Company number: 3769030

GOLDMAN SACHS GROUP HOLDINGS (U.K.)

(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

28 November 2008

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 28 November 2008.

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

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 US$7,271 million (53 week period ended 30 November 2007: US$2,925 million). The group has reported net assets of US$13,767 million (30 November 2007: US$8,337 million) and the company has reported net assets of US$3,864 million (30 November 2007: US$3,602 million). Details of the group's business segments are given in note 4 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 Reserve System under the U.S. Bank Holding Company Act of 1956.

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 group 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 results reflect higher incentive fees due to higher, on average, assets under management. Securities Services results reflect the impact of changes in the composition of securities lending customer balances.

Administrative expenses decreased to US$1,125 million for the period (53 week period ended 30 November 2007: US$6,870 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$992 million for the period (53 week period ended 30 November 2007: US$1,300 million), mainly due to a decrease in subordinated debt from US$20,126 million to US$9,297 million.

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

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

As the company is a holding company to a group that provides financial services, its 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.

REPORT OF THE DIRECTORS (CONTINUED)

Business environment (continued)

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 period. 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 period.

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

The group 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 group does not produce predictable earnings. The key business risks affecting the group are set out below.

Economic and market conditions

The group's 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 the group's businesses. 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 the group may be unable to control, such as a general market disruption or an operational problem that affects third parties or the group or even by the perception amongst market participants that the group is experiencing greater liquidity risk. Furthermore, the ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time as is likely to occur in a liquidity or other market crisis. In addition, financial institutions with which the group interacts may exercise set-off rights or the right to require additional collateral, including in difficult market conditions, which could further impair the access to liquidity.

REPORT OF THE DIRECTORS (CONTINUED)

Credit quality

The amount and duration of the group's credit exposures have been increasing over the past several years, as has the breadth and size of the entities to which it has credit exposure. The group is 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. The group is also subject to the risk that its rights against third parties may not be enforceable in all circumstances. In addition, deterioration in the credit quality of third parties whose securities or obligations are held could result in losses and / or adversely affect the ability to use those securities or obligations for liquidity purposes. Although the group regularly review credit exposures to specific clients and counterparties and to specific industries, countries and regions that it believes 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.

Operational infrastructure

Shortcomings or failures in internal processes, people or systems or external events could lead to impairment of the group's liquidity, financial loss, disruption of business, liability to clients, regulatory intervention or reputational damage. The group's businesses are highly dependent on the 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 provided to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards. As the group's client base and geographical reach expands, developing and maintaining operational systems and infrastructure becomes increasingly challenging. Financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond the group's control such as a spike in transaction volume, adversely affecting its ability to process these transactions. The inability of systems to accommodate an increasing volume of transactions could also constrain the group's ability to expand businesses.

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

Despite the contingency plans and facilities that the group has in place, its ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports its businesses and the communities in which it is located. This may include a disruption involving electrical, communications, transportation or other services used by the group or third parties with which it conducts business. These disruptions may occur, for example, as a result of events that affect only the buildings of the group 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 the group's business and industry. The growth of electronic trading and the introduction of new technologies is changing businesses and presenting new challenges. Securities, futures and options transactions are increasingly occurring electronically, both on the group's own systems and through other alternative trading systems and it appears that the trend toward alternative trading systems will continue and probably accelerate. Some of these alternative trading systems compete with the group's trading businesses and we may experience continued competitive pressures in these and other areas. In addition, the increased use by clients of low-cost electronic trading systems and direct electronic access to trading markets could cause a reduction in commissions and spreads. As the group's clients increasingly use its systems to trade directly in the markets, we may incur liabilities as a result of their use of its order routing and execution infrastructure.

REPORT OF THE DIRECTORS (CONTINUED)

Risk management

The group seeks to monitor and control its risk exposure through a risk and control framework encompassing a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems, internal controls, management review process and other mechanisms. The group's trading risk management process seeks to balance its ability to profit from trading positions with its exposure to potential losses. Whilst the group employs a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgements that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Thus, the group may, in the course of its activities, incur losses. In addition, refer to the financial risk management section (note 30), below.

Future outlook

The directors consider that the period end financial position of the group was satisfactory. No significant change in the company and 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 (53 week period ended 30 November 2007: US$Nil). The directors do not recommend the payment of a final ordinary dividend in respect of the period (53 week period ended 30 November 2007: US$Nil).

4. Share Capital

During the period the company issued 5,857,434 ordinary shares of US$0.01 each to Goldman Sachs (UK) L.L.C. (see note 27). These shares were issued to enable the company to invest in further share capital of its subsidiary undertakings (see note 16).

5. Exchange rate

The US Dollar / Sterling exchange rate at the balance sheet date was 1.5374 (30 November 2007: 2.0567). The average rate for the period was 1.8926 (53 week period ended 30 November 2007: 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 during the period, and as at the date of this report, together with dates of appointment or resignation where applicable, were:-

Name	Appointed / Reappointed	Resigned
S. Davies		15 January 2009
M. A. Allen	1 February 2008	
A. S. Naik	22 January 2008	
N.P.Crapp		22 January 2008
D. W. McDonogh	13 February 2009	1 February 2008

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

9. Financial risk management

The group's 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 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.

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

14. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 30 September 2009.

