Goldman Sachs Group UK Limited

Consolidated Financial Information

For the year ended December 31, 2015

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Introduction

Goldman Sachs Group UK Limited ("the company"), together with its subsidiary undertakings (collectively "GSGUK" or "the group"), provides a wide range of financial services to clients located worldwide.

GSGUK is supervised on a consolidated basis by the Prudential Regulatory Authority ("PRA").

The company's ultimate parent undertaking and controlling entity is The Goldman Sachs Group, Inc. (Group Inc.). Group Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System (Federal Reserve Board). Group Inc., together with its consolidated subsidiaries, form "GS Group". GS Group is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals.

The majority of GSGUK's business activity is conducted through legal entities incorporated in the United Kingdom and regulated by the PRA, including Goldman Sachs International (GSI), the firm's broker dealer in Europe, Middle East and Africa ("EMEA") region, and Goldman Sachs International Bank (GSIB), the firm's U.K. registered bank.

The non-statutory consolidated financial information of GSGUK ("consolidated financial information") has been prepared by the directors to support the consolidated Pillar 3 reporting of GSGUK.

Company Information

For the year ended 31 December 2015

Directors	**Appointed**	**Resigned**
D. W. McDonogh		22/09/2015
R. J. Taylor		
P. L. Monteiro	22/09/2015	
D. C. Bicarregui	22/09/2015	

Secretary
M. Pearce

Registered Office
Peterborough Court
133 Fleet Street
London
EC41 2BB

Auditor
Pricewaterhouse Coopers LLP
7 More London Riverside
London
SE1 2RT

Statement of Directors' Responsibilities

The directors are responsible for the preparation of the consolidated financial information on the basis set out in the 'Summary of Significant Accounting Policies' on page 8. The directors prepared the consolidated financial information in accordance with the recognition and measurement requirements of EU-adopted International Financial Reporting Standards.

In preparing the consolidated financial information, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial information; and
- prepared the consolidated financial information on the going concern basis unless it is inappropriate to presume that the group 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 group. They are also responsible for safeguarding the assets of the group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the consolidated financial information on the Goldman Sachs website.

By order of the board
M. Pearce
Secretary
June 27, 2016

Report on the consolidated financial information

Our opinion

In our opinion, Goldman Sachs Group UK Limited's non-statutory consolidated financial information for the year ended 31 December 2015 has been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in the Accounting Policies Note 1.

Emphasis of matter - Basis of preparation

In forming our conclusion on the consolidated financial information, which is not modified, we draw attention to the basis of preparation described in the Accounting Policies note. The consolidated financial information has been prepared for a specific purpose, is not a complete set of statutory financial statements, and therefore do not include all the information required to be disclosed by International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In addition, we draw attention to the fact that the consolidated financial information has not been prepared under section 394 of the Companies Act 2006 and are not the company's statutory financial statements.

What we have audited

The consolidated financial information comprises:

- the Consolidated Balance Sheet as at 31 December 2015;
- the Consolidated Profit and Loss Account for the year then ended;
- the Consolidated Statement of Changes in Equity; and
- the explanatory notes to the consolidated financial information.

The financial reporting framework that has been applied in the preparation of the consolidated financial information is applicable law and the basis of preparation and accounting policies in the Accounting Policies.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the consolidated financial information and the audit

Our responsibilities and those of the directors

The directors are responsible for the preparation of the consolidated financial information in accordance with the basis of preparation and accounting policies in the Accounting Policies and for determining that the basis of preparation and accounting policies are acceptable in the circumstances.

Our responsibility is to audit and express an opinion on the consolidated financial information in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the company's directors as a body to assist the directors in providing consolidated financial information to support the consolidated Pillar 3 reporting of the GSGUK group in accordance with our engagement letter dated 16 June 2016 and for no other purpose. We do not, in giving this opinion, 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, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

What an audit of consolidated financial information involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial information sufficient to give reasonable assurance that the consolidated financial information is free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group'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 consolidated financial information.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the consolidated financial information.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

PricewaterhouseCoopers LLP
Chartered Accountants
London
27 June 2016

Consolidated Profit and Loss Account

$ in millions	Note	Year ended December 2015	Year ended December 2014
Net revenues		**$ 7,985**	$ 7,226
Administrative expenses	2	**(4,625)**	(4,739)
Operating profit		**3,360**	2,487
Interest payable and similar charges		**(294)**	(247)
Net finance income		**7**	8
Profit on ordinary activities before taxation		**3,073**	2,248
Tax on profit on ordinary activities	3	**(400)**	(461)
Profit for the financial year		**$ 2,673**	$ 1,787

Net revenues and operating profit of the group are derived from continuing operations in the current and prior years.

