Company number: 3769030

GOLDMAN SACHS GROUP HOLDINGS (U.K.)

(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

24 November 2006

GOLDMAN SACHS GROUP HOLDINGS (U.K.)
(unlimited company)

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 52 week period ended 24 November 2006

1. Principal activities

The company is a holding company to a group that provides a wide range of financial services to clients located worldwide The company's share capital is denominated in US dollars and the company is part of a US dollar reporting 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 Profit on ordinary activities before taxation for the group was $758,392,000 (52 week period ended 25 November 2005 $706,219,000) The group has reported net assets of $6,056,553,000 (25 November 2005 $5,447,877,000) and the company has reported net assets of $3,556,857,000 (25 November 2005 $3,468,290,000)

Details of the group's business segments are given in note 4 to the financial statements

Investment Banking results primarily reflect the strong growth in industry-wide completed mergers and acquisitions and other client activity

Trading and Principal Investments benefited from strong customer-driven activity and favourable market conditions

Asset Management and Securities Services reflected strong results primarily from the prime brokerage business generated by higher customer balances

<u>**Business environment**</u>

As the company is a holding company to a group that provides financial services, our businesses are materially affected by conditions in the financial markets and general economic conditions A favourable business environment is typically characterised by low inflation, low or declining interest rates and strong equity markets Over the business cycle, these factors provide a positive climate for our investment banking activities, for many of our trading businesses and for wealth creation Although short-term interest rates continued to rise and the yield curve continued to flatten, economic conditions remained generally favourable during 2006, as global interest rates remained at low levels, core inflation was broadly contained, global equity prices generally rose and corporate activity continued to improve

<u>**Strategy**</u>

The Goldman Sachs Group, Inc , is 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 this group, the company and its subsidiary undertakings seek to be the advisor of choice for its clients and a leading participant in the global financial markets The group's strategy, consistent with that of the wider 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

REPORT OF THE DIRECTORS (CONTINUED)

Principal risks and uncertainties

The group faces a variety of risks that are substantial and inherent in its businesses including economic and market conditions, liquidity, credit quality, competition, and employee-related, operational infrastructure and technology risks Consequently, the group does not produce predictable earnings The key business risks affecting the group 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 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 Furthermore, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time

Credit quality

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances In addition, a 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 The amount and duration of our credit exposures have been increasing over the past several years, as has the breadth of the entities to which we have credit exposures 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 group

Competition

The financial services industry is intensely competitive and we expect it to remain so Our competitors are other brokers and dealers, investment banking firms, investment advisers, mutual funds, hedge funds, private equity funds, commercial banks and merchant banks We compete on the basis of a number of factors including transaction execution, our products and services, innovation, reputation and price We believe that we will continue to experience pricing pressures in the future as some of our competitors seek to increase market share by reducing prices

Over time, there has been substantial consolidation and convergence amongst companies in the financial services industry This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of our competitors It has also hastened the globalisation of the securities and other financial services markets

REPORT OF THE DIRECTORS (CONTINUED)

Employees

We also face intense competition in attracting and retaining qualified employees Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees

Our performance is largely dependent on the talents and efforts of highly skilled individuals Competition in the financial services industry for qualified employees is intense In addition, competition with businesses outside the financial services industry, such as hedge funds, private equity funds and venture capital funds, for the most highly skilled individuals has been intense

Operational infrastructure

Failures in internal processes, people or systems could lead to impairment of our liquidity, financial loss, disruption of business, liability to clients, regulatory intervention or reputational damage For example, our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies The transactions we process have become increasingly complex and often must adhere to client-specific guidelines, as well as legal and regulatory standards 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, 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 of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that we use to facilitate our securities transactions and, as our interconnectivity with our clients grows, we will increasingly face the risk of operational failure with respect to our clients' systems Any such failure or termination could adversely affect our ability to effect transactions, service our clients and manage our exposure to risk

Despite the contingency plans and facilities that we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located This may include a disruption involving electrical, communications, transportation or other services used by the group 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

REPORT OF THE DIRECTORS (CONTINUED)

Risk management

We seek to monitor and control our risk exposure through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems 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, below

Future outlook

The directors consider that the period end financial position of the group was satisfactory No significant change in the group's principal business activity is expected

3. Dividends

The directors of Goldman Sachs (UK) L L C , the immediate parent undertaking, agreed to waive the receipt of a preference dividend from the company in respect of the period (52 week period ended 25 November 2005 US$Nil) The directors did not declare and pay an interim ordinary dividend in respect of the period (52 week period ended 25 November 2005 US$Nil) The directors do not recommend the payment of a final ordinary dividend in respect of the period (52 week period ended 25 November 2005 US$Nil)

4. Exchange rate

The US dollar/sterling exchange rate at the balance sheet date was 1 9322 (25 November 2005 1 7131) The average rate for the period was 1 8287 (52 week period ended 25 November 2005 1 8293)

5 Employment of disabled persons

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

6 Employee involvement

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

7 Post balance sheet events

On 18 December 2006, Goldman Sachs Holdings (U K), a subsidiary undertaking acquired Forres LLC, for a total consideration of $2,087,505,315 from a fellow group undertaking Goldman Sachs Holdings (U K) was advanced a loan from a fellow group company to enable it to fund this investment Forres LLC is an investment company incorporated in Delaware, United States of America

REPORT OF THE DIRECTORS (CONTINUED)

8 Directors

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

Name	Appointed	Resigned
N P Crapp	29 September 2006	
S Davies		
D W McDonogh	30 March 2006	
T L Miller		29 September 2006
P C Deighton		21 February 2006
P E Mulvihill		23 March 2006

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

9. Financial risk management

The groups' risk management objectives and policies, as well as exposures to market risk, credit risk and liquidity risk are described in note 30 to the financial statements

10. 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

11. 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 / she ought to have taken as a director to make himself / herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

REPORT OF THE DIRECTORS (CONTINUED)

12. 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

13. Charitable contributions

During the period, an amount of US$1,930,567 (52 week period ended 25 November 2005 US$1,299,703) was donated to charity

BY ORDER OF THE BOARD

D J. GROUNSELL
Secretary

Report of the independent auditors to the members of
GOLDMAN SACHS GROUP HOLDINGS (U.K.)
(unlimited company)

We have audited the group and the parent company financial statements of Goldman Sachs Group Holdings (U K) for the 52 week period ended 24 November 2006 which comprise the group profit and loss account, the group and company balance sheets 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 judgements 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 parent company and the group's affairs as at 24 November 2006 and of the group's 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 1 October 2007

GOLDMAN SACHS GROUP HOLDINGS (U.K.)
(unlimited company)

PROFIT AND LOSS ACCOUNT
for the 52 week period ended 24 November 2006

	Note	The Group 52 week period ended 24 November 2006 US$'000	As restated The Group 52 week period ended 25 November 2005 US$'000
Trading profit	1(g),4	7,935,602	5,849,674
Administrative expenses		(6,195,336)	(4,411,728)
OPERATING PROFIT	6	1,740,266	1,437,946
Share of operating profit in joint venture	7	-	9,324
Other interest receivable and similar income	8	120,068	114,135
Interest payable and similar charges	9	(1,106,697)	(859,210)
Net finance income	11	4,755	4,024
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		758,392	706,219
Tax on profit on ordinary activities	12	(206,732)	(204,620)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX AND PROFIT FOR THE PERIOD	28	551,660	501,599