BY ORDER OF THE BOARD

D. J. GROUNSELL
Secretary

We have audited the group and the parent company financial statements of Goldman Sachs Group Holdings (U.K.) for the 52 week period ended 28 November 2008 which comprise the group profit and loss account, the group statement of total recognised gains and losses, 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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's and the group's affairs as at 28 November 2008 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
30 September 2009

GOLDMAN SACHS GROUP HOLDINGS (U.K.)
(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	5	9,171,270	10,890,634
Administrative expenses		(1,125,027)	(6,869,827)
OPERATING PROFIT	6	8,046,243	4,020,807
Share of operating (loss) / profit in associate undertaking	16(b)	(1,690)	134
Other interest receivable and similar income	7	215,090	201,761
Interest payable and similar charges	8	(991,639)	(1,300,303)
Net finance income	10	3,217	2,804
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,271,221	2,925,203
Tax on profit on ordinary activities	12	(1,895,528)	(728,065)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD	28	5,375,693	2,197,138

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

The notes on pages 11 to 50 form part of these financial statements.
Independent auditors' report - page 7.

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

RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS
for the 52 week period ended 28 November 2008

	The Group	
	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Profit on ordinary activities after taxation for the period	5,375,693	2,197,138
Exchange (loss)/gain on consolidation	(144,361)	42,548
Actuarial gain relating to the pension scheme	153,868	46,465
UK deferred tax attributable to the actuarial gain	(43,083)	(13,010)
Share capital issued	58	-
Capital contribution	60,286	6,901
Share premium issued	27,622	-
Net increase in shareholders' funds	5,430,083	2,280,042
Opening shareholders' funds	8,336,595	6,056,553
Closing shareholders' funds	13,766,678	8,336,595

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

	The Group	
	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Profit on ordinary activities after taxation for the period	5,375,693	2,197,138
Actuarial gain relating to the pension scheme	153,868	46,465
UK deferred tax attributable to the actuarial gain	(43,083)	(13,010)
Exchange gain on consolidation	(144,361)	42,548
Total recognised gains for the financial period	5,342,117	2,273,141

The notes on pages 11 to 50 form part of these financial statements.
Independent auditors' report – page 7.

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

BALANCE SHEETS
as at 28 November 2008

	Note	The Group 28 November 2008 US$'000	The Group 30 November 2007 US$'000	The Company 30 November 2008 US$'000	The Company 30 November 2007 US$'000
FIXED ASSETS					
Intangible assets	14	258	301	-	-
Tangible fixed assets	15	13,752	13,442	-	-
Investments:					
Shares in subsidiary undertakings	16(a)	-	-	6,264,716	4,507,758
Shares in associate investments	16(b)	5,380	10,639	14,607	14,607
Other investments other than loans	16(c)	8,154	1,880	6,771	-
		27,544	26,262	6,286,094	4,522,365
CURRENT ASSETS					
Trading inventory		1,091,795,921	538,363,735	-	-
Securities purchased under agreements to resell	18	94,079,981	71,104,944	-	-
Debtors	19	176,310,853	319,225,583	12,864,529	15,892,259
Cash at bank and in hand	20	18,436,474	19,446,111	-	-
		1,380,623,229	948,140,373	12,864,529	15,892,259
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Trading inventory sold but not yet purchased		(1,044,937,288)	(476,231,081)	-	-
Securities sold under agreements to repurchase	21	(65,104,551)	(102,854,206)	-	-
Other creditors	22	(243,934,063)	(333,373,450)	(6,859,097)	(1,504,246)
		(1,353,975,902)	(912,458,737)	(6,859,097)	(1,504,246)
NET CURRENT ASSETS		26,647,327	35,681,636	6,005,432	14,388,013
TOTAL ASSETS LESS CURRENT LIABILITIES		26,674,871	35,707,898	12,291,526	18,910,378
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	23	(12,997,335)	(27,223,122)	(8,428,000)	(15,308,000)
PROVISIONS FOR LIABILITIES AND CHARGES	25	(40,000)	(40,000)	-	-
NET ASSETS EXCLUDING PENSION SURPLUS / (DEFICIT)		13,637,536	8,444,776	3,863,526	3,602,378
Pension surplus / (deficit)	10	129,142	(108,181)	-	-
NET ASSETS INCLUDING PENSION SURPLUS / (DEFICIT)		13,766,678	8,336,595	3,863,526	3,602,378
CAPITAL AND RESERVES					
Called up share capital	27	22,473	22,415	22,473	22,415
Capital Contributions	28	67,187	6,901	67,187	6,901
Share premium account	28	1,547,032	1,519,410	1,547,032	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	10,803,579	5,461,462	1,205,439	1,032,257
TOTAL SHAREHOLDERS' FUNDS		13,766,678	8,336,595	3,863,526	3,602,378

The financial statements on pages 8 to 50 were approved by the Board of Directors on 30 September 2009 and were signed on its behalf by

Director

The note on pages 11 to 50 form part of these financial statements
Independent auditors' report – page 7.

NOTES TO THE FINANCIAL STATEMENTS - 28 November 2008

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) **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 recognised gains and losses.

(d) **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. Positve and negative goodwill is capitalised and amortised over its estimated useful economic life.

(e) **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	14-33
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.

(f) **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) Investment in Equipment leasing partnerships are stated at cost less provision for any impairment.

(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 other than loans are stated at amortised cost less provision for any impairment.

1. *ACCOUNTING POLICIES (CONTINUED)*

(g) **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 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 and money market securities.

However, certain cash trading instruments trade infrequently and, therefore, have little or no price transparency. Where the group 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.

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. The group does not adjust an active market quoted price for such instruments, even in situations where the group 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 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 and option pricing 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS - 28 November 2008

1. *ACCOUNTING POLICIES (CONTINUED)*

(g) **Financial instruments held for trading (continued):**

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 group 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 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.

(h) **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 purchase under agreements to resell when the collateral is subsequently sold.

