Company number: 02263951

GOLDMAN SACHS INTERNATIONAL

(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

28 NOVEMBER 2008

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 52 week period ended 28 November 2008.

1. Principal activities

Goldman Sachs International ('the company' or 'GSI') provides a wide-range of financial services to clients located worldwide and undertakes proprietary trading. The company is regulated by the Financial Services Authority ('the FSA'). The company primarily operates in a US Dollar environment as part of The Goldman Sachs Group, Inc. ('the group'). Accordingly, the company's functional currency is US Dollars and these financial statements have been prepared in that currency.

2. Review of business and future developments

The profit and loss account for the period is set out on page 8. Trading profit was US$8,790 million for the period (53 week period ended 30 November 2007: US$10,318 million). The results for the company show a pre-tax profit of US$7,177 million for the period (53 week period ended 30 November 2007: US$2,744 million). GSI has total assets of US$1,373 billion (30 November 2007: US$944 billion). Details of the company's business segments are given in note 5 to the financial statements.

On 21 September 2008, The Goldman Sachs Group, Inc. became a bank holding company regulated by the Board of Governors of the Federal Reserves System under the US Bank Holding Company Act of 1956. As a result, GSI now has access to the Primary Dealer Credit Facility which provides the company with additional funding capacity.

Investment Banking results primarily reflect the decline in industry-wide completed mergers and acquisitions and other client activity resulting from difficult market conditions.

Trading and Principal Investments benefited from solid customer-driven activity. However, the company operated in a challenging environment characterised by broad-based declines in asset values and global equity prices, wider mortgage and credit spreads, very high levels of volatility, reduced levels of liquidity and broad-based investor deleveraging.

Asset Management and Securities Services results reflected the impact of changes in the composition of securities lending customer balances.

Administrative expenses decreased to US$899 million for the period (53 week period ended 30 November 2007: US$6,431 million) mainly due to a decrease in compensation costs including a credit of US$2.9 billion (53 week period ended 30 November 2007: debit of US$0.6 billion) relating to the mark-to-market of equity-based compensation.

Interest payable decreased to US$720 million for the period (53 week period ended 30 November 2007: US$1,146 million), mainly due to a decrease in subordinated debt from US$19,913 million to US$9,113 million.

The company has a pension surplus of US$129 million as at 28 November 2008 (30 November 2007: US$108 million deficit). During the year, GSI made a one-off contribution of £56 million (equivalent to US$92 million) which, together with the effect of widening credit spreads on the discount factor, gave rise to a surplus at the year end.

REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Business environment

The company's financial performance is highly dependent on the environment in which its businesses operate. During the first half of 2008, global economic growth slowed as a number of countries entered a recession. Despite the weakness in certain major economies, growth in most emerging markets remained solid, which contributed to increased inflation. However, during the second half of 2008, the downturn in global economic growth became broad-based, which coincided with significant weakness and sharply reduced liquidity across global financial markets.

Fixed income and equity markets experienced high levels of volatility, broad-based declines in asset prices and reduced levels of liquidity, particularly during the fourth quarter of the year. In addition, mortgage and corporate credit spreads widened and credit markets experienced significant dislocation between prices for cash instruments and the related derivative contracts and between credit indices and underlying single names. The Federal Reserve Board lowered its federal funds target rate over the course of our fiscal year, while central banks in the Eurozone, United Kingdom, Japan and China also lowered interest rates towards the end of the year. In the currency markets, the US Dollar initially weakened against most major currencies, particularly against the Euro, but subsequently recovered as the pace of decline in global economic growth began to accelerate in the second half of the year.

Strategy

The Goldman Sachs Group, Inc. is a bank holding company and a leading global investment banking, securities and investment management firm that provides a wide-range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals.

As part of the group, 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 three core businesses, Investment Banking, Trading and Principal Investments, and Asset Management and Securities Services, in markets throughout the world.

Principal risks and uncertainties

GSI faces a variety of risks that are substantial and inherent in its businesses including economic and market conditions, liquidity, credit quality, operational infrastructure and technology risks. Consequently, the company does not produce predictable earnings. The key business risks affecting the company are set out below.

Economic and market conditions

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

Liquidity

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

REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Credit quality

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

Operational infrastructure

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

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

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

Technology

Technology is fundamental to our business and our industry. The growth of electronic trading and the introduction of new technologies is changing our businesses and presenting us with new challenges. Securities, futures and options transactions are increasingly occurring electronically, both on our own systems and through other alternative trading systems and it appears that the trend toward alternative trading systems will continue and probably accelerate. Some of these alternative trading systems compete with our trading businesses and we may experience continued competitive pressures in these and other areas. In addition, the increased use by our clients of low-cost electronic trading systems and direct electronic access to trading markets could cause a reduction in commissions and spreads. As our clients increasingly use our systems to trade directly in the markets, we may incur liabilities as a result of their use of our order routing and execution infrastructure.

REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Risk management

We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems, internal controls, management review process and other mechanisms. Our trading risk management process seeks to balance our ability to profit from trading positions with our exposure to potential losses. Whilst we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgements that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Thus, we may, in the course of our activities, incur losses. In addition, refer to the financial risk management section (note 26), below.

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. Dividends

The directors did not declare or pay an ordinary dividend (53 week period ended 30 November 2007: US$300,000,000). A preference dividend of US$99,483,000 was declared and paid during the period (53 week period ended 30 November 2007: US$99,483,000).

4. Share capital

On 12 November 2008, the company issued 1,903,800 ordinary shares of US$1 each in return for the net assets (US$27,681,252) of Goldman Sachs SGR S.P.A. which merged with the company on this date.

On 28 November 2008, the company issued 5,058,454 ordinary shares of US$1 each in return for a cash consideration of US$112,500,000. These shares were issued in order to increase the company's regulatory capital to support ongoing business activities (see note 23).

5. Exchange rate

The US Dollar / Sterling exchange rate at the balance sheet date was £ / US$ 1.5374 (30 November 2007: £ / US$ 2.0567). The average rate for the period was £ / US$1.8926 (53 week period ended 30 November 2007: £ / US$ 2.0028).