The trading profit and operating profit of the group is derived from continuing operations

There is no difference between the profit on ordinary activities before taxation and the profit for the period as stated above and their historical cost equivalents except as explained in note 1(d)

The notes on pages 11 to 40 form part of these financial statements
Auditors' report - page 7

RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS
for the 52 week period ended 24 November 2006

	The Group	
	52 week period ended 24 November 2006 US$'000	52 week period ended 25 November 2005 US$'000 (restated)
Profit for the period	551,660	501,599
Exchange (loss)/gain on consolidation	65,592	(46,165)
Movement in capital redemption reserve	-	305,012
Actuarial loss relating to the pension scheme	(12,252)	-
UK deferred tax attributable to the actuarial loss	3,676	-
Net increase in shareholders' funds	608,676	760,446
Opening shareholders' funds	5,447,877	4,687,431
Closing shareholders' funds	6,056,553	5,447,877

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 week period ended 24 November 2006

	The Group	
	52 week period ended 24 November 2006 US$'000	52 week period ended 25 November 2005 US$'000 (restated)
Profit for the financial period	551,660	501,599
Actuarial loss relating to the pension scheme	(12,252)	-
UK deferred tax attributable to the actuarial loss	3,676	-
Movement in capital redemption reserve	-	305,012
Exchange (loss)/gain on consolidation	65,592	(46,165)
Total recognised gains for the financial period	608,676	760,446

The notes on pages 11 to 40 form part of these financial statements
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GOLDMAN SACHS GROUP HOLDINGS (U.K.)
(unlimited company)

BALANCE SHEETS
as at 24 November 2006

	Note	The Group 24 November 2006 US$'000	The Group 25 November 2005 US$'000 (restated)	The Company 24 November 2006 US$'000	The Company 25 November 2005 US$'000 (restated)
FIXED ASSETS					
Intangible assets	14	343	385	-	-
Tangible fixed assets	15	4,400	3,836	-	-
Investments					
Shares in subsidiary undertakings	16(a)	-	-	3,865,644	3,698,861
Shares in associate investments	16(b)	13,556	-	13,556	-
Other investments other than loans	16(c)	2,980	61,584	-	-
		21,279	65,805	3,879,200	3,698,861
CURRENT ASSETS					
Trading inventory		244,822,696	144,638,358	-	220,060
Securities purchased under agreements to resell	18	60,568,244	54,726,837	-	-
Debtors	19	228,821,556	205,556,716	13,950,251	6,984,386
Cash at bank and in hand	20	10,517,384	8,617,824	-	-
		544,729,880	413,539,735	13,950,251	7,204,446
CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR					
Trading inventory sold but not yet purchased		(194,481,223)	(117,016,235)	-	-
Securities sold under agreements to repurchase	21	(76,854,167)	(60,076,767)	-	-
Other creditors	22	(237,949,987)	(212,859,045)	(814,594)	(935,017)
		(509,285,377)	(389,952,047)	(814,594)	(935,017)
NET CURRENT ASSETS		35,444,503	23,587,688	13,135,657	6,269,429
TOTAL ASSETS LESS CURRENT LIABILITIES		35,465,782	23,653,493	17,014,857	9,968,290
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	23	(29,268,297)	(18,122,885)	(13,458,000)	(6,500,000)
PROVISIONS FOR LIABILITIES AND CHARGES	25	(25,000)	(25,000)	-	-
NET ASSETS EXCLUDING PENSION DEFICIT		6,172,485	5,505,608	3,556,857	3,468,290
Pension Deficit	11	(115,932)	(57,731)	-	-
NET ASSETS INCLUDING PENSION DEFICIT		6,056,553	5,447,877	3,556,857	3,468,290
CAPITAL AND RESERVES					
Called up share capital	27	22,415	22,415	22,415	22,415
Share premium account	28	1,519,410	1,519,410	1,519,410	1,519,410
Merger reserve	28	1,021,395	1,021,395	1,021,395	1,021,395
Capital redemption reserve	28	305,012	305,012	-	-
Profit and loss account	28	3,188,321	2,579,645	993,637	905,070
TOTAL SHAREHOLDERS' FUNDS		6,056,553	5,447,877	3,556,857	3,468,290

Approved by the Board of Directors on 27/07/07

Director

The notes on pages 11 to 40 form part of these financial statements
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NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

1. *ACCOUNTING POLICIES*

(a) **Accounting convention:** The financial statements have been prepared under the historical cost convention, modified as explained in note 1(d), 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 consolidated financial statements include the company and all of its subsidiaries since their date of acquisition In accounting for subsidiaries the group consolidates fully their assets, liabilities and results for the year and shows separately the interest of minority shareholders therein All inter-company balances and transactions are eliminated from the consolidated accounts Acquisition accounting is used to consolidate new subsidiaries

(c) **Goodwill:** Goodwill may arise on the acquisition of subsidiary and associated undertakings and joint ventures It represents the excess or deficit of the fair value of the purchase price over the fair value of the separable net assets acquired Acquired goodwill is capitalised and amortised over its estimated useful economic life

(d) **Trading inventory:** Trading inventory and trading inventory sold, but not yet purchased consists of financial instruments carried at fair value or amounts that approximate fair value The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale In determining fair value, the group 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, money market securities and physical commodities

However, certain cash trading instruments trade infrequently and, therefore, have little or no price transparency Such instruments may include corporate bank loans and mortgage whole loans The group values these instruments initially at cost and generally does not adjust valuations unless there is substantive evidence supporting a change in the value of the underlying instrument or valuation assumptions (such as similar market transactions, changes in financial ratios or changes in the credit ratings of the underlying companies) Where there is evidence supporting a change in the value, the firm uses valuations methodologies such as the present value of known or estimated cash flows

Cash trading instruments owned by the group (long positions) are marked to bid prices and instruments sold, but not yet purchased (short positions) are marked to offer prices 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

1. *ACCOUNTING POLICIES (CONTINUED)*

The fair values of the group's derivative contracts consist of exchange-traded and over-the-counter (OTC) derivatives The fair values of the group's exchange-traded derivatives are generally determined from quoted market prices OTC derivatives are valued using valuation models The group uses a variety of valuation models including the present value of known or estimated cash flows, option pricing models and option-adjusted spread models The valuation models used to derive the fair values of the group'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 group generally uses similar models to value similar instruments Where possible, the group 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 selection does not involve significant judgment because market prices are readily available For OTC derivatives that trade in less liquid markets, model selection requires more judgment because such instruments tend to be more complex and pricing information is less available in the market Price transparency is inherently more limited for more complex structures because they often combine one or more product types, requiring inputs such as correlation and volatilities As markets continue to develop and more pricing information becomes available, the group continues to review and refine the models it uses

At the inception of an OTC derivative contract, the group values the contract at the model value if the group 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 Otherwise the contract is valued at the transaction price Following inception, inputs to the valuation models are adjusted only to the extent that the group has substantive evidence to support change

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 group 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

(e) **Tangible fixed assets:** Tangible fixed assets are stated at cost less accumulated depreciation 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

1. ACCOUNTING POLICIES (CONTINUED)

(f) Fixed asset investments:

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

(ii) Equipment leasing partnerships are stated at the group's share of the net assets of the partnerships

(iii) Investments in exchange memberships are stated at cost less provision for any impairment

