FUNDING EUROPE II LTD

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

### 1. ACCOUNTING POLICIES

#### a. Accounting convention

The financial statements have been prepared on a going concern basis, under the historical cost convention, the accounting policies set out below, and in accordance with the Companies Act 2006 as applicable to overseas companies and applicable accounting standards

#### b. Financial assets and liabilities

Financial assets comprise amounts due from group undertakings. They are initially recognised at fair value and subsequently measured at amortised cost, with finance income recognised on an accruals basis. All finance income is recognised in the profit and loss account.

#### c. Foreign currencies

Transactions denominated in foreign currencies are translated into US dollars at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are recognised in operating profit and are presented on a basis consistent with the associated income and expenses.

#### d. Dividends

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

#### e. Reporting and disclosure exemption

##### i. FRS1 - Cash flow statements

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

##### ii. FRS8 - Related party disclosures

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

### 2. STAFF COSTS

As in the prior period the company has no employees. All persons involved in the company's operation are employed by group undertakings and no costs are borne by the company.

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 week period ended 31 December 2010 US\$'000	57 week period ended 31 December 2009 US\$'000
Interest receivable from group undertakings (see note (5))	169,030	230,126

## GS FUNDING EUROPE II LTD

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

#### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

##### a. Analysis of tax charge for the period:

	52 week period ended 31 December 2010 US\$'000	57 week period ended 31 December 2009 US\$'000
<b>Current tax:</b>		
Corporation tax payable	47,313	67,599
<b>Total current tax (see note b below)</b>	<b>47,313</b>	<b>67,599</b>

##### b. Factors affecting tax charge for the period:

The current tax assessed for the period differs from the standard rate of corporation tax in the UK at 28% (31 December 2009 28%). The differences are explained below

	52 week period ended 31 December 2010 US\$'000	57 week period ended 31 December 2009 US\$'000
Profit on ordinary activities before taxation	169,082	230,372
Profit on ordinary activities at the standard rate in the UK 28% (2009 28%)	47,343	64,504
Exchange differences	(30)	3,095
<b>Current tax charge for the period</b>	<b>47,313</b>	<b>67,599</b>

#### 5. DEBTORS

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

	31 December 2010 US\$'000	31 December 2009 US\$'000
Amounts due from group undertakings	8,007,965	8,096,952

Amounts due from group undertakings in the current and prior period includes a subordinated loan facility advanced by the company on 25 July 2007 to Goldman Sachs Group Holdings (U K ), a fellow group undertaking. Goldman Sachs Group Holdings (U K ) drew an amount of US\$5,000,000,000 under this facility on 26 July 2007 and a further amount of US\$3,000,000,000 on 5 October 2007. This subordinated loan was unsecured, carried an interest rate at a margin over LIBOR and was repayable upon demand by the company. On 24 July 2009 and 15 December 2009, Goldman Sachs Group Holdings (U K ) repaid amounts of US\$4,000,000,000 respectively under the terms of this subordinated loan facility.

On 24 July 2009 the company advanced a loan of US\$4,000,000,000 to Goldman Sachs Group Holdings (U K ). This loan is unsecured, carries interest at a rate of LIBOR plus 1.73% and is repayable on demand by the company. On 15 December 2009, the loan agreement was extended and an additional US\$4,000,000,000 was advanced.

In addition, amounts due from group undertakings also include US\$1,666,818 (31 December 2009 US\$55,347,419) in cash balances held on account by a fellow group undertaking.

# GS FUNDING EUROPE II LTD

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

### 6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors, all of which are payable within one year of the balance sheet date, comprise

	31 December 2010	31 December 2009
	US\$'000	US\$'000
Amounts due to group undertakings	-	52,222
Corporation tax payable	3,459	22,664
	<b>3,459</b>	<b>74,886</b>

### 7. DIVIDENDS PAID

	52 week period ended 31 December 2010	57 week period ended 31 December 2009
	US\$'000	US\$'000
Interim dividends paid	<b>139,329</b>	<b>146,994</b>

The company paid interim dividends on 17 December 2010 to GS Funding Europe and GS Funding Europe I Ltd as the holders of the ordinary and redeemable ordinary shares issued by the company in aggregate amounts of US\$13,932,910 and US\$125,396,090 respectively. During the prior period, the company paid interim dividends to GS Funding Europe and GS Funding Europe I Ltd in aggregate amounts of US\$14,699,403 and US\$132,294,623 respectively.

### 8. SHARE CAPITAL

At 31 December 2010 and 31 December 2009 share capital comprised

	31 December 2010		31 December 2009	
	No.	US\$	No.	US\$
<b><u>Allotted, called up and fully paid</u></b>				
Ordinary shares of US\$0.01 each	1	-	1	-
Redeemable ordinary shares of US\$0.01 each	3,985,926	39,859	3,985,926	39,859
		<b>39,859</b>		<b>39,859</b>

Ordinary shares and redeemable ordinary shares rank pari passu on a winding up and in respect of dividend and voting rights. The redeemable ordinary shares may be redeemed by the company at its option, at any time.

### 9. SHARE PREMIUM ACCOUNT AND RESERVES

	Share Premium Account	Profit and Loss Account
	US\$'000	US\$'000
At 31 December 2009	7,999,578	22,448
Profit for the period	-	121,769
Dividends paid	-	(139,329)
<b>At 31 December 2010</b>	<b>7,999,578</b>	<b>4,888</b>

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## GS FUNDING EUROPE II LTD

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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

#### 10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2010	31 December 2009
	US\$'000	US\$'000
Profit for the period	121,769	162,773
Dividends paid	(139,329)	(146,994)
Net decrease in shareholders' funds	(17,560)	15,779
Opening shareholders' funds	8,022,066	8,006,287
Closing shareholders' funds	<u>8,004,506</u>	<u>8,022,066</u>

#### 11. FINANCIAL RISK MANAGEMENT

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from current assets are not sufficient to fund the obligations arising from liabilities as they fall due. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet, the directors consider liquidity risk, foreign exchange risk and interest rate risk to be the most important components of financial risk relevant to the company. The company, as part of a global group, adheres to global risk management policies and procedures.

#### 12. FINANCIAL COMMITMENTS AND CONTINGENCIES

The company had no financial commitments and contingencies outstanding at the period end (31 December 2009 nil).

#### 13. ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS

The immediate parent undertaking is GS Funding Europe I Ltd, a company registered in the Cayman Islands, and the parent company of the smallest group for which consolidated financial statements are prepared is GS Funding Europe, a company registered in England and Wales.

The ultimate parent undertaking, and the parent undertaking of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc. The principal place of business, from which copies of its accounts can be obtained, is 200 West Street, New York, NY 10282, United States of America. This company is incorporated in the United States of America.