6. Employment of disabled persons

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

7. Employee involvement

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

REPORT OF THE DIRECTORS (CONTINUED)

8. Directors

The directors of the company who served throughout the period and to the date of this report, except where noted, were:-

Name	Appointed	Resigned
P. D. Sutherland, Chairman		
S. O. Donohoe	1 July 2008	5 February 2009
G. P. Earle		
S. Fitzgerald		31 March 2008
C. G. French		
R. J. Gnodde		
Lord Griffiths of Fforestfach		
D. C. Grip		29 February 2008
M. S. Sherwood		
M. C. H. Westerman		
Y. Zaoui		

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

9. Financial risk management

The company's risk management objectives and policies, as well as exposures to market risk, credit risk and liquidity risk are described in note 26 to the financial statements.

10. Disclosure of information to auditors

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and

- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

11. Auditors

The company has passed elective resolutions, in accordance with the Companies Act 1985, to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the company pursuant to section 386 of the Companies Act 1985.

12. Charitable contributions

During the period, an amount of US$3,259,674 (53 week period ended 30 November 2007: US$3,880,110) was donated to charity.

REPORT OF THE DIRECTORS (CONTINUED)

13. Directors' responsibilities

United Kingdom company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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 proper 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 1985. 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.

14. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 9 February 2009.

BY ORDER OF THE BOARD
D. J. GROUNSELL
Secretary
13 February 2009

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

We have audited the financial statements of Goldman Sachs International for the 52 week period ended 28 November 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 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 save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 November 2008 and of its profit for the period then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
25 February 2009

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

PROFIT AND LOSS ACCOUNT
for the 52 week period ended 28 November 2008

	Note	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Trading profit	3, 5	8,789,928	10,318,322
Administrative expenses		(899,400)	(6,431,446)
OPERATING PROFIT	6	7,890,528	3,886,876
Income from shares in group undertakings		2,527	-
Interest payable and similar charges	7	(719,570)	(1,145,899)
Net finance income	9	3,217	2,804
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,176,702	2,743,781
Tax charge on profit on ordinary activities	11	(1,800,847)	(787,845)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR	24	5,375,855	1,955,936

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 week period ended 28 November 2008

	Note	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Profit for the financial period		5,375,855	1,955,936
Actuarial gain relating to the pension scheme	9	153,868	46,465
UK deferred tax attributable to the actuarial gain	19	(43,083)	(13,010)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL YEAR AND SINCE LAST FINANCIAL STATEMENTS		5,486,640	1,989,391

The notes on pages 10 to 33 form an integral part of these financial statements.
Independent Auditors' report – page 7.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

BALANCE SHEET
as at 28 November 2008

	Note	28 November 2008 US$'000	30 November 2007 US$'000
FIXED ASSETS			
Tangible assets	12	10,635	11,769
Shares in subsidiary undertakings	13(a)	50	50
Other investments other than loans	13(b)	1,282	1,766
		11,967	13,585
CURRENT ASSETS			
Trading inventory	14	1,071,248,431	501,308,166
Trading inventory pledged as collateral	14	7,512,483	21.546,073
Securities purchased under agreements to resell	15	95,879,870	72,929,770
Debtors	16	180,585,084	329,122,368
Cash at bank and in hand	17	18,261,631	18,911,554
		1,373,487,499	943,817,931
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trading inventory sold, but not yet purchased	14	(1,047,007,511)	(483.662,890)
Securities sold under agreements to repurchase	18	(65,881,016)	(105,335,450)
Other creditors	20	(237,395,411)	(323,967,522)
		(1,350,283,938)	(912,965,862)
NET CURRENT ASSETS		23,203,561	30,852,069
TOTAL ASSETS LESS CURRENT LIABILITIES		23,215,528	30,865,654
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	21	(10,230,083)	(23,170,224)
PROVISIONS FOR LIABILITIES AND CHARGES	22	(40,000)	(40,000)
NET ASSETS EXCLUDING PENSION SURPLUS / (DEFICIT)		12,945,445	7,655,430
Pension surplus / (deficit)	9	129,142	(108,181)
NET ASSETS INCLUDING PENSION SURPLUS / (DEFICIT)		13,074,587	7,547,249
CAPITAL AND RESERVES			
Called up share capital	23, 24	505,358	498,396
Share premium account	24	2,741,025	2,607,806
Capital reserve (non-distributable)	24	17,286	17,286
Profit and loss account	24	9,810,918	4,423,761
TOTAL SHAREHOLDERS' FUNDS	24	13,074,587	7,547,249

Approved by the Board of Directors on 23 February 2009.

Director

The notes on pages 10 to 33 form an integral part of these financial statements.
Independent Auditors' report – page 7.

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

1. *ACCOUNTING POLICIES*

(a) **Accounting convention:** These financial statements have been prepared under the historical cost convention (modified as explained in note 1(e)), the accounting policies set out below and in accordance with applicable United Kingdom law, applicable United Kingdom accounting standards and pronouncements of the Urgent Issues Task Force ('UITF').

(b) **Consolidation:** The company is a subsidiary undertaking of a company incorporated in Great Britain and has elected not to prepare group accounts in accordance with the dispensation set out in section 228(1) of the Companies Act 1985.

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

	%
Fixtures, fittings and equipment	14-20
Motor vehicles	20

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.

(d) **Fixed asset investments:**

(i) Shares in group undertakings, which are intended to be held on a continuing basis in the company's activities, are stated at cost less provision for any impairment.

(ii) Other investments other than loans are stated at amortised cost less provision for any impairment.

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

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. In determining fair value, the company separates financial instruments into two categories: cash (i.e. non-derivative) trading instruments and derivative contracts.

The fair values of cash trading instruments are generally obtained from quoted market prices in active markets, broker or dealer price quotations or alternative pricing sources with a reasonable level of price transparency. The types of instruments valued in this manner include sovereign government obligations, investment-grade and high-yield corporate bonds, listed equities and money market securities.

However, certain cash trading instruments trade infrequently and, therefore, have little or no price transparency. Where the company is unable to substantiate the significant valuation inputs and assumptions to corroborate market data, the transaction price is used as management's best estimate for fair value at inception. Accordingly, when a pricing model is used to value such an investment, the model is adjusted so that the model value at inception equals the transaction price. Subsequent to inception, management only changes model inputs and assumptions when corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment of comparable entities, subsequent rounds of financing, recapitalisations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows.

1. *ACCOUNTING POLICIES (CONTINUED)*

(e) Financial instruments held for trading (continued):

Cash trading instruments owned by the firm (long positions) are marked to bid prices and instruments sold, but not yet purchased (short positions) are marked to offer prices. The company does not adjust an active market quoted price for such instruments, even in situations where the firm holds a large position and a sale could reasonably impact the quoted price. For instruments not quoted in an active market, if liquidating a position is reasonably expected to affect its prevailing market price, the valuation is adjusted generally based on market evidence or predetermined policies. In certain circumstances, such as for highly illiquid positions, management's estimates are used to determine this adjustment.