(i) **Leases:** Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) For finance leases the group acts as the lessor of an asset. Assets leased to counterparties under finance leases are derecognised at the inception of the lease. Debtors under finance leases are included within "other debtors" and represent outstanding amounts due under the agreements less finance charges allocated to future periods. Finance lease income is recognised in other interest receivable and similar income over the period of the lease so as to give a constant rate of return on the net investment in the leases.

(ii) For operating leases the group acts as the lessee. Leased assets are not recognised on the balance sheet. Costs in respect of operating leases, including any incentives granted by the lessor, are charged on a straight-line basis over the lease term and included within "administrative expenses" in the consolidated income statement.

(j) **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.

1. *ACCOUNTING POLICIES (CONTINUED)*

(k) **Offsetting financial instruments**: Financial assets and liabilities 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, financial assets and liabilities are presented on a gross basis in the balance sheet.

(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) **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 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. Management fees are recognised over the period that the related service is provided based upon average net asset values. In certain circumstances, the group 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) **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.

(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 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 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.

NOTES TO THE FINANCIAL STATEMENTS - 28 November 2008

1. *ACCOUNTING POLICIES (CONTINUED)*

(o) **Pension cost (continued):**

(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 period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(p) **Share-based payments:** The Goldman Sachs Group, Inc. issues awards in the form of restricted stock units ('RSUs') and stock options to the group's employees for services rendered to the group. 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 Goldman Sachs Group, Inc. pays cash dividend equivalents on outstanding restricted stock units. The group 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.

(q) **Non-trading financial instruments issued:**

(i) Loan notes: Loan notes issued are initially recorded at fair value. Finance costs, including discounts allowed on issue, are recognised at a constant rate on the carrying amount of debt. 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 fair value. 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. *CASH FLOW STATEMENT*

The company is a wholly owned 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 undertaking's consolidated accounts are publicly available.

3. *NEW ACCOUNTING STANDARDS ADOPTED*

During the period, the following accounting standards have been adopted by the group:

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

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

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 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	6.456,315	7,907,840
Asset Management and Securities Services	1,726,501	1,749,080
	9,171,270	**10,890,634**

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:

- *Fixed Income, Currencies and Commodities* – The group 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 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
- *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.

NOTES TO THE FINANCIAL STATEMENTS - 28 November 2008

4. *SEGMENTAL REPORTING (CONTINUED)*

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 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 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Operating profit is stated after charging:			
Depreciation of tangible fixed assets (note 15)		5,633	4,170
Fees payable to the company's auditors for the audit of the company's annual accounts		229	190
Fees payable to the company's auditor and its associates for other services:			
The audit of the company's subsidiaries, pursuant to legislation		4,547	4,516
Other services pursuant to legislation provided by auditors		1,821	1,784
Management fees charged by group undertakings		529,358	719,233
Amortisation of goodwill		3,612	3,969
Trading interest payable:	- group undertakings	3,553,050	3,977,253
	- other	10,331,495	12,601,476
Operating lease rentals:	- land and buildings	111,001	107,698
And after crediting:			
Management fees charged to group undertakings		(219,262)	(140,053)
Trading interest receivable:	- group undertakings	(5,159,266)	(7,003,293)
	- other	(9,672,955)	(11,055,066)

NOTES TO THE FINANCIAL STATEMENTS - 28 November 2008

7. *OTHER INTEREST RECEIVABLE AND SIMILAR INCOME*

	The Group	
	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Interest on overnight deposits	380	970
Interest on loans to parent and group undertakings	1,229	346
Interest on loans to banks and customers	12,272	10,439
Other interest receivable	201,209	190,006
	215,090	**201,761**

8. *INTEREST PAYABLE AND SIMILAR CHARGES*

	The Group	
	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Interest on loans from parent and group undertakings	785,984	1,179,478
Interest on deposits from banks and customers	2,254	1,106
Other interest payable	203,401	119,719
	991,639	**1,300,303**

9. *DIRECTORS' EMOLUMENTS*

	The Group	
	52 week period ended 28 November 2008 US$'000	53 week period ended 30 November 2007 US$'000
Aggregate emoluments	17	68
Company pension contributions to money purchase schemes	1	3
	18	**71**

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. Four directors are members of the defined contribution pension scheme and all directors are members of the defined benefit pension scheme.

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

No directors have exercised options.

10. *STAFF COSTS*

The average number of employees of the group, 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	3,178	2,967
Support, finance, operations and technology	2,737	2,545
	5,915	**5,512**

The employment costs incurred by the group, 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	94,908	5,174,582
Employer's National Insurance Contributions	66,548	488,381
Pension costs, employer contributions to the:		
Defined contribution scheme	50,921	45,551
Defined benefit scheme	76,242	36,106
Total direct costs of employment	**288,619**	**5,744,620**

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

Aggregate gross wages and salaries include 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.

10. *STAFF COSTS (CONTINUED)*

Pension schemes

The group 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 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 group's proportion of the active membership as advised at the start and end of the period.

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

The assets in the Plan attributable to the group 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 asset (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**

10. STAFF COSTS (CONTINUED)

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)**

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 surplus / (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
Net 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)**

10. *STAFF COSTS (CONTINUED)*

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%

In addition to above, the group also operates a number of defined contribution plans. The total contribution cost for the period is £302,283 (US$572,100) (53 week period ended 30 November 2007: £125,889 (US$251,778). There is no amount in respect of this cost that remains payable at the balance sheet date (2007: Nil).

11. *SHARE-BASED PAYMENTS*

Stock incentive plan

The group'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 Goldman Sachs Group, Inc. 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.