(iv) Debentures are stated at cost less any provision for permanent diminution in value and amortised over their useful economic life

(v) Interests in associates are accounted for by the equity method for the group, and are held at historical cost for the company The group's share of the results of a joint venture is included in the consolidated profit and loss account

(vi) Other investments are stated at cost less provision for any impairment

(g) Trading profits: The operating results for the period include all profits and losses arising from the trading operations of the group Trading operations include a number of activities including the purchase and sale of securities, derivatives and commodities, which are accounted for on a trade date basis Trading operations also include fees earned in relation to managing investments, which are recognised in the profit and loss on an accruals basis to match continuing services Revenues arising on loan origination and secondary dealing in senior bank loans are accounted for on a trade date basis Corporate finance and advisory fee income is recognised when the work is substantially complete, the relevant parties are contractually bound and the final fee can be estimated with a reasonable degree of accuracy

(h) Income recognition: Interest income is recognised on an accruals basis Income from fixed asset investments is included in the profit and loss account when dividends are received

(i) Repurchase and resale agreements: Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralised financing transactions as they meet the requirements defined in FRS 5, 'Reporting the substance of transactions', and are carried at the amount at which the securities were sold or acquired including the accrued interest as specified in the respective agreements

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

(k) Offsetting financial instruments: Amounts due from and to clients and counterparties in respect of unsettled trading and derivative transactions are offset and the net amount presented in the balance sheet where the group

(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, amounts due from and to clients and counterparties are presented on a gross basis in the balance sheet

1. *ACCOUNTING POLICIES (CONTINUED)*

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

(m) **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 The results of subsidiaries with non US dollar functional currencies are translated at the average rates of exchange during the period 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 statement of total recognized gains and losses

(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 group 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) **Pension cost.** The group 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 other 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 group, 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

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

1. *ACCOUNTING POLICIES (CONTINUED)*

(p) Capital Instruments·

(i) Loan notes Loan notes issued are initially recorded at the proceeds received after deducting issue costs Finance costs, including discounts allowed on issue, are recognised at a constant rate on the carrying amount of debt in accordance with the provisions of FRS 4 All finance costs are charged to the profit and loss account

(ii) Debt securities The group has issued debt securities with varying maturities to investors These are initially recorded at the value of the proceeds received These securities provide a payout to investors based on movements in the value of an underlying index or credit At each period end, movements in the fair value of the underlying index or credit represent the finance cost to the group and are included in the carrying amount of the securities Finance costs are included within trading interest payable

2. *CASHFLOW STATEMENT*

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

3. *PRIOR PERIOD RESTATEMENT*

During the financial year, a number of accounting standards have been introduced which have led to changes in accounting policy Comparative figures have been revised accordingly The effects of these changes in policy are summarised below

(a) The group

Prior period adjustments

(i) FRS 17, 'Retirement benefits', has been adopted in full for the period ending 24 November 2006 superseding SSAP 24, 'Accounting for pension costs' The effect of implementing FRS 17 in full has been to

a increase administrative expenditure, thus a decrease to profit for the financial year, by $1 million,

b recognise net finance income of $4 million,

c increase the deferred tax charge by $1 million,

d recognise a loss of $11 million (net of deferred tax) in the statement of total recognised gains and losses,

e reduce debtors by $47 million (net of deferred tax), and

f recognise a pension deficit of $58 million in the balance sheet

3. *PRIOR PERIOD RESTATEMENT (CONTINUED)*

(ii) FRS 25, 'Financial instruments disclosure and presentation', (paragraphs 15 to 50) has been adopted for the period ending 24 November 2006 The group has elected to restate comparatives the effect of which has been to

a increase trading inventory and trading inventory sold, but not yet purchased by $58,797 million,

b increase securities purchased under agreements to resell and securities sold under agreements to repurchase by $1,815 million, and

c decrease debtors and creditors by $67,140 million

d In addition, dividends are charged directly to equity, consequently, they have been removed from the face of the profit and loss account

Prior period exceptional administrative expenses of US$112 million, relating to restricted stock units and options awarded to employees following the initial public offering ('IPO') of The Goldman Sachs Group, Inc on the New York Stock Exchange on 7 May 1999, are no longer deemed exceptional by the directors Consequently, administrative expenses for the prior year have been restated to conform to the current period presentation

Profit and loss account (excerpt):	**The group 52 week period ended 25 November 2005 US$'000**	**Note**	**Adjustment US$'000**	**The group 52 week period ended 25 November 2005 US$'000 (restated)**
Administrative expenses	(4,410,835)	(i)	(893)	(4,411,728)
OPERATING PROFIT	1,438,839		(893)	1,437,946
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	703,088		3,131	706,219
Tax charge on profit on ordinary activities	(203,681)	(i)	(939)	(204,620)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR	499,407	(i)	2,192	501,599

3. *PRIOR PERIOD RESTATEMENT (CONTINUED)*

Balance sheet (excerpt):	The group 25 November 2005 US$'000	Note	Adjustment US$'000	The group 25 November 2005 US$'000 (restated)
CURRENT ASSETS				
Trading inventory	85,841,591	(ii)	58,796,767	144,638,358
Securities purchased under agreements to resell	52,911,893	(ii)	1,814,944	54,726,837
Debtors	272,743,522	(i), (ii)	(67,186,806)	205,556,716
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trading inventory sold, but not yet purchased	(58,219,468)	(ii)	(58,796,767)	(117,016,235)
Securities sold under agreements to repurchase	(58,261,823)	(ii)	(1,814,944)	(60,076,767)
Other creditors	(279,998,775)	(i), (ii)	67,139,730	(212,859,045)
NET CURRENT ASSETS	23,634,764		(47,076)	23,587,688
TOTAL ASSETS LESS CURRENT LIABILITIES	23,700,569		(47,076)	23,653,493
NET ASSETS EXCLUDING PENSION DEFICIT	5,552,684		(47,076)	5,505,608
Pension deficit	-	(i)	(57,731)	(57,731)
NET ASSETS INCLUDING PENSION DEFICIT	5,552,684		(104,807)	(5,447,877)
CAPITAL AND RESERVES				
Profit and loss account	2,684,452	(i)	(104,807)	2,579,645
TOTAL SHAREHOLDERS' FUNDS	5,552,684		(104,807)	5,447,877

(b) The company

Assets and liabilities of $1 8bn relating to certain quasi subsidiaries of the group were incorrectly included in the parent company financial statements in the prior period and these financial statements have been restated accordingly This restatement does not impact the company's or group's net assets or profit and loss account

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

4. *SEGMENTAL REPORTING*

The group'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 24 November 2006 US$'000	52 week period ended 25 November 2005 US$'000
Investment Banking	1,151,961	863,272
Trading and Principal Investments	5,294,156	3,880,449
Asset Management and Securities Services	1,489,485	1,105,953
	7,935,602	5,849,674

Investment Banking

The group'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

FICC (Fixed Income, Currencies and Commodities) - The group makes markets in and trades interest rate and credit products, mortgage related securities and loans, currencies and commodities, structures and enters into a wide variety of derivative transactions, and engages in proprietary trading and investing,

Equities - The group makes markets in and trades equities and equity related products, structures and enters into equity derivative transactions, and engages in proprietary trading The group 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