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

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

'Day 1 P&L' is the term used to describe the difference between the initial transaction price and the fair value calculated by internal models. Day 1 P&L is released to profit and loss at the earlier of the fair value becoming observable using market parameters, or through reference to similar quoted products, and derecognition of the financial instruments.

The gains or losses resulting from the application of this policy are taken to the profit and loss account. As the trading inventory represents the trading portfolio of the company, the directors are of the opinion that it would not be appropriate to classify it as current asset investments or to provide an analysis of such securities between those listed and unlisted.

(f) Repurchase and resale agreements: Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralised financing transactions and are carried at the amount at which the securities were sold or acquired plus the accrued interest as specified in the respective agreements. Where the collateral is in the form of cash the transaction is recorded on trade date within securities sold under agreements to repurchase or within securities purchased under agreements to resell. If the collateral is in the form of securities the transaction is recorded within securities sold under agreements to repurchase or within securities purchased under agreements to resell when the collateral is subsequently sold.

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

1. *ACCOUNTING POLICIES (CONTINUED)*

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

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

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

(ii) intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

(j) **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. Gains and losses on exchange are recognised in operating profit.

(k) **Trading profit:** The operating results for the period include all profits arising from the trading operations of the company, including profits and losses arising both on the purchase and sale of securities. Purchases and sales of securities are accounted for on a trade date basis.

(l) **Corporate finance fees:** Corporate finance and advisory fee income is recognised when the relevant parties are contractually bound and as contract activity progresses unless the right to consideration does not arise until occurrence of a critical event, in which case revenue is not recognised until that event occurs.

(m) **Asset management and incentive fees:** Management fees are recognised over the period that the related service is provided based upon average net asset values. In certain circumstances, the company is also entitled to receive asset management incentive fees based on a percentage of a fund's return or when the return on assets under management exceeds specified benchmark returns or other performance targets. Incentive fees are generally based on investment performance over a 12-month period and are subject to adjustment prior to the end of the measurement period.

(n) **Money broker deposits:** Deposits with money brokers and deposits received from money brokers are carried at the amounts of cash collateral advanced and received in connection with the transactions. The company measures the market value of the securities borrowed and loaned against the collateral on a daily basis and obtains or provides additional collateral as appropriate.

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

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

1. *ACCOUNTING POLICIES (CONTINUED)*

(p) **Pension cost:** The company participates in a hybrid pension plan for the benefit of certain employees. The defined benefit and defined contributions sections of the plan are accounted for as follows:

(i) For the defined benefit section, the amounts charged to operating profit are the current service costs, any past service costs and any gains or losses on settlements and curtailments. They are included as part of staff costs. The interest cost and expected return on assets are shown as a net amount within net finance income. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit section is funded, with the assets of the scheme held separately from those of the company, in separate trustee-administered funds. Pension scheme assets are measured at fair value and 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 scheme liabilities. Full actuarial valuations are obtained at least triennially and updated at each balance sheet date. The resulting defined benefit or liability is presented separately after other net assets on the face of the balance sheet.

(ii) For the defined contribution section, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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

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

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

2. *REPORTING AND DISCLOSURE EXEMPTIONS*

a) FRS1 Cash Flow Statements

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

b) FRS8 Related Party Disclosures

Under the terms of paragraph 3(c), the company is exempt from disclosing transactions with fellow group companies. There were no other related party transactions requiring disclosure.

c) FRS29 (IFRS 7) Financial Instruments: Disclosures

The company is exempt from the disclosures required by FRS 29 as it is a greater than 90% subsidiary of Goldman Sachs Group Holdings (U.K.) which discloses this information.

3. *TRADING PROFIT*

Trading profit has been disclosed instead of turnover as this reflects more meaningfully the nature and results of the company's activities. Trading profit, after charging related expenses, includes the net profit arising from transactions in securities, foreign exchange and other financial instruments, and fees and commissions earned. Related expenses include trading interest payable less trading interest and dividends receivable.

4. *NEW ACCOUNTING STANDARDS ADOPTED*

During the financial period, the following accounting standard has been adopted by the company:

(i) FRS26 – Financial instruments: recognition and measurement.
The company has adopted the recognition and derecognition requirements of FRS26.

No material impact on the results or financial position of the company has occurred following the adoption of this standard.

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

5. *SEGMENTAL REPORTING*

The company's trading profit is categorised into the following three principal segments: Investment Banking, Trading and Principal Investments, and Asset Management and Securities Services.

	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Investment Banking	988,454	1,233,714
Trading and Principal Investments	6,554,990	7,776,357
Asset Management and Securities Services	1,246,484	1,308,251
	8,789,928	**10,318,322**

Investment Banking
The company's investment banking activities are divided into two categories:

- *Financial Advisory* – Financial Advisory includes advisory assignments with respect to mergers and acquisitions, divestitures, corporate defence activities, restructuring and spin offs; and
- *Underwriting* – Underwriting includes public offerings and private placements of a wide range of securities and other financial instruments.

Trading and Principal Investments
Trading and Principal Investments is divided into three categories:

- *Fixed Income, Currencies and Commodities* – The company makes markets in and trades interest rate and credit products, mortgage-related securities and loans, including asset-backed securities, currencies and commodities, structures and enters into a wide variety of derivative transactions and engages in proprietary trading and investing;
- *Equities* – The company makes markets in and trades equities and equity-related products, structures and enters into equity derivative transactions, and engages in proprietary trading. The company also executes and clears customer transactions on major stock, options and futures exchanges worldwide; and
- *Principal Investments* – Principal Investments primarily represents fees from group companies for sourcing and associated work with regard to the group's merchant banking investments.

Trading and Principal Investments also includes variable costs such as brokerage, clearance and underwriting expenses that are offset against trading profit.

Asset Management and Securities Services
The Asset Management and Securities Services segment includes services related to the following:

- *Asset Management* – Asset Management provides investment advisory and financial planning services to a diverse group of institutions and individuals worldwide and primarily generates revenues in the form of management and incentive fees; and
- *Securities Services* – Securities Services provides prime brokerage, financing services and securities lending services to institutional clients, including hedge funds, mutual funds, pension funds, and foundations and to high-net-worth individuals worldwide, and generates revenues primarily in the form of interest rate spreads or fees.