Consolidated Statement of Comprehensive Income

$ in millions	Note	Year ended December 2015	Year ended December 2014
Profit for the financial year		**$ 2,673**	$ 1,787
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/profit relating to the pension scheme		**(4)**	111
U.K. deferred tax attributable to the actuarial profit/(loss)		**1**	(22)
Currency translation differences		**(36)**	(39)
Other comprehensive (loss)/income for the financial year, net of tax		**(39)**	50
Total comprehensive income for the financial year		**$ 2,634**	$ 1,837

GOLDMAN SACHS GROUP UK LIMITED

Consolidated Balance Sheet

$ in millions	Note	Year ended December 2015	Year ended December 2014
Fixed assets			
Tangible assets		**$ 12**	$ 13
Investments		**836**	495
		848	508
Current assets			
Financial instruments owned (includes $22,043 and $24,411 pledged as collateral as of December 2015 and December 2014, respectively)	4	**626,191**	705,702
Collateralised agreements	5	**161,168**	202,348
Debtors	6	**62,607**	64,091
Cash at bank and in hand		**10,648**	4,015
		860,614	976,156
Creditors: amounts falling due within one year			
Financial instruments sold, but not yet purchased	4	**(562,602)**	(650,910)
Collateralised financings	7	**(98,549)**	(124,279)
Other creditors	8	**(134,404)**	(155,023)
		(795,555)	(930,212)
Net current assets		**65,059**	45,944
Total assets less current liabilities		**65,907**	46,452
Creditors: amounts falling due after more than one year			
Collateralised financings	7	**(3,503)**	(2,514)
Other creditors	8	**(33,031)**	(17,413)
		(36,534)	(19,927)
Provisions for liabilities		**-**	(22)
Net assets excluding pension surplus		**29,373**	26,503
Pension surplus		**261**	257
Net assets including pension surplus		**$ 29,634**	$ 26,760
Capital and reserves			
Called up share capital		**$ 4,893**	$ 4,852
Share premium account		**221**	155
Other reserve		**133**	-
Capital redemption reserve		**305**	305
Profit and loss account		**24,082**	21,448
Total shareholders' funds		**$ 29,634**	$ 26,760

The consolidated financial information was approved by the Board of Directors on June 27, 2016 and signed on its behalf by:

R. J. Taylor
Director

Consolidated Statement of Changes in Equity

$ in millions	**Year ended December 2015**	Year ended December 2014
Called up share capital		
Balance, beginning of year	**$ 4,852**	$ 4,832
Shares issued	**41**	20
Balance, end of year	**4,893**	4,852
Share premium account		
Balance, beginning of year	**155**	77
Shares issued	**66**	78
Balance, end of year	**221**	155
Other reserve		
Balance, beginning of year	**–**	–
Shares issued	**133**	–
Balance, end of year	**133**	–
Capital redemption reserve		
Balance, beginning of year	**305**	305
Balance, end of year	**305**	305
Profit and loss account		
Balance, beginning of year	**21,448**	19,611
Profit for the financial year	**2,673**	1,787
Other comprehensive (loss)/income	**(39)**	50
Balance, end of year	**24,082**	21,448
Total shareholders' funds	**$29,634**	$26,760

Note 1.

Summary of Significant Accounting Policies

Basis of Preparation

The non-statutory consolidated financial information of the GSGUK group has been prepared by the directors to support the consolidated Pillar 3 reporting of the GSGUK group.

The consolidated primary statements have been prepared on the going concern basis, under the historical cost convention (except as described below in "Pension Arrangements" and "Financial Assets and Liabilities") and in line with the recognition and measurement requirements of EU-adopted International Financial Reporting Standards. These recognition and measurement requirements have been chosen to align with those followed by the company's principal subsidiaries which prepare financial statements under FRS 101. The accounting policies applied in respect of measurement and recognition are set out below and are materially consistent with those that would have been used were these statutory consolidated financial statements.

The consolidated primary statements are presented in accordance with the formats of the Companies Act.

The directors have also prepared statutory financial statements for the standalone company, which have been delivered to the Registrar of Companies. These included an auditors' report which was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) or section 498(3) of the 2006 Companies Act.