11. SHARE-BASED PAYMENTS (CONTINUED)

Restricted stock units

The Goldman Sachs Group, Inc. issued restricted stock units to the group'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 30 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 conditional 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	550,836	3,122,125	2,616,383
Forfeited during the period	(65,263)	(311,148)	(55,920)	(302,781)
Delivered during the period	(4,388,441)	-	(2,985,099)	-
Transferred in / (out) during the period	30,124	(3,479)	5,171	(91,550)
Vested during the period	2,705,894	(2,705,894)	2,657,006	(2,657,006)
Outstanding at the end of the period	**9,924,544**	**3,822,556**	**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 US$150.16 (53 week period ended 30 November 2007: US$224.62).

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.

11. *SHARE-BASED PAYMENTS (CONTINUED)*

Stock options (continued)

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

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

Exercise price (US$)	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**	

11. *SHARE-BASED PAYMENTS (CONTINUED)*

Stock options (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:

	28 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.

The group recorded expenses of US$509 million for the 52 week period ended 28 November 2008 (53 week period ended 30 November 2007: US$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 Goldman Sachs Group, Inc..

12. *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 at 28.67% - current period	880,790	807,029
UK corporation tax - prior year	(2,034)	(63,384)
Overseas taxation	85,343	109,770
Total current tax (see note 12(b))	**964,099**	**853,415**
Deferred Tax		
Provisions and other timing differences (see note 26)	931,429	(125,350)
	931,429	**(125,350)**
Tax on profit on ordinary activities	**1,895,528**	**728,065**

(b) Factors affecting tax charge for the period:

The current tax assessed for the year is different to the standard rate of corporation tax in the UK. The standard rate of corporation tax in the UK is measured at 28.67% following the change in corporation tax rates from 1 April 2008 to 28% (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	7,271,221	2,925,203
Profit on ordinary activities multiplied by standard rate in the UK 28.67% (2007: 30%)	2,084,659	877,561
Expenses disallowed for the purposes of tax provision	7,708	47,285
Accelerated capital allowances and other timing differences	(39,355)	(6,546)
Timing differences in respect of restricted stock units	(915,065)	226,515
Pension contribution relief in excess of net pension cost charge	889	11,615
Exchange differences and other	22,868	16,160
Group relief surrendered for nil consideration	(266,703)	(115,624)
Adjustment to tax in respect of prior periods	(2,040)	(63,384)
Non taxable net loss / (income)	71,138	(140,167)
Current tax charge for the period	**964,099**	**853,415**

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$173.2 million (2007: US$38.6 million) 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 prior period. This positive 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 negative goodwill has been capitalised and is being amortised over 20 years.

	The Group		
	Positive Goodwill US$'000	**Negative Goodwill US$'000**	**28 November 2008 Total US$'000**
Goodwill at 30 November 2007	1,367	(1,066)	301
Amortisation for the period	(119)	76	(43)
Goodwill at 28 November 2008	**1,248**	**(990)**	**258**

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 30 November 2007	16,797	7,391	16	24,204
Additions	3,226	2,946	-	6,172
Disposals	(253)	(121)	-	(374)
At 28 November 2008	**19,770**	**10,216**	**16**	**30,002**
Depreciation				
At 30 November 2007	9,126	1,620	16	10,762
Charge for period	3,404	2,229	-	5,633
Disposals	(105)	(40)	-	(145)
At 28 November 2008	**12,425**	**3,809**	**16**	**16,250**
Net book value				
At 30 November 2007	7,671	5,771	-	13,442
At 28 November 2008	**7,345**	**6,407**	-	**13,752**

16. *FIXED ASSET INVESTMENTS*

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

Fixed asset investments, which are unlisted and stated at cost less provision for impairment, comprise shareholdings in group undertakings:

	The Company US$'000
At 30 November 2007	4,507,758
Additions (note (i))	1,803,052
Disposals (note (ii))	(27,704)
Impairments	(18,390)
At 28 November 2008	**6,264,716**

During the period, the following movements in investments took place:

(i) On 12 December 2007, the company was allotted 550,000,000 ordinary shares of EUR1 each by Shire UK Limited, for a total consideration of EUR 550,000,000 (US$807,015,000).

On 8 January 2008, the company acquired all of the issued share capital of Money Partners Holdings Limited, from a third party undertaking, for a total purchase price of £2. During the period, the company was allotted a further 4,500,000 ordinary shares of £1 each for a total consideration of £4,500,000 (US$8,987,800) and 5,345,685 redeemable shares of £1 each for a total consideration of £5,345,685 (US$9,402,538).

On 29 January 2008, the company acquired 1 ordinary share of £1 in Money Partners Financial Company Limited, from a third party undertaking, for a total consideration of £1(US$2). On 15 October 2008, the company was allotted a further 2,000 ordinary shares of £1 each by Money Partners Financial Company Limited, for a total consideration of £2,000 (US$3,424).

On 27 August 2008, the company was allotted 12,500 ordinary share of SAR10 each by Goldman Sachs Saudi Arabia, for a total consideration of SAR 125,000 (US$33,201).

On 6 October 2008, the company acquired 1 ordinary share of £1 issued by GS Leasing Holdings Limited, from Hackwood Secretaries Ltd., for a total consideration of £1 (US$2), representing all of the share capital issued by the company at this date.

On 7 October 2008, 5,643 ordinary shares of EUR1,000 each in Goldman Sachs Societa di Gestione del Risparnio S.p.A. (Goldman Sachs SGR S.p.A.), were transferred to the company from the company's immediate parent undertaking Goldman Sachs (U.K.) L.L.C.. The consideration for this transfer of US$27,681,252, representing the net asset value of the shares of Goldman Sachs SGR S.p.A., was satisfied by way of the issue of a number of ordinary shares on this date (see note 27).