Geographic 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.

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

6. OPERATING PROFIT

	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Operating profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets (note12)	3,688	3,630
Amortisation of fixed asset investments (note 13(b))	7	6
Management fees charged by group undertakings	529,358	727,171
Management fees charged to group undertakings	(219,262)	(425,299)
Foreign exchange (gain) / loss on long-term debt	(8,462)	6,781
Auditors' remuneration for audit services: – company	3,825	3,936
Operating lease rentals: – land and buildings	110,552	107,698
Trading interest payable: – group undertakings	3,626,260	4,035,793
– other	10,331,495	12,601,476
Trading interest receivable: – group undertakings	(5,594,192)	(7,399,648)
– other	(9,672,955)	(11,055,066)

The company has taken the exemption not to disclose fees payable to the auditor and its associates for other non-audit services as the consolidated financial statements of the company's parent undertaking are required to disclose such information on a consolidated basis.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Payable to parent undertakings	**719,570**	**1,145,899**

Interest payable and similar charges payable to parent undertakings arise on subordinated loans repayable within five years otherwise than by instalments.

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

8. *DIRECTORS' EMOLUMENTS*

	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Aggregate emoluments	6,447	47,739
Company pension contributions to money purchase schemes	31	70
	6,478	**47,809**

	US$'000	US$'000
Highest paid director:		
Aggregate emoluments and benefits	1,943	23,442
Company pension contributions to money purchase schemes	-	-
Accrued pension at end of year	-	-

In accordance with the Companies Act 1985, directors' emoluments represent the proportion of total emoluments paid or payable in respect of qualifying services only. Directors also receive emoluments for non-qualifying services which are not required to be disclosed. Seven persons, who were directors for some or all of the period or who were approved thereafter, are members of the defined contribution pension scheme and eight persons are members of the defined benefit pension scheme. Nine directors have been granted shares in respect of long term incentive schemes. One director has exercised options.

9. *STAFF COSTS*

The average number of employees of the company, including directors, is analysed below:

	52 week period ended 28 November 2008 Number	53 week period ended 30 November 2007 Number
Trading, sales, advisory, research and asset management	3,143	2,959
Support, finance, operations and technology	2,688	2,530
	5,831	**5,489**

9. *STAFF COSTS (CONTINUED)*

The employment costs incurred by the company, including those relating to directors, were:

	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Aggregate gross wages and salaries	81,302	5,167,764
Employer's National Insurance Contributions	65,539	488,285
Pension costs, employer contributions to the:		
Defined contribution scheme	50,350	45,299
Defined benefit scheme	76,242	36,106
Total direct costs of employment	**273,433**	**5,737,454**

The company has the use of a number of individuals who are employed by affiliated entities and seconded to the company. These seconded individuals are included in the disclosure of headcount and related staff costs.

Aggregate gross wages and salaries includes a credit of US$2.9 billion (53 week period ended 30 November 2007: debit of US$0.6 billion) relating to the mark-to-market of equity-based compensation.

Pension schemes

The company operates an open pension plan with a hybrid structure ('the Plan'), having both defined benefit and defined contribution sections. From 1 March 2008, the Plan was closed to employees whose employment commenced after this date.

A full actuarial valuation of the Plan was carried out by a qualified independent actuary as at 1 December 2006 using the projected unit funding method and updated to 28 November 2008. The asset and liability figures shown below have been calculated as a proportion of the total Plan assets and liabilities, based on the company's proportion of the active membership as advised at the start and end of the year.

The major financial assumptions used by the actuary underlying the funding of the Plan which had the most significant effect on the pension cost are set out below:

	28 November 2008 % per annum	30 November 2007 % per annum	24 November 2006 % per annum	25 November 2005 % per annum	26 November 2004 % per annum
Discount rate	7.20	6.00	4.95	4.90	5.25
Rate of increase in salaries	4.00	5.50	5.10	4.85	4.80
Rate of increase in pensions					
(post-30 November 1996 accrual)	3.45	3.50	3.10	2.85	2.80
Rate of price inflation	3.45	3.50	3.10	2.85	2.80

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

9. *STAFF COSTS (CONTINUED)*

The assets in the Plan attributable to the company and the expected rates of return were:

	28 November 2008		30 November 2007		24 November 2006	
	Expected rate of return % p.a.	Market value US$m	Expected rate of return % p.a.	Market value US$m	Expected rate of return % p.a.	Market value US$m
Equities	8.4	147.9	8.4	271.7	7.9	266.5
Bonds	4.8	27.5	4.7	35.8	4.4	26.8
Hedge funds	7.0	25.7	7.4	42.0	6.8	29.0
Cash and reinvested cash	4.8	323.0	5.4	240.8	4.4	107.8
Total market value of assets		**524.1**		**590.3**		**430.1**
Present value of scheme liabilities		(395.0)		(698.5)		
Surplus / (deficit) in the scheme		**129.1**		**(108.2)**		
Related deferred tax (liability) / asset		(14.5)		30.3		
Net pension surplus / (deficit)		114.7		(77.9)		

Analysis of amounts charged to operating profit

	52 week period ended 28 November 2008 US$m	53 week period ended 30 November 2007 US$m
Current service cost	82.5	73.1
Total charged to operating profit	**82.5**	**73.1**

Analysis of the amount credited to net finance income

	52 week period ended 28 November 2008 US$m	53 week period ended 30 November 2007 US$m
Interest on pension plan liabilities	38.2	27.8
Expected return on assets in the pension plan	(41.4)	(30.6)
Net credit to net finance income	**(3.2)**	**(2.8)**

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

9. *STAFF COSTS (CONTINUED)*

Analysis of amounts recognised in the statement of total recognised gains and losses

	52 week period ended 28 November 2008 US$m	53 week period ended 30 November 2007 US$m
Loss / (gain) on assets	115.8	(66.8)
Experience (gain) / loss on liabilities	(15.9)	38.7
Gain on changes of assumptions (financial and demographic)	(253.8)	(18.4)
Total gain recognised in statement of total recognised gains and losses before adjustment for tax	**(153.9)**	**(46.5)**