Consolidation

The consolidated primary statements include the company and all of its subsidiaries. Acquisition accounting is used to consolidate subsidiaries acquired during the year. In accounting for subsidiaries the group fully consolidates their assets, liabilities and results for the year. All intercompany balances and transactions are eliminated from the consolidated primary statements. The accounting reference date of the company and its subsidiary undertakings is 31 December, with the exception of those subsidiaries which, because of certain considerations, have different accounting reference dates, and which have been consolidated on the basis of interim financial statements for the year to 31 December.

Accounting Policies

Revenue Recognition. Net revenues have been disclosed instead of turnover as this reflects more meaningfully the nature and results of the company's activities. Net revenues includes the net profit arising from transactions, with both third parties and affiliates, in securities, foreign exchange and other financial instruments, and fees and commissions. This is inclusive of associated interest and dividends.

Financial Assets and Financial Liabilities Measured at Fair Value Through Profit or Loss

Financial assets and financial liabilities held for trading or designated at fair value through profit or loss are recognised at fair value with realised and unrealised gains and losses as well as associated interest and dividend income and expenses included in net revenues. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs.

Non-derivative financial instruments owned and financial instruments sold, but not yet purchased (i.e., cash instruments) are recognised using settlement date accounting. See "Financial Assets and Financial Liabilities – Recognition and Derecognition" below for further details. Unrealised gains and losses related to the change in fair value of these instruments between trade date and settlement date are recognised within net revenues.

Investment Banking

Fees from financial advisory engagements and underwriting revenues are recognised in profit and loss when the relevant parties are contractually bound and as contract activity progresses unless the right to consideration does not arise until the occurrence of a critical event, in which case revenue is not recognised until that event has occurred.

Expenses associated with such engagements are deferred until the related revenue is recognised or the engagement is otherwise concluded. Expenses associated with financial advisory engagements are recognised in administrative expenses, net of client reimbursements. Underwriting revenues are presented net of related expenses.

Investment Management

Management fees are recognised on an accrual basis and are generally calculated as a percentage of a fund or a separately managed account's average net asset value. All management fees are recognised over the period that the related service is provided.

Incentive fees are calculated as a percentage of a fund's return or a percentage of a fund's excess return above a specified benchmark or other performance target. Incentive fees are recognised only when all material contingencies have been resolved.

Commissions and Fees

Revenue from commissions and fees from executing and clearing client transactions on stock, options and futures markets, as well as OTC transactions is recognised in net revenues on the day the trade is executed.

Operating Leases. The group has entered into operating lease arrangements as the lessee. Leased assets are not recognised on the balance sheet. Costs in respect of operating leases, adjusted for any incentives granted by the lessor, are charged on a straight-line basis over the lease term and included within administrative expenses in the profit and loss account.

Short-Term Employee Benefits. Short-term employee benefits, such as wages and salaries, are measured on an undiscounted basis and accrued as an expense over the period in which the employee renders the service to the group. Provision is made for discretionary year-end compensation whether to be paid in cash or share-based awards where, as a result of group policy and past practice, a constructive obligation exists at the balance sheet date.

Share-Based Payments. Group Inc. issues awards in the form of restricted stock units (RSUs) and stock options to the group's employees for services rendered to the group. Awards are classified as equity settled and hence the cost of share-based transactions with employees is measured based on the grant-date fair value of the award. Share-based awards that do not require future service (i.e., vested awards, including awards granted to retirement eligible employees) are expensed immediately. Share-based awards that require future service are amortised over the relevant service period. Expected forfeitures are included in determining share-based employee compensation expense.

Group Inc. settles equity awards through the delivery of its ordinary shares. Group Inc. pays cash dividend equivalents on outstanding RSUs. The group has also entered into a chargeback agreement with Group Inc. under which it is committed to pay to Group Inc. the grant-date fair value as well as subsequent movements in fair value of those awards to Group Inc. at the time of delivery to its employees.