On 7 October 2008, the company was allotted 754,110 ordinary shares of US$1 each by Goldman Sachs Holdings (U.K.) as consideration for the transfer of shares issued by Goldman Sachs SGR S.p.A. to Goldman Sachs Holdings (U.K.) of US$27,404,439 (see note (ii)).

On 12 November 2008, the company was allotted 19,038 ordinary shares of US$1 each by Goldman Sachs International, for a total consideration of US$276,767.

On 28 November 2008, the company was allotted 1,704,776 ordinary share of US$1 by Goldman Sachs Holdings (U.K.), for a total consideration of US$94,240,000.

16. *FIXED ASSET INVESTMENTS (CONTINUED)*

On 28 November 2008, the company was allotted a further 50,585 ordinary shares of US$1 each by Goldman Sachs International for a total consideration of US$1,125,000.

During the period, the company was allotted a total of 376,776,000 ordinary shares of US$1 each by GS Liquid Trading Platform I PCC, for a total consideration of US$376,776,000.

During the period, the company was allotted a total of 450,107,000 ordinary shares of US$1 each by GS Liquid Trading Platform II Limited, for a total consideration of US$450,107,000.

(ii) On 7 October 2008, the company transferred 5,586 ordinary shares of EUR 1,000 each in Goldman Sachs SGR S.p.A., to Goldman Sachs Holdings (U.K.). The consideration for this transfer of US$27,404,439, representing the net asset value of the shares of Goldman Sachs SGR S.p.A., was satisfied by way of the allotment of ordinary shares to the company by Goldman Sachs Holdings (U.K.) (see note (i)).

On 14 October 2008, the company sold 1 ordinary shares of US$1 in Goldman Sachs (Russia), formerly J. Aron & Company (Bullion) to Goldman Sachs Interntional Holding LLC, for a total consideration of US$1 resulting in a loss on disposal of US$22,406.

On 22 October 2008, Goldman Sachs Longevity Markets (U.K.) cancelled 1,485 deferred shares of £1 each issued to the company and repaid an amount of US$26,900 representing the nominal value of the shares and resulting in a gain on repayment of US$26,900, since the investment was fully impaired in prior periods.

On 12 November 2008, the company transferred 57 ordinary shares of EUR 1,000 each in Goldman Sachs SGR S.p.A., to Goldman Sachs International. The consideration for this transfer of US$276,813, representing the net asset value of the shares of Goldman Sachs SGR S.p.A., was satisfied by way of the allotment of ordinary shares to the company by Goldman Sachs Holdings (U.K.) (see note (i)).

(iii) On 22 October 2008, the company sold 15 ordinary shares of £0.01 in Goldman Sachs Longevity Markets (U.K.), formerly J. Aron & Company (U.K.) to Goldman Longevity Markets Holding II LLC, for a total consideration of US$13 resulting in a gain on disposal of US$13.

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
Montague Place Custody Services (formerly Goldman Sachs Europe)* (custodian services)	100% Ordinary shares	1% Ordinary shares
Goldman Sachs International * (securities dealer)	100% Ordinary shares 100% Preference shares	1% Ordinary shares 46% Preference shares

NOTES TO THE FINANCIAL STATEMENTS - 28 November 2008

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
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) * (dormant)	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
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	0% Ordinary shares
Shire Assets * (investment company)	100% Ordinary shares	0% Ordinary shares
Shire II Assets Limited * (investment company)	100% Ordinary shares	0% Ordinary shares
Goldman Sachs (Monaco) S.A.M * (fund manager)	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	0% Ordinary shares
Scadbury Assets * (investment company)	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
Scadbury II Assets Limited* (investment company)	100% Ordinary shares	0% Ordinary shares
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
GS Killingholme Cayman Investments Ltd* (investment company)	100% Ordinary shares	0% Ordinary shares
GS Killingholme Cayman Investments II Ltd* (investment company)	100% Ordinary shares	0% Ordinary shares
GS Capital Funding (Cayman) 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. 3 Limited* (investment company)	100% Ordinary shares	0% Ordinary shares
GS Leasing Limited Partnership* (investment company)	100% Ordinary shares	0% Ordinary shares
GS Equipment Finance II Limited* (investment company)	100% Ordinary shares	0% Ordinary shares
GS Equipment Finance I Limited * (investment company)	100% Ordinary shares	0% Ordinary shares
GS Leasing Management Limited * (investment company)	100% Ordinary shares	100% Ordinary shares
Forres LLC* (investment company)	100% Ordinary shares 100% Preference shares	0% Ordinary shares 0% Ordinary shares
Forres Investments Limited* (investment company)	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
Hechshire* (investment company)	100% Ordinary shares	0% Ordinary shares
GS Funding Management Limited* (investment company)	100% Ordinary shares 100% Preference shares	0% Ordinary shares 0% Preference shares
GS Funding Investments Limited** (investment company)	100% Ordinary shares 100% Preference shares	0% Ordinary shares 0% Preference shares
GS Liquid Trading Platform I PCC** (investment company)	100% Ordinary shares	100% Ordinary shares
GS Liquid Trading Platform II Limited** (investment company)	100% Ordinary shares	100% Ordinary shares
GS Leasing Holdings Limited** (leasing holding company)	100% Ordinary shares	100% Ordinary shares
Money Partners Financial Company Limited** (investment company)	100% Ordinary shares	100% Ordinary shares
Money Partners Holdings Limited*** (holding company)	100% Ordinary shares 100% Redeemable shares	100% Ordinary shares 100% Redeemable shares
Money Partners Limited*** (mortgage origination company)	100% Ordinary shares	0% Ordinary shares
Money Partners Finance Limited*** (mortgage financing company)	100% Ordinary shares	0% Ordinary shares
Money Partners Loans Limited*** (in liquidation)	100% Ordinary shares	0% Ordinary shares
Money Partners Mortgages Limited*** (dormant company)	100% Ordinary shares	0% Ordinary shares
Residential One Limited*** (dormant company)	100% Ordinary shares	0% Ordinary shares
Residential 1 Limited*** (in liquidation)	100% Ordinary shares	0% Ordinary shares
KPL Finance Limited** (investment company)	100% Ordinary shares	0% Ordinary shares
KPL Acquisitions Limited** (investment company)	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
GS Killingholme Cayman Investments III** (investment company)	100% interest	0% interest
GS Killingholme Cayman Investments IV, L.P.** (investment company)	100% interest	0% interest
GS European Performance Fund Limited (Trading company)	100% Control	0% interest
GS European Multicurrency Performance Fund Limited (Trading company)	100% Control	0% interest