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

4. *SEGMENTAL REPORTING (CONTINUED)*

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

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

5. *TRADING PROFIT*

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

6. *OPERATING PROFIT*

		The Group	
		52 week period ended 24 November 2006	52 week period ended 25 November 2005 (restated)
		US$'000	US$'000
Operating profit is stated after charging			
Depreciation of tangible fixed assets		2,031	2,042
Amortisation of fixed asset investments		7	7
Fees payable to the company's auditors for the audit of the company's annual accounts		168	165
Fees payable to the company's auditor and its associates for other services			
The audit of the company's subsidiaries, pursuant to legislation		4,624	4,031
Other services pursuant to legislation provided by auditors		1,452	2,046
Management fees charged by group undertakings		1,848,425	1,264,655
Amortisation of goodwill		42	39
Trading interest payable	- group undertakings	4,477,245	2,787,383
	- other	8,610,375	3,986,708
Operating lease rentals		103,906	103,981
And after crediting			
Management fees charged to group undertakings		149,095	93,774
Trading interest receivable	- group undertakings	7,067,174	3,525,326
	- other	7,499,701	4,474,968

7. *SHARE OF OPERATING PROFIT IN JOINT VENTURE*

Income from share of operating profit in joint venture for the prior period represents a distribution from GS Global Funding Hong Kong Partnership that was dissolved during the prior period

8. *OTHER INTEREST RECEIVABLE AND SIMILAR INCOME*

Other interest receivable and similar income comprises

	The Group	
	52 week period ended 24 November 2006 US$'000	52 week period ended 25 November 2005 US$'000
Interest on overnight deposits	1,582	1,303
Interest on loans to parent and group undertakings	584	-
Interest on loans to banks and customers	19,551	104,929
Other interest receivable	98,351	7,903
	120,068	**114,135**

9. *INTEREST PAYABLE AND SIMILAR CHARGES*

Interest payable and similar charges comprises

	The Group	
	52 week period ended 24 November 2006 US$'000	52 week period ended 25 November 2005 US$'000
Interest on loans from parent and group undertakings	975,227	412,379
Interest on deposits from banks and customers	12,786	319,988
Amortisation of discount payable on loan notes	-	34,136
Other interest payable	118,684	92,707
	1,106,697	**859,210**

10. *DIRECTORS' EMOLUMENTS*

	The Group	
	52 week period ended 24 November 2006 US$'000	52 week period ended 25 November 2005 US$'000
Aggregate emoluments	657	2,987
Company pension contributions to money purchase schemes	2	5
	659	**2,992**
	US$'000	**US$'000**
Highest paid director		
Aggregate emoluments and benefits	613	2,963
Company pension contributions to money purchase schemes	1	4
Defined benefit schemes		
Accrued pension at end of period	9	12

10. *DIRECTORS' EMOLUMENTS (CONTINUED)*

In accordance with the Companies Act 1985, directors' emoluments above represent the proportion of total emoluments paid or payable in respect of qualifying services only Directors also receive emoluments for non-qualifying services which are not required to be disclosed All directors are members of the defined contribution pension scheme and five directors are members of the defined benefit pension scheme

Three directors have been granted shares in respect of a long term incentive scheme

All directors have exercised options

11. *STAFF COSTS*

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

	52 week period ended 24 November 2006 Number	52 week period ended 25 November 2005 Number
Trading, sales, advisory, research and asset management	2,244	1,965
Support, finance, operations and technology	1,919	1,613
	4,163	3,578

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

	52 week period ended 24 November 2006 US$'000	52 week period ended 25 November 2005 US$'000
Aggregate gross wages and salaries	3,661,670	2,084,479
Employer's National Insurance Contributions	240,260	181,687
Pension costs, employer contributions to the		
Defined contribution scheme	41,329	31,685
Defined benefit scheme	1,665	19,939
Total direct costs of employment	3,944,924	2,317,790

Pension schemes

The group operates an open pension plan with a hybrid structure ('the Plan'), having both defined benefit and defined contribution sections A full actuarial valuation of the Plan was carried out by a qualified independent actuary as at 1 December 2003 using the projected unit funding method and updated to 24 November 2006 The asset and liability figures shown below have been calculated as a proportion of the total Plan assets and liabilities, based on the group'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

11. *STAFF COSTS (CONTINUED)*

	24 November 2006 % per annum	25 November 2005 % per annum	26 November 2004 % per annum	28 November 2003 % per annum	29 November 2002 % per annum
Discount rate	4 95	4 90	5 25	5 60	5 75
Rate of increase in salaries	5 10	4 85	4 80	4 75	4 50
Rate of increase in pensions (post-30 November 1996 accrual)	3 10	2 85	2 80	2 75	2 50
Rate of price inflation	3 10	2 85	2 80	2 75	2 50

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

	24 November 2006		25 November 2005		26 November 2004	
	Expected rate of return % pa	Market value US$m	Expected rate of return % pa	Market value US$m	Expected rate of return % pa	Market value US$m
UK equities	7 9	129 7	8 1	142 7	8 2	131 4
Overseas equities	7 9	136 9	8 1	86 7	8 2	78 3
UK fixed interest gilts	4 4	11 4	4 2	11 3	4 6	11 6
UK index-linked gilts	4 4	15 3	-	-	-	-
Hedge funds	6 8	29 0	6 7	22 3	6 7	23 3
High-yield corporate bonds	-	-	5 6	12 2	6 2	11 6
Cash and reinvested cash	4 4	107 8	3 7	40 4	3 8	25 0
Total market value of assets		**430.1**		**315.6**		**281.2**
Present value of scheme liabilities		(546 0)		(373 3)		
Deficit in the scheme		**(115.9)**		**(57 7)**		
Related deferred tax asset		34 8		17 3		
Net pension deficit		(81 1)		(40 4)		

Analysis of amounts charged to operating profit

	52 week period ended 24 November 2006 US$m	52 week period ended 25 November 2005 US$m (restated)
Current service cost	45 5	35 9
Total charged to operating profit	**45.5**	**35.9**

Analysis of the amount credited to net finance income

	52 week period ended 24 November 2006 US$m	52 week period ended 25 November 2005 US$m (restated)
Interest on pension plan liabilities	19 4	16 3
Expected return on assets in the pension plan	(24 2)	(20 3)
Net credit to net finance income	**(4 8)**	**(4.0)**

11. *STAFF COSTS (CONTINUED)*

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

	52 week period ended 24 November 2006 US$m	52 week period ended 25 November 2005 US$m (restated)
Gain on assets	(47 5)	(22 9)
Experience loss / (gain) on liabilities	30 4	(9 9)
Loss on changes of assumptions (financial and demographic)	29 4	48 0
Total loss recognised in statement of total recognised gains and losses before adjustment for tax	**12.3**	**15.2**

Movement in deficit during the period

	52 week period ended 24 November 2006 US$m	52 week period ended 25 November 2005 US$m (restated)
Deficit in the scheme at beginning of the period	(57 7)	(41 6)
Current service cost	(45 5)	(35 9)
Contributions	3 5	25 4
Other finance income	4 8	4 0
Actuarial loss	(12 3)	(15 2)
Foreign exchange (losses) / gains on translation of deficit	(8 7)	5 6
Deficit in the scheme at end of the period	**(115 9)**	**(57.7)**