Movement in deficit during the period

	52 week period ended 28 November 2008 US$m	53 week period ended 30 November 2007 US$m
Deficit in the scheme at beginning of the period	(108.2)	(115.9)
Current service cost	(82.5)	(73.1)
Contributions	164.9	40.3
Other finance income	3.2	2.8
Actuarial gain	153.9	46.5
Foreign exchange losses on translation of surplus / (deficit)	(2.2)	(8.8)
Surplus / (deficit) in the scheme at end of the period	**129.1**	**(108.2)**

A history of experience gains and losses are as follows:

	28 November 2008	30 November 2007	24 November 2006	25 November 2005	26 November 2004
(Gain) / loss on plan assets:					
Amount	US$115.8m	US$(66.8)m	US$(47.5)m	US$(22.9)m	US$16.2m
% of plan assets at end of the period	22.1%	11.3%	11.0%	7.3%	5.8%
Experience (gain) / loss on plan liabilities:					
Amount	US$(15.9)m	US$38.7m	US$30.4m	US$(9.9)m	US$(7.8)m
% of plan liabilities at end of the period	4.0%	5.5%	5.6%	2.7%	2.4%
Total actuarial (gain) / loss recognised in statement of total recognised gains and losses:					
Amount	US$(153.9)m	US$(46.5)m	US$12.3m	US$15.2m	US$45.7m
% of plan liabilities at end of the period	39.0%	6.7%	2.3%	4.1%	14.2%

10. *SHARE-BASED PAYMENTS*

Stock incentive plan

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

Other compensation arrangements

The group has a discount stock program through which participating managing directors may be permitted to acquire restricted stock units at an effective 25% discount (for 2008 year end compensation, the program was suspended and no individual was permitted to acquire discounted restricted stock units thereunder). In prior years, the 25% discount was effected by an additional grant of restricted stock units equal to one-third of the number of restricted stock units purchased by qualifying participants. The purchased restricted stock units were 100% vested when granted, but the shares underlying them generally were subject to certain transfer restrictions (which were waived in December 2008 except for certain senior executives). The shares underlying the restricted stock units that were granted in order to effect the 25% discount generally vest in equal instalments on the second and third anniversaries following the grant date upon vesting and were subject to certain transfer restrictions (which were waived in December 2008 except for certain senior executives). Compensation expense related to these restricted stock units is recognised over the vesting period.

Restricted stock units

The group issued restricted stock units to GSI's employees under the Amended SIP, primarily in connection with year-end compensation and acquisitions. Restricted stock units are valued based on the closing price of the underlying shares at the date of grant. Period end restricted stock units generally vest as outlined in the applicable restricted stock unit agreements. All employee-restricted stock unit agreements provide that vesting is accelerated in certain circumstances, such as upon retirement, death and extended absence. Of the total restricted stock units outstanding as at 28 November 2008 and 30 November 2007, (i) 3.8 million units and 6.3 million units, respectively, required future service as a condition to the delivery of the underlying shares of common stock and (ii) 9.9 million units and 11.6 million units, respectively, did not require future service. In all cases, delivery of the underlying shares of common stock is conditioned on the grantees satisfying certain vesting and other requirements outlined in the award agreements. The activity related to these restricted stock units is set forth below:

	28 November 2008 No. of RSUs		**30 November 2007 No. of RSUs**	
	No future service requirement	**Future service requirement**	**No future service requirement**	**Future service requirement**
Outstanding at the beginning of the period	11,628,421	6,292,241	8,885,138	6,727,195
Granted during the period	13,809	546,706	3,122,125	2,616,383
Forfeited during the period	(65,263)	(310,682)	(55,920)	(302,781)
Delivered during the period	(4,387,862)	-	(2,985,099)	-
Transferred in / (out) during the period	28,534	(8,687)	5,171	(91,550)
Vested during the period	2,702,361	(2,702,361)	2,657,006	(2,657,006)
Outstanding at the end of the period	**9,920,000**	**3,817,217**	**11,628,421**	**6,292,241**

The weighted average fair value of the equity instruments granted during the 52 week period ended 28 November 2008 year was $149.85 (53 week period ended 30 November 2007: $224.62).

10. SHARE-BASED PAYMENTS (CONTINUED)

Stock options

Stock options granted to employees generally vest as outlined in the applicable stock option agreement and generally first become exercisable on or after the third anniversary of the grant date. Other than options granted in December 2007 related to 2007 compensation, no options were granted during the 52 week period ended 28 November 2008. Period end stock options for the 53 week period ended 30 November 2007 become exercisable in January 2011 and expire on 24 November 2017. Shares received on exercise prior to January 2013 for period end 30 November 2007 options cannot be sold, transferred or otherwise disposed of until January 2013. All employee stock option agreements provide that vesting is accelerated in certain circumstances, such as upon retirement, death and extended absence. In general, all stock options expire on the tenth anniversary of the grant date, although they may be subject to earlier termination or cancellation under certain circumstances in accordance with the terms of the Amended SIP and the applicable stock option agreement.

The activity related to these stock options is set forth below:

	28 November 2008		30 November 2007	
	No. of share options	**Weighted average exercise price**	**No. of share options**	**Weighted average exercise price**
Outstanding at the beginning of the period	6,354,323	100.32	8,144,615	87.50
Granted during the period	-	-	502,868	204.16
Forfeited during the period	258	96.08	(19,532)	65.18
Transferred in / (out) during the period	16,898	85.82	-	-
Exercised during the period	(790,769)	69.98	(2,273,628)	77.67
Expired during the period	(161)	83.20	-	-
Outstanding at the end of the period	**5,580,549**	**104.57**	**6,354,323**	**100.32**
Exercisable at the end of the period	**4,444,519**	**84.16**	**5,218,293**	**82.01**

For those options exercised during the period, the weighted average share price at the date of exercise was $167.08 (30 November 2007: $211.69). The weighted average fair value of options granted during 2007 was $51.04 per option. The weighted average share price at the date of grant was $204.16.

The options outstanding as at 28 November 2008 and 30 November 2007 are set forth below:

	28 November 2008		30 November 2007	
Exercise price	**No. of share options outstanding**	**Weighted average remaining contractual life (years)**	**No. of share options outstanding**	**Weighted average remaining contractual life (years)**
$45.00 – $59.99	342,490	0.50	721,354	1.50
$75.00 – $89.99	1,963,584	2.88	2,193,793	3.89
$90.00 – $104.99	2,138,445	3.08	2,303,146	4.08
$120.00 – $134.99	288,720	7.00	288,720	8.00
$195.00 – $209.99	847,310	8.59	847,310	9.59
Outstanding at the end of the period	**5,580,549**		**6,354,323**	

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

10. *SHARE-BASED PAYMENTS (CONTINUED)*

No options were granted during the 52 week period ended 28 November 2008.