*Subsidiary undertakings of the company as at 30 November 2007.
**Entity incorporated during the period by subscribing for 100% of the entity's share capital.
*** Entity purchased during the period.

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

- Goldman Sachs Europe Limited, Goldman Sachs (Jersey) Limited, GS Liquid Trading Platform I PCC and GS Liquid Trading Platform II Limited are incorporated in Jersey.
- Dunvegan Investments Limited, Shire Funding Limited, Shire II Assets Limited, Scadbury Funding Limited, Scadbury II Assets Limited, Amagansett Financing Limited, GS Killingholme Cayman Investments Ltd., GS Killingholme Cayman Investments II Ltd., GS Capital Funding (Cayman) II Limited, GS Leasing No. 1 Limited, GS Leasing No. 3 Limited, GS Leasing Limited Partnership, GS Equipment Finance II Limited, GS Equipment Finance I Limited, GS Leasing Management Limited, Forres Investments Limited, GS Funding Management Limited, GS Funding Investments Limited, KPL Finance Limited, KPL Acquisitions Limited, GS Killingholme Cayman Investments III and GS Killingholme Cayman Investments IV, L.P. are incorporated in the Cayman Islands.
- GS (Monaco) S.A.M is incorporated in Monaco.
- Forres LLC is incoporated in Delaware.
- GS European Performance Fund Limited and GS European Multicurrency Performance Fund Limited are incorporated in the Republic of Ireland.

(b) Shares in associate investments

The associate of the group and the effective ownership interest in the ordinary shares at the period end is listed below:

Name of company (activity)	Group interest in shares issued	Of which, owned directly by the Company
Barrie & Hibbert Limited. Registered in Scotland (Financial risk consultancy).	34.78% Ordinary shares	34.78% Ordinary shares

16. FIXED ASSET INVESTMENTS (CONTINUED)

(b) Shares in associate investments (continued)

	The Group US$'000	The Company US$'000
Share of net assets/cost		
At 30 November 2007	2,839	14,607
Share of retained loss for the year	(950)	-
Translation adjustment	(740)	-
At 28 November 2008	**1,149**	**14,607**
Goodwill		
At 30 November 2007	7,800	-
Amortisation charge for the period	(3,569)	-
At 28 November 2008	**4,231**	-
Net book value at 30 November 2007	10,639	14,607
Net book value at 28 November 2008	**5,380**	**14,607**

(c) Other investments other than loans

The balance at 28 November 2008 and 30 November 2007 comprises:

	The Group	
	28 November 2008 US$'000	30 November 2007 US$'000
Investment in an equipment leasing partnership*	67	67
Investment in a global messaging network*	34	34
Investments in exchange memberships (see note (i))	1,190	1,667
Shares in group undertakings (see note (ii))	67	80
Debentures (see note (iii))	25	32
Investment in Turquoise Trading Limited*(see note (iv))	6,771	-
	8,154	**1,880**

* unlisted and stated at cost.

(i) During the period US$477,000 from investments in exchange memberships was reclassed to trading inventory. In the opinion of the directors this is held with a view to resale and now forms part of trading activities.

16. *FIXED ASSET INVESTMENTS (CONTINUED)*

(c) **Other investments other than loans**

(ii) Shares in group undertakings represent the following investments:

Name of company and activity	%	Number in issue	Class	Nominal
Goldman Sachs Saudi Arabia	0.5	5,000,000	Ordinary	SAR 10
Goldman Sachs Fund Management S.A.	1	124	Ordinary	Euro 1,000

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

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

	US$'000
Cost	
At 30 November 2007 and 28 November 2008	78
Amortisation	
At 30 November 2007	46
Charge for period	7
At 28 November 2008	53
Net book value at 30 November 2007	32
Net book value at 28 November 2008	25

(iv) During the period, the company invested in Turquoise Trading Limited. The company holds the investment at cost.

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 quasi subsidiaries based on the inherent risks. 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.

17. *QUASI SUBSIDIARIES (CONTINUED)*

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

	28 November 2008 US$'000	30 November 2007 US$'000
Assets		
Debt securities purchased	6,673,197	11,729,110
Liabilities		
Debt securities issued	(6,673,197)	(11,729,110)

18. *SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL*

Included within the resale agreements are amounts of US$11,487 million (30 November 2007: US$22,388 million) which relate to group undertakings.