A history of experience gains and losses are as follows

	24 November 2006	25 November 2005	26 November 2004	28 November 2003	29 November 2002
(Gain) / loss on plan assets:					
Amount	US$(47 5)m	US$(22 9)m	US$16 2m	US$(4 7)m	US$12 9m
% of plan assets at end of the period	11 0%	7 3%	5 8%	2 0%	8 2%
Experience loss / (gain) on plan liabilities:					
Amount	US$30 4m	US$(9 9)m	US$(7 8)m	US$(5 9)m	US$27 6m
% of plan liabilities at end of the period	5 6%	2 7%	2 4%	2 6%	16 9%
Total actuarial loss recognised in statement of total recognised gains and losses:					
Amount	US$12 3m	US$15 2m	US$45 7m	US$13 2m	US$26 8m
% of plan liabilities at end of the period	2 3%	4 1%	14 2%	5 8%	16 4%

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

12. *TAX ON PROFIT ON ORDINARY ACTIVITIES*

(a) Analysis of tax charge for the period:

	52 week period ended 24 November 2006 US$'000	52 week period ended 25 November 2005 US$'000 (restated)
Current tax		
UK corporation tax at 30% - current period	680,559	446,059
UK corporation tax - prior year	26,899	(3,863)
Overseas taxation	62,200	34,466
Total current tax (see note 12(b))	**769,658**	**476,662**
Deferred Tax		
Provisions and other timing differences (see note 26)	(562,926)	(272,042)
	(562,926)	(272,042)
Tax on profit on ordinary activities	**206,732**	**204,620**

(b) Factors affecting tax charge for the period:

The current tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

	52 week period ended 24 November 2006 US$'000	52 week period ended 25 November 2005 US$'000 (restated)
Profit on ordinary activities before tax	758,392	706,219
Profit on ordinary activities multiplied by standard rate in the UK 30% (2005 30%)	227,517	211,865
Expenses disallowed for the purposes of tax provision	5,098	4,782
Accelerated capital allowances and other timing differences	35,736	50,956
Timing differences in respect of restricted stock units	482,247	229,569
Pension contribution relief in excess of net pension cost charge	11,658	306
Exchange differences	6,758	(21,927)
Group relief surrendered for nil consideration	-	(7,541)
Adjustment to tax in respect of prior periods	26,899	(3,863)
Non taxable net income	(26,255)	12,515
Current tax charge for the period	**769,658**	**476,662**

The timing difference arising from the restricted stock units comprises the net tax effect of the amounts charged to the profit and loss account during the period and those amounts paid to employees during the period

13. *COMPANY PROFIT FOR THE PERIOD*

Of the group's profit for the period, a profit of US$88,567,000 (2005 profit US$124,541,000) has been dealt with in the financial statements of the company As permitted by section 230 (3) of the Companies Act 1985 the company's profit and loss account has not been included in these financial statements

14. *INTANGIBLE ASSETS*

Intangible assets comprise positive goodwill of US$2,360,000 that arose on the acquisition of 100% of the ordinary shares in Goldman Sachs Investments Europe in a previous period The goodwill was capitalised and is being amortised over 20 years
Negative goodwill of US$1,524,000 arose on the acquisition of Goldman Sachs Holdings (U K) This goodwill has been capitalised and is being amortised over 20 years

		The Group	
	Positive Goodwill US$'000	**Negative Goodwill US$'000**	**24 November 2006 Total US$'000**
Goodwill at 25 November 2005	1,598	(1,213)	385
Amortisation for the period	(113)	71	(42)
Goodwill at 24 November 2006	**1,485**	**(1,142)**	**343**

15. *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 25 November 2005	8,626	2,087	16	10,729
Additions	1,488	1,107	-	2,595
Disposals	-	(589)	-	(589)
At 24 November 2006	**10,114**	**2,605**	**16**	**12,735**
DEPRECIATION				
At 25 November 2005	5,581	1,296	16	6,893
Charge for period	1,734	297	-	2,031
Disposals	-	(589)	-	(589)
At 24 November 2006	**7,315**	**1,004**	**16**	**8,335**
NET BOOK VALUE				
At 25 November 2005	**3,045**	**791**	-	**3,836**
At 24 November 2006	**2,799**	**1,601**	-	**4,400**

16. *FIXED ASSET INVESTMENTS*

(a) Shares in subsidiary undertakings (at cost)

Fixed asset investments, which are unlisted and stated at cost, comprise shareholdings in group undertakings

	The Company US$'000
At 25 November 2005	3,698,861
Additions (see note (i) to (v))	166,831
Write down of shares in subsidiary undertakings (see note (vii))	(5)
Gain on redemption of capital by issuer	48
Repurchase of capital by issuer (see note (vi))	(91)
At 24 November 2006	**3,865,644**

During the period, the following movements in investments took place

(i) On 15 December 2005, the company was allotted 34,994 ordinary shares of US$1 each by Goldman Sachs International for a total consideration of US$800,000

On 9 March 2006, the company was allotted 31,571 ordinary shares of US$1 each by Goldman Sachs International for a total consideration of US$800,000

On 7 November 2006, the company was allotted 3,000,000 ordinary shares by Goldman Sachs International for a total consideration of US$3,000,000

On 24 November 2006, the company was allotted 46,945 ordinary shares by Goldman Sachs International for a total consideration of US$1,145,000

(ii) On 24 November 2006, the company was allotted 4,244,376 ordinary shares of US$1 each by Goldman Sachs Holdings (U K), for a total consideration of US$96,220,000

(iii) On 12 June 2006, the company was allotted 50,000 ordinary shares of £0 01 each by GS UT Administration for a total consideration of £50,000 (US$92,380) On 12 June 2006, the company was allotted 50,000 of £0 01 each shares by GS Leasing Holdings Limited for a total consideration of £50,000 (US$ 92,380) In addition on 12 June 2006, the company was allotted 1,037,984 ordinary shares of £0 01 each by GS UT Investments Limited for a total consideration of £1,037,984 (US$ 1,917,779)

(iv) On 8 November 2006, the company was allotted 100,000 ordinary shares of Eur 100 each by GS (Monaco) S A M , for a total consideration of Eur 10,000,000 (US$ 12,746,000)

(v) On 21 August 2006, the company purchased 1 ordinary share in GS Capital Funding (Cayman) II Limited from M&C Corporate Services Limited On 21 August 2006, the company was allotted a further 1,000 ordinary shares for a total consideration of US$50,000,000

(vi) On 28 July 2006, Goldman Sachs Risk Advisors (Europe) cancelled and repaid 6,098 ordinary shares of US$0 01 each registered in the name of Goldman Sachs Group Holdings (U K) and repaid the amount of US$632 to the company, such sum being the amount paid up on the shares On 9 March 2006, J Aron & Company (U K) repurchased 90,000 cumulative preference shares of US$1 each, registered in the name of Goldman Sachs Group Holdings (U K) for an amount of $90,000, such sum representing the remaining called up and fully paid cumulative preference shares of the company

16. *FIXED ASSET INVESTMENTS (CONTINUED)*

(a) Shares in subsidiary undertakings (at cost)

(vii) A write down of US$5,368 has been made against the cost of shares in group undertakings as the value of investments were less than their book value as a result of dividends paid during the period The directors consider that this represents a permanent diminution in value

The subsidiaries of the group and the effective ownership interests in the ordinary and preference shares at the period end are listed below