The fair value of options granted during the 53 week period ended 30 November 2007 was estimated as of the grant date based on a Black-Scholes option-pricing model principally using the following weighted average assumptions

	30 November 2007
Risk-free interest rate	4.0%
Expected volatility	35.0%
Dividend yield	0.7%
Expected life	7.5 years

The expected volatility assumption is determined by management based on implied volatility data for listed options on The Goldman Sachs Group, Inc. common stock. This information is typically not available for the full term of the options which have been granted. Accordingly, management estimates longer dated volatilities using a combination of available market data for these shorter dated listed options and other implied volatility data for comparable entities and / or benchmark indices.

The common stock underlying the options granted during the 53 week period ended 30 November 2007 is subject to sales restrictions for a period of two years from the date the options become exercisable. The value of the common stock underlying the options granted during the 53 week period ended 30 November 2007 has been discounted by 24.0% to reflect these sales restrictions. The 7.5 years expected life of the options reflects the estimated impact of these sales restrictions on the life of the awards.

GSI recorded expenses of $509 million for the 52 week period ended 28 November 2008 (53 week period ended 30 November 2007: $1,021 million) related to the amortisation of equity awards. The corresponding credit to equity has been transferred to liabilities as a result of the terms of the intercompany agreements with the group.

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the period:

	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Current tax:		
UK corporation tax	839,756	819,998
Adjustments in respect of previous periods	(2,288)	(13,911)
Overseas taxation	86,737	105,755
Total current tax (see note 11(b))	**924,205**	**911,842**
Deferred tax:		
Provisions and other timing differences	870,843	(180,512)
Effect of decreased tax rate on opening asset	-	54,181
Adjustments in respect of previous periods	5,799	2,334
Total deferred tax (see note 19)	**876,642**	**(123,997)**
Tax charge on profit on ordinary activities	**1,800,847**	**787,845**

(b) Factors affecting tax charge for the period

The current tax assessed for the current period is lower than the standard rate of corporation tax in the UK measured at 28.67% following the change in corporation tax rates from 1 April 2008 to 28% (30 November 2007: 30%). The differences are explained below:

	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Profit on ordinary activities before tax	7,176,702	2,743,781
Profit on ordinary activities multiplied by standard rate in the UK 28.67% (2007: 30%)	2,057,560	823,134
Expenses disallowed for the purposes of tax	7,319	40,340
Accelerated capital allowances and other timing differences	(12,310)	(6,756)
Timing differences in respect of equity-based compensation	(886,615)	221,471
Permanent differences	(61,621)	(64,893)
Pension contribution relief in excess of net pension cost charge	889	11,615
Tax losses surrendered from group entities for nil consideration	(204,974)	(115,624)
Exchange differences and other	26,245	16,466
Adjustment to tax in respect of prior years	(2,288)	(13,911)
Current tax charge for the period	**924,205**	**911,842**

The timing differences in respect of equity-based compensation comprises the net tax effect of the amounts charged to the profit and loss account during the period and those amounts paid to the employees during the period.

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

12. *TANGIBLE FIXED ASSETS*

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

	Leasehold improvements US$'000	Fixtures, fittings & equipment US$'000	Motor vehicles US$'000	Total US$'000
COST				
At 30 November 2007	15,444	6,333	16	21,793
Additions	2,616	20	-	2,636
Disposals	(24)	(75)	-	(99)
At 28 November 2008	**18,036**	**6,278**	**16**	**24,330**
DEPRECIATION				
At 30 November 2007	8,672	1,336	16	10,024
Charge for period (note 6)	2,781	907	-	3,688
Disposals	-	(17)	-	(17)
At 28 November 2008	**11,453**	**2,226**	**16**	**13,695**
NET BOOK VALUE				
At 28 November 2008	**6,583**	**4,052**	**-**	**10,635**
At 30 November 2007	**6,772**	**4,997**	**-**	**11,769**

13. *FIXED ASSET INVESTMENTS*

(a) **Shares in subsidiary undertakings**

Cost and Net Book Value	**US$'000**
At 30 November 2007 and at 28 November 2008	**50**

The subsidiaries over which the company exercises control at the period end are listed below:

Name of company	Country of incorporation	Holding and proportion of voting rights	Number of shares in issue	Class of shares held	Nature of business
Goldman Sachs Europe Limited	Jersey	100%	100	Ordinary shares	Financial services
GS Global Funding (UK)	Great Britain	100%	2	Ordinary shares	Dormant
Goldman Sachs Securities (Nominees) Limited	Great Britain	100%	2	Ordinary shares	Nominee company
Goldman Sachs (Jersey) Limited	Jersey	100%	50,000	Ordinary shares	Financial services

13. *FIXED ASSET INVESTMENTS (CONTINUED)*

(b) Other investments other than loans

	US$'000
COST	
At 30 November 2007	1,812
Transfers out of fixed asset investments	(477)
At 28 November 2008	**1,335**
AMORTISATION	
At 30 November 2007	46
Charge for period (note 6)	7
At 28 November 2008	**53**
NET BOOK VALUE	
At 28 November 2008	**1,282**
At 30 November 2007	**1,766**

Other investments other than loans primarily consists of exchange memberships.

(c) The company has interests in a number of special purpose vehicles and capital-guaranteed funds considered by the directors to be quasi-subsidiaries which do not meet the definition of a legal subsidiary, but give rise to the risks and rewards that are, in substance, no different than if they were legal subsidiaries.

The activities of these special purpose vehicles and the capital-guaranteed funds consist of the issuance of loan notes under the terms of a repackaging programme.

These vehicles are consolidated in the financial statements of Goldman Sachs Group Holdings (U.K.).

(d) The directors consider that the value of investments in subsidiary undertakings and other investments other than loans is not less than their book value.

14. *TRADING INVENTORY*

Trading inventory comprises financial instruments and investments within the trading activities of the company.

Trading inventory pledged as collateral represents financial instruments owned and pledged to counterparties that have the right to deliver or repledge.

15. *SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL*

Included within the resale agreements are amounts of US$13,277 million (30 November 2007: US$22,388 million) which relate to group undertakings.