19. *DEBTORS*

	The Group		The Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Deposits as collateral for stock borrowed	4,631,167	8,042,592	-	-
Amounts due from brokers/dealers and customers	75,421,217	143,195,552	-	-
Amounts due from parent and group undertakings	95,400,094	166,155,366	12,810,526	15,864,958
Group relief receivable from group undertakings	-	-	50,964	22,343
Corporation tax recoverable	3,328	9,414	2,940	2,939
Deferred tax (see note 26)	334,532	1,306,980	-	-
Other debtors	417,614	376,826	99	2,019
Prepayments and accrued income	102,901	138,853	-	-
	176,310,853	**319,255,583**	**12,864,529**	**15,892,259**

Of the amount due from parent and group undertakings, US$33 million (30 November 2007: US$24.8 million) in relation to the group, and US$8,428 million (30 November 2007: US$15,308 million) 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 two years' notice to or from the subsidiary undertaking.

The net investment in finance leases included with other debtors is US$133.4 miilion (30 November 2007: US$238.4 million). There were no finance lease assets acquired during the period.

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$16,435 million (30 November 2007: US$16,955 million) 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$16,595 million (30 November 2007: US$20,149 million) 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	
	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000
Bank loans and overdrafts	124,803	378,373	-	-
Debt securities issued	16,289,962	26,499,661	-	-
Loans from money brokers and institutions	26,636,000	58,273,565	-	-
Amounts due to brokers/dealers and customers	131,982,845	135,613,731	-	-
Amounts due to parent and group undertakings	66,739,361	108,314,101	6,855,971	1,500,277
Corporation tax payable	229,480	275,036	-	-
Other taxes and social security costs	107,828	300,527	-	-
Accrual for management charges payable to parent and group undertakings (see note 23(b))	450,268	1,981,524	-	-
Other creditors and accruals	1,373,516	1,736,932	3,126	3,969
	243,934,063	**333,373,450**	**6,859,097**	**1,504,246**

Of the other creditors falling due within one year 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.

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

	The Group		The Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Long-term subordinated loans (see note 24)	9,296,910	20,126,046	8,428,000	15,308,000
Debt securities issued (see note (a))	1,253,623	2,772,453	-	-
Accrual for management charges payable to parent and group undertakings (see note (b))	630,035	2,193,804	-	-
Loan notes issued (see note (c))	1,816,767	2,130,819	-	-
	12,997,335	**27,223,122**	**8,428,000**	**15,308,000**

(a) The maturity of debt securities 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	73,441
In more than two years but not more than five years	280,636	85,810
In more than five years	963,603	2,613,202
	1,253,623	**2,772,453**

(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	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Repayable as follows:				
Less than one year	-	-	-	-
Between two and five years	8,000,000	17,585,000	8,000,000	13,880,000
Over five years	1,296,910	2,541,046	428,000	1,428,000
	9,296,910	**20,126,046**	**8,428,000**	**15,308,000**

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
As at 28 November 2008 and 30 November 2007	**40,000**

The provision of US$40 million 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 FRS 12, 'Provisions and Contingent Liabilities', on the grounds that it would be seriously prejudicial to do so.

26. *DEFERRED TAX*

	28 November 2008 US$'000	30 November 2007 US$'000
Deferred tax balance comprises:		
Depreciation in excess of capital allowances	8,501	10,602
Post-retirement benefits	(14,488)	30,291
Other timing differences	340,519	1,266,087
	334,532	**1,306,980**
The movements in the deferred tax balance were as follows:		
At 30 November 2007	1,306,980	
Transfer to the profit and loss account for the period	(931,429)	
Translation adjustment	2,064	
Transfer to the statement of total recognized gains and losses for the period	(43,083)	
At 28 November 2008	**334,532**	

Other timing differences include 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.

NOTES TO THE FINANCIAL STATEMENTS - 28 November 2008

27. *SHARE CAPITAL*

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

	The Company			
	28 November 2008		30 November 2007	
	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	1,785,861,370	17,858	1,780,003,936	17,800
Preference shares of US$ 0.01 each	461,500,000	4,615	461,500,000	4,615
		22,473		**22,415**

On 17 October 2008, the company allotted 5,857,434 ordinary shares of US$0.01 each to Goldman Sachs (UK) L.L.C.. The total consideration received was US$27.68 million incorporating a share premium of US$27.62 million. These shares were issued as consideration for the transfer of shares in Goldman Sachs Societa di Gestione del Risparnio S.p.A. (see note 16) to the company.

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	Capital Redemption Reserve	Capital contribution	Profit and loss account	Merger Reserve
	US$'000	US$'000	US$'000	US$'000	US$'000
At 30 November 2007	1,519,410	305,012	6,901	5,461,462	1,021,395
Retained profit for the period	-	-	-	5,375,693	-
Contributed capital	-	-	60,286		-
Ordinary shares issued	27,622	-	-		-
Other recognised gains	-	-	-	110,785	-
Exchange gain on consolidation	-	-	-	(144,361)	-
At 28 November 2008	**1,547,032**	**305,012**	**67,187**	**10,803,579**	**1,021,395**

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

28. *SHARE PREMIUM ACCOUNT AND RESERVES (CONTINUED)*

	The Company			
	Share premium account	**Capital contribution**	**Profit and loss account**	**Merger Reserve**
	US$'000	**US$'000**	**US$'000**	**US$'000**
At 30 November 2007	1,519,410	6,901	1,032,257	1,021,395
Profit for the period	-	-	173,182	-
Ordinary shares issued	27,622	-	-	-
Contributed capital	-	60,286	-	-
At 28 November 2008	**1,547,032**	**67,187**	**1,205,439**	**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 US$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 US$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.

(b) In addition, the group has undrawn loan commitments of US$83,155,000 (30 November 2007: US$182,043,000). These commitments are sub-participated to third party institutions.