Name of company and activity	Group interest in shares issued	Of which, owned directly by the Company
Goldman Sachs Asset Management International* (fund manager)	100% Ordinary shares 100% Preference shares	1% Ordinary shares 99% Preference shares
Goldman Sachs International Bank * (bank loan and related activities)	100% Ordinary shares 100% Preference shares	100% Ordinary shares 100% Preference shares
Goldman Sachs Risk Advisors (Europe) * (non trading)	100% Ordinary shares	100% Ordinary shares
Goldman Sachs Europe * (agency lending and issuer of warrants)	100% Ordinary shares	1% Ordinary shares
Goldman Sachs International * (securities dealer)	100% Ordinary shares 100% Preference shares	1% Ordinary shares 46% Preference shares
J Aron & Company (U K) * (commodities dealer)	100% Ordinary shares 100% Deferred shares 100% Preference shares	1% Ordinary shares 1% Deferred shares 1% Preference shares
J Aron & Company (Bullion) * (non trading)	100% Ordinary shares	50% Ordinary shares
Goldman Sachs International Finance * (non trading)	100% Ordinary shares	0% Ordinary shares
Goldman Sachs Europe Limited * (service company)	100% Ordinary shares	0% Ordinary shares
GS Global Funding (UK) * (investment activity)	100% Ordinary shares	0% Ordinary shares
Fleet Trade & Transport Limited * (oil and shipping operations)	100% Ordinary shares	100% Ordinary shares
Goldman Sachs Holdings (U K)* (holding company)	100% Ordinary shares 100% Preference shares	100% Ordinary shares 100% Preference shares
Goldman Sachs Securities (Nominees) Limited * (nominee shareholder)	100% Ordinary shares	0% Ordinary shares

16. *FIXED ASSET INVESTMENTS (CONTINUED)*

(a) Shares in subsidiary undertakings (at cost) (continued)

Name of company and activity	Group interest in shares issued	Of which, owned directly by the Company
Restamove Limited * (non-trading)	100% Ordinary shares	0% Ordinary shares
Dunvegan Investments Limited * (investment company)	100% Ordinary shares 100% Preference shares	0% Ordinary shares 0% Preference shares
Goldman Sachs (Jersey) Limited * (issuer of covered warrants)	100% Ordinary shares	0% Ordinary shares
Shire UK Limited * (investment company)	100% Ordinary shares	100% Ordinary shares
Shire Funding Limited * (investment company)	100% Ordinary shares 100% Fixed rate shares	0% Ordinary shares 0% Fixed rate shares
Shire Assets * (investment company)	100% Ordinary shares	0% Ordinary shares
Shire II Assets * (investment company)	100% Ordinary shares 100% Fixed rate shares	0% Ordinary shares 0% Fixed rate shares
Goldman Sachs (MONACO) S A M *	100% Ordinary shares	100% Ordinary shares
Scadbury UK Limited * (investment company)	100% Ordinary shares	100% Ordinary shares
Scadbury Funding Limited * (investment company)	100% Ordinary shares 100% Fixed rate shares	0% Ordinary shares 0% Fixed rate shares
Scadbury Assets * (investment company)	100% Ordinary shares	0% Ordinary shares
Scadbury II Assets * (investment company)	100% Ordinary shares 100% Fixed rate shares	0% Ordinary shares 0% Fixed rate shares
Amagansett UK Limited * (investment company)	100% Ordinary shares	100% Ordinary shares
Amagansett Funding Limited * (investment company)	100% Ordinary shares 100% Fixed rate shares	0% Ordinary shares 0% Fixed rate shares
Amagansett Assets * (investment company)	100% Ordinary shares	0% Ordinary shares
Amagansett II Assets * (investment company)	100% Ordinary shares 100% Fixed rate shares	0% Ordinary shares 0% Fixed rate shares

16. *FIXED ASSET INVESTMENTS (CONTINUED)*

(a) Shares in subsidiary undertakings (at cost) (continued)

Name of company and activity	Group interest in shares issued	Of which, owned directly by the Company
Amagansett Financing Limited * (investment company)	100% Ordinary shares 100% Preference shares	100% Ordinary shares 0% Preference shares
Killingholme Power Group Limited* (investment company)	100% Ordinary shares	100% Ordinary shares
Killingholme Generation Limited* (investment company)	100% Ordinary shares	0% Ordinary shares
Killingholme Holdings Limited* (investment company)	100% Ordinary shares	0% Ordinary shares
Killingholme Power Limited* (investment company)	100% Ordinary shares	0% Ordinary shares
GS Killingholme Cayman Investments Ltd** (investment company)	100% Ordinary shares	0% Ordinary shares
GS Capital Funding (Cayman) Investments II Limited (investment company)**	100% Ordinary shares	100% Ordinary shares
GS Leasing No 1 Limited** (investment company)	100% Ordinary shares	0% Ordinary shares
GS Leasing No 2 Limited** (investment company)	100% Ordinary shares	0% Ordinary shares
GS Leasing Limited Partnership** (investment company)	100% Ordinary shares	0% Ordinary shares
GS Unit Trust Administration Limited** (investment company)	100% Ordinary shares	100% Ordinary shares
GS Unit Trust Investments Limited** (investment company)	100% Ordinary shares	100% Ordinary shares
GS Leasing Holdings Limited** (investment company)	100% Ordinary shares	100% Ordinary shares
GS Leasing Investments** (investment company)	100% Ordinary shares	0% Ordinary shares

*Subsidiary undertakings of the company also at 25 November 2005

**Entity incorporated during the period by subscribing for 100% of the entity's share capital

16. *FIXED ASSET INVESTMENTS (CONTINUED)*

All the above subsidiary undertakings are registered in England and Wales except for the following

- Goldman Sachs Europe Limited and Goldman Sachs (Jersey) Limited are incorporated in Jersey
- Dunvegan Investments Limited, Shire Funding Limited, Shire II Assets, Amagansett Funding Limited, Amagansett II Assets, Scadbury Funding Limited, Scadbury II Assets, GS Killingholme Cayman Investments Ltd , GS Capital Funding (Cayman) II Limited, GS Leasing No 1 Limited, GS Leasing No 2 Limited, GS Leasing Limited Partnership, GS Unit Trust Administration Limited, GS Unit Trust Investments Limited, GS Leasing Holdings Limited and GS Leasing Investments are incorporated in the Cayman Islands
- GS (Monaco) S A M is incorporated in Monaco

(b) Shares in associate investments - the company and the group

On 12th October 2006, the company purchased a 34 78% holding in Barrie & Hibbert Ltd a financial risk consultancy firm incorporated in Scotland No profit was recognised on this investment for the period between purchase date and reporting date

(c) Other investments other than loans

The balance at 24 November 2006 and 25 November 2005 comprises

	The Group	
	24 November 2006 US$'000	**25 November 2005 US$'000**
Investment in equipment leasing partnership (see note (i))	67	67
Investment in global messaging network (see note (ii))	33	33
Investment in exchange memberships (see note (iii))	2,762	2,570
Shares in group undertakings (see note (iv))	80	80
Debentures (see note (v))	38	37
Gilts (see note (vi))	-	58,797
	2,980	**61,584**

(i) The group has a US$67,000 investment in an equipment leasing partnership operating in the United Kingdom stated at cost

(ii) The group has an investment in a global messaging network, which is unlisted and stated at cost

(iii) The group also has investments in exchange memberships, which are unlisted and stated at cost