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

Pension Arrangements. The group is a sponsor of a defined contribution pension plan and a hybrid pension plan for the benefit of certain employees. The hybrid pension plan has both a defined benefit section (the Plan) and a defined contribution section. These are accounted for as follows:

- For the defined contribution pension plan and the defined contribution section of the hybrid pension plan, the contributions payable for the year are charged to operating profit. Differences between contributions payable for the year and contributions actually paid are shown as either accruals or prepayments on the balance sheet.
- For the Plan, the amounts charged to operating profit are the current service costs, any past service costs and any gains or losses on settlements and curtailments. These amounts are included in staff costs. The net interest is included in net finance income. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income. Plan assets are measured at fair value and Plan liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the Plan liabilities. Full actuarial valuations are obtained at least triennially and updated at each balance sheet date. Any surplus or deficit of Plan assets over Plan liabilities is recognised on the balance sheet as an asset (surplus) or liability (deficit).

Tangible Fixed Assets. Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Fixtures, fittings and equipment are depreciated on a straight-line basis over their estimated useful lives, which is between 3 to 7 years. Depreciation is included in administrative expenses.

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. Depreciation policies are reviewed on an annual basis.

Investments. Investments in associate undertakings are recorded at fair value in line with IAS 39: "Financial instruments: Recognition and Measurement", as permitted by IAS 28: "Investments in Associates and Joint Ventures". Other investments are stated at cost or amortised cost, as applicable, less provision for impairment. Amortisation is included in administrative expenses.

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

Foreign Currencies. The group's financial information is presented in U.S. dollars, which is also the group's functional currency.

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

The results of subsidiaries with non-U.S. dollar functional currencies are translated at the average rates of exchange during the year and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising from the retranslation of the opening net assets and results are reported in the consolidated statement of comprehensive income.

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 hedge instrument, are taken directly to the consolidated statement of comprehensive income. 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 investment are recognised in the profit and loss account only on disposal of the investment.

Financial Assets and Financial Liabilities.
Recognition and Derecognition
Non-derivative financial instruments owned and financial instruments sold, but not yet purchased (i.e., cash instruments) purchased or sold in regular way transactions are recognised and derecognised using settlement date accounting.

Other financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument. They are de-recognised when the contractual rights to the cash flows from the financial asset expire or if the group transfers the financial asset and substantially all the risk and rewards of ownership of that financial asset. A financial liability is derecognised only when it is extinguished (i.e., when the obligation specified in the contract is discharged or cancelled or expires).

Classification and Measurement
The group classifies its financial assets and financial liabilities into the below categories. The classification, which is determined at initial recognition, depends on the purpose for which they were acquired or originated.

- **Financial assets and financial liabilities classified as held for trading.** Financial assets and financial liabilities classified as held for trading include financial instruments owned and financial instruments sold, but not yet purchased. Financial instruments owned and financial instruments sold, but not yet purchased include cash instruments and derivative instruments. Both are initially recognised at fair value with transaction costs expensed in profit or loss. Such financial instruments are carried in the balance sheet at fair value and all subsequent gains or losses are recognised in net revenues.

  The directors are of the opinion that it would not be appropriate to classify them as current asset investments or to provide an analysis of such securities between those listed and unlisted.

- **Financial assets and financial liabilities designated at fair value through profit or loss.** The group designates certain of its other financial assets and financial liabilities at fair value through profit or loss. Financial assets and financial liabilities designated at fair value through profit or loss are initially recognised at fair value with transaction costs expensed in profit or loss. They are measured in the balance sheet at fair value and all subsequent gains or losses are recognised in net revenues. The primary reasons for designating such financial assets and financial liabilities at fair value through profit or loss are:

  - The group of financial assets, financial liabilities or both is managed and its performance evaluated on a fair value basis; and

  - To eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

  Financial assets and financial liabilities designated at fair value through profit or loss include:

  - Resale agreements and substantially all repurchase agreements;

  - Securities borrowed and loaned within Fixed Income, Currency and Commodities Client Execution;

  - Substantially all secured debt securities issued, which includes certain hybrid financial instruments and transfers of assets accounted for as financings rather than sales;

  - Certain unsecured debt securities issued, including certain hybrid financial instruments; and

  - Certain debtors, including transfers of assets accounted for as secured loans rather than purchases.

  Hybrid financial instruments are instruments that contain bifurcatable embedded derivatives. If the group elects to bifurcate the embedded derivative from the associated debt, the derivative is accounted for at fair value and the host contract is accounted for at amortised cost, adjusted for the effective portion of any fair value hedges. If the group does not elect to bifurcate, the entire hybrid financial instrument is designated at fair value through profit or loss.

  These financial assets and financial liabilities at fair value are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are generally classified as level 2 because the inputs are observable. Valuation adjustments may be made for liquidity and for counterparty and GS Group's credit quality.