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

16. *DEBTORS*

	28 November 2008 US$'000	30 November 2007 US$'000
Deposits as collateral for stock borrowed	4,631,167	8,042,592
Amounts due from broker / dealers and customers	75,197,558	143,098,569
Amounts due from parent and group undertakings	100,180,866	176,507,247
Deferred tax (note 19)	352,853	1,272,578
Other debtors	157,057	112,239
Prepayments and accrued income	65,583	89,143
	180,585,084	**329,122,368**

Of the amounts due from parent and group undertakings, US$33 million (30 November 2007: US$25 million) is due in more than one year. This relates to IPO awards and equity-based employee compensation. The remaining debtors are all due within one year of the balance sheet date.

17. *CASH AT BANK AND IN HAND*

Included within cash at bank and in hand is US$16,435 million (30 November 2007: US$16,955 million) that is held on behalf of clients in segregated accounts.

18. *SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE*

Included within the repurchase agreements are amounts of US$17,371 million (30 November 2007: US$20,828 million) which relate to group undertakings.

19. *DEFERRED TAX*

	28 November 2008 US$'000	30 November 2007 US$'000
Deferred tax balance comprises (note 16):		
Depreciation in excess of capital allowances	8,501	10,602
Post-retirement benefits	(14,488)	30,291
Other timing differences	358,840	1,231,685
	352,853	**1,272,578**

	US$'000
The movements in the deferred tax balance were as follows:	
At 30 November 2007	1,272,578
Transfer to the profit and loss account for the period (note 11(a))	(876,642)
Transfer to the statement of total recognised gains and losses for the period	(43,083)
At 28 November 2008	**352,853**

Other timing difference includes deferred tax in respect of equity-based compensation.

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

20. *OTHER CREDITORS*

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

	28 November 2008 US$'000	30 November 2007 US$'000
Bank loans and overdrafts	124,732	378,373
Debt securities issued	10,384,046	17,134,497
Deposits received as collateral for stock loans	26,636,000	58,273,565
Amounts due to broker / dealers and customers	131,962,498	135,489,608
Amounts due to parent and group undertakings	66,734,082	108,592,917
Amounts due to subsidiary undertakings	1,712	10,411
Accrual for management charges payable to parent and group undertakings (see note 21(c))	454,697	1,941,637
Corporation tax payable	157,143	209,865
Other taxes and social security costs	107,631	295,485
Other creditors and accruals	832,870	1,641,164
	237,395,411	**323,967,522**

Of the above, US$59,067 million (30 November 2007: US$121,958 million) is secured by marketable securities, of which US$32,431 million (30 November 2007: US$63,684 million) relates to amounts due to parent and group undertakings.

21. *CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR*

	28 November 2008 US$'000	30 November 2007 US$'000
Long-term subordinated loans (note (a))	9,113,000	19,913,000
Debt securities issued (note (b))	486,342	1,067,217
Accrual for management charges payable to parent and group undertakings (note (c))	630,741	2,190,007
	10,230,083	**23,170,224**

(a) The amounts outstanding at 30 November 2007 and 28 November 2008 include long-term subordinated loans from parent undertakings. The loans are unsecured and carry interest at a margin over the London Inter-Bank Offer Rate ('LIBOR'). Long-term subordinated loans of US$9,113 million (30 November 2007: US$19,913 million) constitute regulatory capital as approved by the FSA. Of the US$9,113 million, US$8,000 million is repayable upon giving or receiving at least two years' notice to or from the parent undertaking and US$1,113 million is repayable upon giving or receiving at least five years' notice to or from the parent undertaking. The repayment of subordinated debt is also subject to FSA approval.

(b) The maturity of debt securities issued due after more than one year is as follows:

	28 November 2008 US$'000	30 November 2007 US$'000
In more than one year, but not more than two years	9,384	28,106
In more than two years, but not more than five years	280,636	34,893
In more than five years	196,322	1,004,218
	486,342	**1,067,217**

Of the above, US$218 million (30 November 2007: $659 million) is repayable to group undertakings. Amounts due in more than five years predominantly relate to structured debt securities with maturities falling from 2015 to 2036. Payments on these securities are typically referenced to underlying financial assets including collateralised debt obligations and OTC mortgage portfolios.

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

21. *CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)*

(c) The accrual for management charges (per above and note 20) is in respect of RSUs and Long-Term Incentive Plans.

22. *PROVISION FOR LIABILITIES AND CHARGES*

	US$'000
At 30 November 2007 and at 28 November 2008	40,000

The provision of US$40 million was made in respect of legal claims made against the company. Further details relating to these claims have not been disclosed as permitted by accounting standard FRS 12, 'Provisions and Contingent Liabilities', on the grounds that it would be seriously prejudicial to do so.

23. *SHARE CAPITAL*

At 30 November 2007 and 28 November 2008 share capital comprised:

	28 November 2008		30 November 2007	
	No.	US$'000	No.	US$'000
Authorised				
Ordinary shares of US$1 each	950,000,000	950,000	950,000,000	950,000
Class A preference shares of US$0.01 each	1,500,000,000	15,000	1,500,000,000	15,000
Class B preference shares of US$0.01 each	500,000,000	5,000	500,000,000	5,000
		970,000		**970,000**
Allotted, called up and fully paid				
Ordinary shares of US$1 each	493,492,858	493,493	486,530,604	486,531
Class A preference shares of US$0.01 each	958,659,363	9,586	958,659,363	9,586
Class B preference shares of US$0.01 each	227,906,997	2,279	227,906,997	2,279
		505,358		**498,396**

The class A and class B preference shares carry limited voting rights and on a winding up the holders have a preferential right to return of capital together with any premium. Class A preference shares have a fixed non-cumulative dividend payable at a rate of 8 cents per share per annum. Class B preference shares have a fixed non-cumulative dividend at a rate of 10 cents per share per annum.

On 12 November 2008, 1,884,762 ordinary shares of US$1 each were allotted at US$14.54 to Goldman Sachs Holdings (U.K.) and 19,038 ordinary shares of US$1 each were allotted at US$14.54 to Goldman Sachs Group Holdings (U.K.). The total consideration received was US$27,681,252 incorporating a share premium of US$25,777,452. These shares were issued in return for the net assets of Goldman Sachs SGR S.P.A, which merged with the company effective 12 November 2008.

On 28 November 2008, 5,007,869 ordinary shares of US$1 each were allotted at US$22.24 to Goldman Sachs Holdings (U.K.) and 50,585 ordinary shares of US$1 each were allotted at US$22.24 to Goldman Sachs Group Holdings (U.K.). The total consideration received was US$112,500,000 in cash incorporating a share premium of US$107,441,563. These share issues were in order to increase the company's regulatory capital to support ongoing business activities.