	The Group	
	24 November 2006 US$'000	**25 November 2005 US$'000**
Beginning of period	2,570	2,715
Additions	192	-
Reclassification	-	(145)
	2,762	**2,570**

16. *FIXED ASSET INVESTMENTS (CONTINUED)*

Reclassification for the prior year includes an investment in an exchange now reported within trading inventory It is in the opinion of the directors that this is held with a view to resale and forms part of trading activities

(iv) The shares in group undertakings represent the following investments

Name of company and activity	%	Number in issue	Class	Nominal
Goldman Sachs S G R S p A	1	4,000	Ordinary	Euro 1,000
Goldman Sachs Fund Management S A	1	124,000	Ordinary	Euro 1,000

(v) The group holds debentures that are stated at cost and amortised over their useful economic life

	US$'000
COST	
At 25 November 2005	70
Additions	8
At 24 November 2006	**78**
AMORTISATION	
At 25 November 2005	33
Charge for period	7
At 24 November 2006	**40**
NET BOOK VALUE	
At 25 November 2005	**37**
At 24 November 2006	**38**

(vi) The group held gilts in the prior period that are stated at cost less provisions for any permanent diminution in value Any premium/discount paid or received is amortised on a straight line basis

	The Group	
	24 November 2006 US$'000	25 November 2005 US$'000
Beginning of period	58,797	-
Additions	-	59,947
Premium on purchase	-	70
Amortisation of premium on purchase	(910)	(1,220)
Disposal	(57,887)	-
	-	**58,797**

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

17. *QUASI SUBSIDIARIES*

The group, in the ordinary course of business, utilises certain vehicles, which though not fulfilling the definition of a subsidiary, give rise to benefits for the group that are in substance no different from those that would arise were the vehicles treated as subsidiaries As a result, these entities are consolidated

The group recognises two distinct categories of quasi subsidiaries based on the inherent risks The entities are quasi subsidiaries of Goldman Sachs International, a subsidiary undertaking

(i) The group utilises certain vehicles to provide investors with asset-repackaged notes designed to meet their objectives These vehicles purchase assets by issuing debt instruments and by entering into derivative contracts The group has entered into interest rate, foreign currency and equity derivatives with these vehicles The vehicles produce no material net cash flows Cash flows received from assets and derivatives held by the vehicles are paid either directly or indirectly, via debt securities issued, to the debt holders In addition, given that all derivatives held by the vehicles offset risks inherent in its assets and liabilities, the vehicles do not produce any material net profit or loss

The combined balance sheet of these quasi-subsidiaries consolidated into the group's financial statements, is as follows

	24 November 2006 US$'000	25 November 2005 US$'000
Assets		
Debt Securities Purchased	6,908,110	1,857,644
Liabilities		
Debt Securities Issued	(6,908,110)	(1,857,644)

(ii) The group also utilises certain investment companies to invest third party funds in debt securities and related activities After meeting the cost of third party borrowings, the surplus profits of the vehicles are distributed to Goldman Sachs International, a group undertaking, as incentive management fees As a result these vehicles do not produce any material net profit or loss

The combined balance sheet of these quasi-subsidiaries consolidated into the group's financial statements, is as follows

	24 November 2006 US$'000	25 November 2005 US$'000
Assets		
Cash at bank and in hand	242,413	87,131
Debt securities purchased	1,934,956	1,757,090
Other debtors	17,425	19,861
Liabilities		
Other creditors	(268,864)	(272,212)
Debt Securities Issued	(1,925,928)	(1,591,868)
Capital (see note 22(b))	(2)	(2)

18. *SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL*

Included within the resale agreements are amounts of US$24,488,066,000 (25 November 2005 US$15,794,866,000) which relate to group undertakings

19. *DEBTORS*

	The Group		The Company	
	2006 US$'000	2005 US$'000 (restated)	2006 US$'000	2005 US$'000
Deposits as collateral for stock borrowed	5,669,494	4,597,535	-	-
Amounts due from brokers/dealers and customers	81,004,852	65,357,994	-	-
Amounts due from parent and group undertakings	140,773,377	134,746,003	13,931,141	6,971,739
Group relief receivable from group undertakings	-	-	19,076	5,279
Corporation tax recoverable	919	4,056	-	4,020
Deferred tax (see note 25)	1,194,640	583,121	-	-
Other debtors	75,292	112,845	34	3,348
Prepayments and accrued income	102,982	155,162	-	-
	228,821,556	**205,556,716**	**13,950,251**	**6,984,386**

Of the amount due from parent and group undertakings, US$36,045,000 (25 November 2005 US$18,869,000) in relation to the group, and US$13,458,000,000 (25 November 2005 US$6,480,000,000) in relation to the company is due in more than one year With regard to the group this relates to IPO awards and equity based employee compensation With regard to the company this relates to long term subordinated loans to a subsidiary undertaking The loan is unsecured, carries interest at a margin over LIBOR and is repayable upon giving or receiving at least 2 years notice to or from the subsidiary undertaking

The remaining debtors are all due within one year of the balance sheet date

20. *CASH AT BANK AND IN HAND*

Included within cash at bank and in hand is US$9,050,415,662 (25 November 2005 US$7,782,096,000) that is held on behalf of clients in segregated accounts

21. *SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE*

Included within the repurchase agreements are amounts of US$12,575,819,669 (25 November 2005 US$11,480,409,000) which relate to group undertakings

22. *OTHER CREDITORS*

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

	The Group		The Company	
	2006 US$'000	2005 US$'000 (restated)	2006 US$'000	2005 US$'000 (restated)
Bank loans and overdrafts	254,123	233,387	-	-
Debt securities issued	11,473,865	6,255,570	-	-
Loans from money brokers and institutions	41,473,775	46,325,040	-	-
Amounts due to brokers/dealers and customers	84,313,815	72,643,167	-	-
Amounts due to parent and group undertakings	96,912,994	85,282,162	808,894	933,717
Corporation tax payable	281,715	90,895	3,474	-
Other taxes and social security costs	193,381	121,010	-	-
Accrual for management charges payable to parent and group undertakings (see note 23(b))	1,818,942	1,056,614	-	-
Other creditors and accruals (see note (b))	1,227,377	851,200	2,226	1,300
	237,949,987	**212,859,045**	**814,594**	**935,017**

(a) Of the other creditors falling due within one year US$41,474,000,000 (25 November 2005 US$113,465,000,000) is secured by marketable securities

(b) Included within other creditors and accruals is US$2,000 (25 November 2005 US$2,000) in relation to minority interest in respect of quasi subsidiaries (see note 17)

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

	The Group		The Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000 (restated)
Long-term subordinated loans (see note 24)	18,199,271	11,184,959	13,458,000	6,500,000
Debt securities issued (see note (a))	7,485,758	4,521,431	-	-
Accrual for management charges payable to parent and group undertakings (see note (b))	1,657,340	824,627	-	-
Loan notes issued (see note (c))	1,925,928	1,591,868	-	-
	29,268,297	**18,122,885**	**13,458,000**	**6,500,000**

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

	24 November 2006 US$'000	25 November 2005 US$'000
In more than one year but not more than two years	1,872,778	501,531
In more than two years but not more than five years	1,495,411	2,535,182
In more than five years	4,117,569	1,484,718
	7,485,758	4,521,431

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

(b) The accrual for management charges in notes 22 and 23 is in respect of restricted stock awards and long term incentive schemes