- **Loans and receivables; and financial liabilities measured at amortised cost.** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include certain collateralised agreements, substantially all debtors and cash at bank and in hand. Such financial assets are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method (see below). Finance revenue is recorded in net revenues.

  Financial liabilities measured at amortised cost include certain customer accounts payable, certain collateralised financings, subordinate loans from group undertakings, certain other liabilities and substantially all other creditors. Such financial liabilities are initially recognised at fair value plus transactions costs and subsequently measured at amortised cost using the effective interest method (see below). Finance costs, including discounts allowed on issue, are recorded in net revenues with the exception of interest on long-term subordinated loans, which is recorded in interest payable and similar charges.

  The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial asset or financial liability but does not consider future credit losses. The calculation includes all fees and points paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

  The group assesses its loans and receivables at each balance sheet date for any objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is included within net revenues, if trading related, or in administrative expenses if non-trading related.

Classification of Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements. A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. An equity investment is any contract that evidences a residual interest in the assets of the entity after deducting all liabilities. Instruments are evaluated to determine if they contain both liability and equity components. The initial carrying amount of a compound financial instrument is allocated first to the liability component, measured at fair value, and the equity is assigned the residual amount.

Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet where there is:

- Currently a legally enforceable right to set-off the recognised amounts; and
- Intent to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Hedge Accounting

The group applies hedge accounting for certain interest rate swaps used to manage the interest rate exposure of certain fixed-rate unsecured long-term and short-term borrowings. To qualify for hedge accounting, the derivative hedge must be highly effective at reducing the risk from the exposure being hedged. Additionally, the group must formally document the hedging relationship at inception and test the hedging relationship to ensure the derivative hedge continues to be highly effective over the life of the hedging relationship.

Collateralised Agreements and Collateralised Financings. Collateralised agreements include resale agreements and securities borrowed. Collateralised financings include repurchase agreements and securities loaned. See “Classification and Measurement” above for details on the classification and measurement of these instruments. Collateral received or posted can be in the form of cash or securities. Cash collateral is recognised/derecognised when received/paid. Collateral posted by the group in the form of securities is not derecognised from the balance sheet, whilst collateral received in the form of securities is not recognised on the balance sheet. If collateral received is subsequently sold, the obligation to return the collateral and the cash received are recognised on balance sheet.

Current and Deferred Taxation. The tax expense for the period comprises current and deferred taxation. Tax is recognised in the profit and loss account, except to the extent it relates to items recognised in the statement of other comprehensive income.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more tax or a right to pay less tax in the future with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the profit and loss account or directly in the statement of other comprehensive income according to where the associated gain or loss, to which the deferred tax is attributable, is recognised.

Note 2.

Administrative Expenses

The table below presents the group's administrative expenses.

	Year Ended December	
$ in millions	**2015**	2014
Direct costs of employment	**$2,834**	$3,049
Brokerage, clearing, exchange and distribution fees	**662**	643
Market development	**99**	105
Communications and technology	**89**	85
Depreciation of tangible fixed assets	**4**	4
Occupancy	**174**	181
Professional fees	**164**	121
Other expenses	**599**	551
Total non-compensation expenses	**1,791**	1,690
Total administrative expenses	**$4,625**	$4,739

Note 3.

Tax on Profit on Ordinary Activities

The table below presents the group's analysis of tax on profit on ordinary activities.

	Year Ended December	
$ in millions	**2015**	2014
Current tax		
U.K. corporation tax	**$406**	$200
Adjustments in respect of prior periods	**25**	68
Overseas taxation	**78**	63
Total current tax	**509**	331
Deferred tax		
Origination and reversal of temporary differences	**57**	126
Effect of increased U.K. corporate tax rates	**(153)**	–
Adjustments in respect of prior periods	**(13)**	4
Total deferred tax	**(109)**	130
Total tax on profit on ordinary activities	**$ 400**	$461

The Finance (No. 2) Act 2015 was enacted in the fourth quarter of 2015, which introduced: (i) an 8 percentage point surcharge on banking profits effective in 2016; (ii) a 1 percentage point reduction in corporate tax rates effective in 2017; and (iii) a further 1 percentage point reduction in corporate tax rates effective in 2020. This resulted in the group recognising a one-time benefit of $153 million relating to the revaluation of its deferred tax asset.