NOTES TO THE FINANCIAL STATEMENTS – 28 NOVEMBER 2008

24. *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 25 November 2006	**486,624**	**2,474,078**	**17,286**	**2,833,853**	**5,811,841**
Profit for the financial year	-	-	-	1,955,936	1,955,936
Other recognised gains and losses for the period	-	-	-	33,455	33,455
Dividends paid (note 25)	-	-	-	(399,483)	(399,483)
Share-based payments (note 10)	-	-	-	1,020,895	1,020,895
Management recharge related to share-based payments	-	-	-	(1,020,895)	(1,020,895)
Shares issued	11,772	133,728	-	-	145,500
At 1 December 2007	**498,396**	**2,607,806**	**17,286**	**4,423,761**	**7,547,249**
Profit for the financial year	-	-	-	5,375,855	5,375,855
Other recognised gains and losses for the period	-	-	-	110,785	110,785
Dividends paid (note 25)	-	-	-	(99,483)	(99,483)
Share-based payments (note 10)	-	-	-	509,151	509,151
Management recharge related to share-based payments	-	-	-	(509,151)	(509,151)
Shares issued (note 23)	6,962	133,219	-	-	140,181
At 28 November 2008	**505,358**	**2,741,025**	**17,286**	**9,810,918**	**13,074,587**

Pension reserve

	28 November 2008 US$'000	30 November 2007 US$'000
Profit and loss reserve excluding pension surplus / (deficit)	9,681,776	4,531,942
Pension reserve (note 9)	129,142	(108,181)
Profit and loss reserve	**9,810,918**	**4,423,761**

25. *DIVIDENDS PAID*

	28 November 2008 US$'000	30 November 2007 US$'000
US$1 Ordinary shares	-	300,000
US$0.01 Class A fixed rate preference shares	76,693	76,693
US$0.01 Class B fixed rate preference shares	22,790	22,790
	99,483	**399,483**

26. *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, firmwide. Consequently, GSI, as part of a global group, adheres to global risk management policies and procedures.

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

(a) Market risk

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

- interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds, funding spreads and credit spreads;

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

- currency rate risks result from exposures to changes in spot prices, forward prices and volatilities of currencies.

We seek to manage these firmwide risks through diversifying exposures, controlling position sizes and establishing hedges in related securities or derivatives. The ability to manage an exposure may, however, be limited by adverse changes in the liquidity of the security or the related hedge instrument and in the correlation of price movements between the security and the related hedge instrument.

Firmwide market risk limits are monitored on a daily basis by the Market Risk Department in the Finance Division and are reviewed regularly by the appropriate risk committee.

In addition to applying business judgement, senior management uses a number of quantitative tools to manage our exposure to market risk. These tools include:

- risk limits based on a summary measure of market risk exposure referred to as Value-at-Risk ('VaR') which are updated and monitored on a daily basis. VaR represents the potential loss in value of the company's trading positions due to adverse market movements over a defined time horizon with respect to a specified confidence level;

- scenario analyses, stress tests and other analytical tools that measure the potential effects on our trading net revenues of various market events, including, but not limited to, a large widening of credit spreads, a substantial decline in equity markets and significant moves in selected emerging markets; and

- inventory positions limits for certain business units (determined at a firmwide level).

26. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(b) Credit risk

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

Our exposure to credit risk principally arises through our trading, investing and financing activities. To reduce our credit exposures, we seek to enter into netting agreements with counterparties that permit us to offset receivables and payables with such counterparties. In addition, we attempt to further reduce credit risk with certain counterparties by:

- entering into agreements that enable us to obtain collateral from a counterparty or to terminate or reset the terms of the transactions after specified time periods or upon the occurrence of credit related events;
- seeking third-party guarantees of the counterparty's obligations; and
- through the use of credit derivatives and other structures and techniques.

Counterparty credit risk is managed by the Credit Department, which is independent of the revenue-producing departments, based on guidelines set by the Firmwide Risk Committee and the Credit Policy Committee. To measure and manage our credit exposure we use a variety of tools including credit limits which reference both current and potential exposure. We typically measure potential exposure based on projected worst case market movements over the life of the transactions. For collateralised transactions, we also evaluate potential exposure over a shorter collection period and give effect to the value of the collateral received. We further seek to measure credit exposure through the use of scenario analyses, stress tests and other quantitative tools. Our global credit management systems monitor current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. These systems also provide management, including the Firmwide Risk and Credit Policy Committees with information, regarding overall credit risk by product, industry sector, country and region.

(c) Liquidity risk

Liquidity is of critical importance to companies in the financial services sector. Accordingly, the company has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address company and firmwide-specific as well as broader industry or market liquidity events. Our principal objective is to be able to fund the company and to enable our core business to continue to generate revenue under adverse circumstances.

Management has implemented a number of policies according to the following liquidity risk management framework:

- excess liquidity – maintain substantial excess liquidity to meet a broad range of potential cash outflows in a stressed environment including financing obligations;
- asset liability management – ensure that we fund our assets with the appropriate term of financing;
- conservative liability structure – access funding across a diverse range of markets, products and counterparties and emphasize less credit sensitive sources of funding; and
- crisis planning – ensure all funding and liquidity management is based on stress-scenario planning and feeds into our liquidity crisis plan.

27. *FINANCIAL COMMITMENTS AND CONTINGENCIES*

(a) The company's only financial commitments and contingencies outstanding at the period end arise from letters of credit and forward foreign exchange, swaps, options, financial futures contracts, debt and equity forwards and underwriting commitments entered into in the ordinary course of business. In addition, there are registered charges on the company's assets which have arisen in the ordinary course of business.

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

	28 November 2008 US$'000	30 November 2007 US$'000
Maturity of lease:		
Less than one year	-	788
Between one and two years	111	2,106
Between two and five years	12,124	898
Over five years	92,847	122,584
	105,082	**126,376**

28. *ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS*

The immediate parent undertaking is Goldman Sachs Holdings (U.K.), and the parent company of the smallest group for which consolidated financial statements are prepared is Goldman Sachs Group Holdings (U.K.), a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent undertaking and the parent company of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., a company incorporated in the United States of America. Copies of its accounts can be obtained from 85 Broad Street, New York, NY 10004, United States of America, the group's principal place of business.