(c) Loan notes issued comprise notes issued to a third party Interest on the notes accrues at the relevant underlying interest rate plus 0 90% and is calculated on a monthly basis The notes mature at the earlier of 2019 or the dissolution or liquidation of the company

24. SUBORDINATED LOANS

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	US$'000	**US$'000**	**US$'000**	**US$'000 (restated)**
Repayable as follows				
Less than one year	-	-	-	-
	-	-	-	-
Between two and five years	15,085,000	8,905,000	11,380,000	6,100,000
Over five years	3,114,271	2,279,959	2,078,000	400,000
	18,199,271	11,184,959	13,458,000	6,500,000
	18,199,271	**11,184,959**	**13,458,000**	**6,500,000**

The amounts outstanding represent long-term and short-term subordinated loans from parent undertakings These loans are unsecured and carry interest at a margin over LIBOR

25. PROVISIONS FOR LIABILITIES AND CHARGES

	The Group US$'000
At 24 November 2006 and 25 November 2005	25,000

The provision of US$25,000,000 was made in respect of legal claims made against the group Further details relating to these claims have not been disclosed as permitted by accounting standard FRS12, "Provisions and Contingent Liabilities" on the grounds that it would be seriously prejudicial to do so

26. *DEFERRED TAX*

	24 November 2006 US$'000	25 November 2005 US$'000 (restated)
Deferred tax balance comprises		
Depreciation in excess of capital allowances	11,454	3,643
Post-retirement benefits	34,780	17,319
Other timing differences	1,148,406	607,076
	1,194,640	**628,038**
The movements in the deferred tax balance were as follows		
At 25 November 2005	628,038	
Transfer to the profit and loss account for the period	562,926	
Transfer to the statement of total recognized gains and losses for the period	3,676	
At 24 November 2006	**1,194,640**	

Other timing differences includes deferred tax in respect of exceptional administrative expenses

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

27. *SHARE CAPITAL*

At 24 November 2006 and 25 November 2005, share capital comprised

	The Company			
	24 November 2006		25 November 2005	
	No.	**US$'000**	**No.**	**US$'000**
Authorised				
Ordinary shares of US$ 0 01 each	2,200,000,000	22,000	2,200,000,000	22,000
Preference shares of US$ 0 01 each	800,000,000	8,000	800,000,000	8,000
		30,000		**30,000**
Allotted, called up and fully paid				
Ordinary shares of US$ 0 01 each	1,780,003,936	17,800	1,780,003,936	17,800
Preference shares of US$ 0 01 each	461,500,000	4,615	461,500,000	4,615
		22,415		**22,415**

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

28. *SHARE PREMIUM ACCOUNT AND RESERVES*

	The Group			
	Share premium account US$'000	Capital Redemption Reserve US$'000	Profit and loss account US$'000 (restated)	Merger Reserve US$'000
At 25 November 2005	1,519,410	305,012	2,579,645	1,021,395
Retained profit for the period	-	-	551,660	-
Other recognised gains	-	-	(8,576)	-
Exchange gain on consolidation	-	-	65,592	-
At 24 November 2006	**1,519,410**	**305,012**	**3,188,321**	**1,021,395**

The Capital Redemption Reserve arose during the prior period as a result of transactions entered into by subsidiary undertakings within the group

	The Company		
	Share premium account US$'000	Profit and loss account US$'000	Merger Reserve US$'000
At 25 November 2005	1,519,410	905,070	1,021,395
Profit for the period	-	88,567	-
At 24 November 2006	**1,519,410**	**993,637**	**1,021,395**

As part of a group reorganisation on 30 November 2001, the company took advantage of the relief afforded to it under section 132 of the Companies Act 1985 As a result, share premium of only $698,381,000 was recorded and the remaining difference between the nominal value of the shares and the value at which the new shares were issued of $1,021,395,000 was credited to a non-distributable merger reserve

29. *FINANCIAL COMMITMENTS AND CONTINGENCIES*

(a) The group's financial commitments and contingencies outstanding at the period end primarily arise from letters of credit and forward foreign exchange, swaps, options, financial futures contracts, debt and equity forwards, underwriting commitments entered into in the ordinary course of business and registered charges on certain of the group's assets which have arisen in the ordinary course of business The group is exempt from the disclosures required by FRS13 as it does not meet the FRS13 definition of a bank or similar institution nor does it have instruments that meet the definition of capital instruments that are publicly listed or traded

In addition, the group has undrawn loan commitments of US$105,678,000 (25 November 2005 US$29,186,000) These commitments are sub-participated to third party institutions

29. *FINANCIAL COMMITMENTS AND CONTINGENCIES (CONTINUED)*

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

	24 November 2006 US$'000	25 November 2005 US$'000
Maturity of lease		
Less than one year	1,361	857
Between 1 and 2 years	76	1,147
Between 2 and 5 years	3,127	1,703
Over 5 years	125,633	111,387
	130,197	**115,094**

30. *FINANCIAL RISK MANAGEMENT*

Normal trading activities expose the group 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, the company and its subsidiaries, as part of a global group, adhere to global risk management policies and procedures

The group seeks to monitor and control risk exposure through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems In addition, a number of global, regional and entity committees are responsible for monitoring risk exposures and for general oversight of our risk management process These committees meet regularly and consist of senior members of both our revenue-producing units and departments that are independent of our revenue-producing units In addition to the committees, functions that are independent of the revenue-producing units, such as Compliance, Finance, Legal, 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 the group's 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, currency rates and commodity prices 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 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 currency rates

30. *FINANCIAL RISK MANAGEMENT*

The group seeks 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 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)

(b) Credit Risk

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

To reduce our credit exposures, the group seeks to enter into netting agreements with counterparties that permit the group to offset receivables and payables with such counterparties In addition, the group further attempts 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

For most businesses within the group, counterparty credit limits are established 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 For most products, the group measures and limits credit exposures by reference to both current and potential exposure The group typically measures potential exposure based on projected worst case market movements over the life of the transactions For collateralised transactions, potential exposure is also evaluated over a shorter collection period and gives effect to the value of the collateral received The group further seeks 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

30. *FINANCIAL RISK MANAGEMENT*

(c) Liquidity risk

Liquidity is of critical importance to companies in the financial services sector Accordingly, the group has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address both firmwide-specific and broader industry or market liquidity events The principal objective is to be enable 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 the group funds its assets with appropriate financing, and
- crisis planning – ensure all funding and liquidity management is based on stress-scenario planning and feeds into our liquidity crisis plan

31. *POST BALANCE SHEET EVENTS*

On 18 December 2006, Goldman Sachs Holdings (U K), a subsidiary undertaking acquired Forres LLC, for a total consideration of $2,087,505,315 from a fellow group undertaking Goldman Sachs Holdings (U K) was advanced a loan from a fellow group company to enable it to fund this investment Forres LLC is an investment company incorporated in Delaware, United States of America

32. *RELATED PARTY DISCLOSURES*

Under the terms of FRS8, "Related Party Disclosures", the company is exempt from disclosing transactions with companies 90% or more controlled within the same group, as the consolidated financial statements in which the company is included are publicly available

33. *ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS*

The immediate parent undertaking is Goldman Sachs (UK) L L C , a company registered in Delaware
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 , with its principal place of business at 85 Broad Street, New York, NY 10004, United States of America This company is incorporated in the United States of America