The table below presents a reconciliation between tax on profit on ordinary activities and the amount calculated by applying the weighted average rate of U.K. corporation tax applicable to the group for the year of 20.25% (2014: 21.50%) to the profit on ordinary activities before tax.

	Year Ended December	
$ in millions	**2015**	2014
Profit on ordinary activities before taxation	**$3,073**	$2,248
Profit on ordinary activities multiplied by U.K. corporate tax rate of 20.25% (2014: 21.50%)	**622**	483
Changes in recognition and measurement of deferred tax assets	**(8)**	9
Permanent differences	**(51)**	(76)
Tax losses surrendered from GS Group undertakings for nil consideration	**(29)**	(30)
Effect of higher taxes on overseas earnings	**8**	12
Capital allowances	**–**	(3)
Utilisation of carry forward losses	**–**	(1)
Exchange differences and other	**(1)**	(4)
Adjustments in respect of prior periods	**12**	71
Effect of increased U.K. corporate tax rates	**(153)**	–
Total tax on profit on ordinary activities	**$ 400**	$ 461

Note 4.

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 group. Financial instruments owned includes financial instruments owned pledged as collateral. These represent financial instruments owned and pledged to counterparties that have the right to deliver or repledge.

The table below presents the group's financial instruments owned.

	As of December	
$ in millions	**2015**	2014
Cash instruments		
Commercial paper, certificates of deposit, time deposits and other money market instruments	**$ 454**	$ 1,225
Government and agency obligations	**22,920**	23,570
Mortgage and other asset-backed loans and securities	**1,094**	2,005
Bank loans and bridge loans	**2,199**	1,894
Corporate and other debt obligations	**10,182**	12,618
Equities and convertible debentures	**36,485**	32,461
Commodities	**213**	291
Total cash instruments	**73,547**	74,064
Derivative instruments		
Interest rates	**325,078**	374,009
Credit	**47,968**	64,415
Currencies	**113,836**	112,790
Commodities	**13,102**	15,307
Equities	**52,660**	65,117
Total derivative instruments	**552,644**	631,638
Total financial instruments owned	**$626,191**	$705,702

The table below presents the group's financial instruments sold, but not yet purchased.

	As of December	
$ in millions	**2015**	2014
Cash instruments		
Government and agency obligations	**$ 10,472**	$ 14,280
Mortgage and other asset-backed loans and securities	**2**	14
Corporate and other debt obligations	**2,417**	2,298
Equities and convertible debentures	**15,308**	14,515
Total cash instruments	**28,199**	31,107
Derivative instruments		
Interest rates	**315,248**	366,215
Credit	**43,944**	59,749
Currencies	**113,240**	113,465
Commodities	**12,918**	15,122
Equities	**49,053**	65,252
Total derivative instruments	**534,403**	619,803
Total financial instruments sold, but not yet purchased	**$562,602**	$650,910

Note 5.

Collateralised Agreements

The table below presents the group's collateralised agreements.

	As of December	
$ in millions	**2015**	2014
Resale agreements	**$107,783**	$114,972
Securities borrowed	**53,385**	87,376
Total collateralised agreements[1,2]	**$161,168**	$202,348

1. Includes amounts due from GS Group undertakings of $89.30 billion and $133.75 billion as of December 2015 and December 2014, respectively.

2. Includes balances due in more than one year of $1.87 billion and $2.15 billion as of December 2015 and December 2014, respectively.

Note 6.

Debtors

The table below presents the group's debtors balances. All debtors are due within one year of the balance sheet date, unless noted below.

	As of December	
$ in millions	**2015**	2014
Amounts due from broker/dealers and customers[1]	**$55,231**	$54,510
Amounts due from GS Group undertakings	**6,473**	8,823
Group relief receivable from GS Group undertakings	**10**	13
Corporation tax receivable	**14**	9
Deferred tax	**605**	497
Other debtors	**68**	64
Prepayments and accrued income	**206**	175
Total debtors[2]	**$62,607**	$64,091

1. Includes balances due in more than one year relating to secured lending and prepaid commodity contracts of $887 million and $981 million as of December 2015 and December 2014, respectively.

2. Includes financial assets of $62.01 billion and $63.59 billion as of December 2015 and December 2014, respectively, and non-financial assets of $605 million and $497 million as of December 2015 and December 2014, respectively.

Note 7.

Collateralised Financings

The table below presents the group's collateralised financings.

	As of December	
$ in millions	**2015**	2014
Amounts falling due within one year		
Repurchase agreements	**$ 20,742**	$ 29,429
Securities loaned	**77,807**	94,850
Total	**$98,549**	$124,279
Amounts falling due after more than one year		
Repurchase agreements	**$ 3,503**	$ 2,514
Total	**$ 3,503**	$ 2,514
Total collateralised financings[1]	**$102,052**	$126,793

1. Includes amounts due to group undertakings of $64.84 billion and $88.32 billion as of December 2015 and December 2014, respectively, of which $64.84 billion and $88.32 billion as of December 2015 and December 2014, respectively, are due within one year.

Note 8.

Other Creditors

The table below presents the group's other creditors.

	As of December	
$ in millions	**2015**	2014
Amounts falling due within one year		
Bank loans and overdrafts	**$ 67**	$ 119
Debt securities issued	**13,521**	14,356
Amounts due to broker/dealers and customers	**54,857**	58,997
Amounts due to GS Group undertakings	**46,635**	65,185
Customer deposits	**16,835**	13,959
Corporation tax payable	**154**	92
Group relief payable to GS Group undertakings	**2**	-
Other taxes and social security costs	**232**	260
Accrual for management charges payable to GS Group[1]	**834**	1,077
Other creditors and accruals	**1,267**	978
Total[2]	**$134,404**	$155,023
Amounts falling due after more than one year		
Long-term subordinated loans	**9,784**	7,284
Debt securities issued	**7,802**	6,274
Amounts due to GS Group undertakings	**14,761**	3,081
Accrual for management charges payable to parent and group undertakings[1]	**684**	774
Total[3]	**$ 33,031**	$ 17,413
Total other creditors	**$167,435**	$172,436

1. The accrual for management charges payable to parent and group undertakings is in respect of share-based compensation.

2. Includes financial liabilities of $134.02 billion and $154.67 billion as of December 2015 and December 2014, respectively, and non-financial liabilities of $386 million and $352 million as of December 2015 and December 2014, respectively.

3. All amounts falling due after more than one year are financial liabilities as of December 2015 and December 2014.

Note 9.

Financial Assets and Financial Liabilities

The table below presents the carrying value of the group's financial assets and financial liabilities by category:

	Financial Assets			
$ in millions	Held for trading	Designated at fair value	Loans and receivables	Total
As of December 2015				
Investments	**$ –**	**$836**	**$ –**	**$836**
Financial instruments owned	**626,191**	**–**	**–**	**$626,191**
Collateralised agreements	**–**	**130,398**	**30,770**	**161,168**
Debtors	**–**	**1,642**	**60,360**	**62,002**
Cash at bank and in hand	**–**	**–**	**10,648**	**10,648**
Total financial assets	**$626,191**	**$132,876**	**$101,778**	**$860,845**
As of December 2014				
Investments	$ –	$495	$ –	$495
Financial instruments owned	705,702	–	–	705,702
Collateralised agreements	–	130,398	71,950	202,348
Debtors	–	1,780	61,814	63,594
Cash at bank and in hand	–	–	4,015	4,015
Total financial assets	$705,702	$132,673	$137,779	$976,154

	Financial Liabilities			
$ in millions	Held for trading	Designated at fair value	Amortised cost	Total
As of December 2015				
Amounts falling due within one year				
Financial instruments sold, but not yet purchased	**$562,602**	**$ –**	**$ –**	**$562,602**
Collateralised financings	**–**	**55,077**	**43,472**	**98,549**
Other creditors	**–**	**22,024**	**111,993**	**134,017**
Total	**562,602**	**77,101**	**155,465**	**795,168**
Amounts falling due after more than one year				
Collateralised financings	**–**	**3,503**	**–**	**3,503**
Other creditors	**–**	**12,741**	**20,290**	**33,031**
Total	**–**	**16,244**	**20,290**	**36,534**
Total financial liabilities	**$562,602**	**$93,345**	**$175,755**	**$831,702**
As of December 2014				
Amounts falling due within one year				
Financial instruments sold, but not yet purchased	$650,910	$ –	$ –	$650,910
Collateralised financings	–	70,987	53,292	124,279
Other creditors	–	20,831	131,841	154,672
Total	650,910	93,818	185,133	929,861
Amounts falling due after more than one year				
Collateralised financings	–	1,928	586	2,514
Other creditors	–	5,786	11,627	17,413
Total	–	7,714	12,213	19,927
Total financial liabilities	$650,910	$101,532	$197,346	$949,788