29. *FINANCIAL COMMITMENTS AND CONTINGENCIES (CONTINUED)*

(c) 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:

	30 November 2008 US$'000	30 November 2007 US$'000
Maturity of lease		
Less than one year	-	788
Between 1 and 2 years	111	2,106
Between 2 and 5 years	13,906	898
Over 5 years	92,847	122,584
	106,864	**126,376**

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 (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, proprietary trading, underwriting and investing activities. Substantially all of our inventory positions are marked-to-market on a daily basis and changes are recorded in trading profit.

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 risks result from exposures to changes in prices and volatilities of individual equities, equity baskets and equity indices.
- Currency rate risks result from exposures to changes in spot prices, forward prices and volatilities of currencies.

30. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

The group seeks to manage these firmwide risks by diversifying exposures, controlling position sizes and establishing economic hedges in related securities or derivatives. For example, we may hedge a portfolio of common stocks by taking an offsetting position in a related equity-index futures contract. 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 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 for 'Trading inventory' and 'Trading inventory sold, but not yet purchased' in the consolidated financial statements. 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;
- 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 position limits for selected business units (determined at a firmwide level).

VaR

VaR is the potential loss in value of trading positions due to adverse market movements over a defined time horizon with a specified confidence level.

For the VaR numbers reported below, a one-day time horizon and a 95% confidence level were used. This means that there is a 1 in 20 chance that daily trading net revenues will fall below the expected daily trading profit by an amount at least as large as the reported VaR. Thus, shortfalls from expected trading profit on a single trading day greater than the reported VaR would be anticipated to occur, on average, about once a month. Shortfalls on a single day can exceed reported VaR by significant amounts. Shortfalls can also accumulate over a longer time horizon such as a number of consecutive trading days.

The modelling of the risk characteristics of our trading positions involves a number of assumptions and approximations. While management believes that these assumptions and approximations are reasonable, there is no standard methodology for estimating VaR, and different assumptions and/or approximations could produce materially different VaR estimates.

We use historical data to estimate our VaR and, to better reflect current asset volatilities, we generally weight historical data to give greater importance to more recent observations. Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions. An inherent limitation of VaR is that the distribution of past changes in market risk factors may not produce accurate predictions of future market risk. Different VaR methodologies and distributional assumptions could produce a materially different VaR. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day.

30. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

The following table sets forth the year end and daily VaR:

	US$m
Total VaR at 28 November 2008	119.2
Average daily VaR for the 52 week period ended 28 November 2008	104.7

Certain portfolios and individual positions are not included in VaR, where VaR is not the most appropriate measure of risk (e.g., due to transfer restrictions and/or illiquidity). See 'Other Market Risk Measures' below.

Other Market Risk Measures

Certain portfolios and individual positions are not included in VaR, where VaR is not the most appropriate measure of risk (e.g., due to transfer restrictions and/or illiquidity). Market risk related to these positions is measured by estimating the potential reduction in trading profit associated with a 10% decline in asset values.

The sensitivity analyses for equity and debt positions in our trading portfolio are measured by the impact of a decline in the asset values of such positions. The fair value of the underlying positions may be impacted by factors such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows.

The following table sets forth market risk for positions not included in VaR.:

Sensitivity Analysis – Material Areas not in VaR	**US$m**
Trading Risk: Equity (10% sensitivity measure on carrying value) as at 28 November 2008	53.6

In addition, the Group's VaR excludes certain funding liabilities. As at 28 November 2008, the carrying value of these liabilities was approximately US$9.21 billion. If interest rates had been 50 basis points higher or lower and all other variables were held constant, the impact on these funding liabilities would be to increase / decrease the Group's net profit by US$48.5 million mainly attributable to exposure to interest rates on the Group's variable rate borrowings.

(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 other instruments, including OTC derivatives, 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 (i) entering into agreements that enable us to obtain collateral from a counterparty on an upfront or contingent basis, (ii) seeking third-party guarantees of the counterparty's obligations, and/or (iii) transferring our credit risk to third parties using credit derivatives and/or other structures and techniques.

30. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

To measure and manage our credit exposures, we use a variety of tools, including credit limits referenced to both current exposure and potential exposure. Potential exposure is generally based on projected worst-case market movements over the life of a transaction. In addition, as part of our market risk management process, for positions measured by changes in credit spreads, we use VaR and other sensitivity measures. To supplement our primary credit exposure measures, we also use scenario analyses, such as credit spread widening scenarios, stress tests and other quantitative tools.

Our global credit management systems monitor 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 credit risk by product, industry sector, country and region.

While our activities expose us to many different industries and counterparties, we routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment funds and other institutional clients, resulting in significant credit concentration with respect to this industry. In the ordinary course of business, we may also be subject to a concentration of credit risk to a particular counterparty, borrower or issuer.

Derivatives

Derivative contracts are instruments, such as futures, forwards, swaps or option contracts, that derive their value from underlying assets, indices, reference rates or a combination of these factors. Derivative instruments may be privately negotiated contracts, which are often referred to as OTC derivatives, or they may be listed and traded on an exchange.

Substantially all of our derivative transactions are entered into to facilitate client transactions, to take proprietary positions or as a means of risk management. In addition to derivative transactions entered into for trading purposes, we enter into derivative contracts to manage currency exposure on our net investment in non-U.S. operations and to manage the interest rate and currency exposure on our long-term borrowings and certain short-term borrowings.

Derivatives are used in many of our businesses, and we believe that the associated market risk can only be understood relative to all of the underlying assets or risks being hedged, or as part of a broader trading strategy. Accordingly, the market risk of derivative positions is managed together with our non-derivative positions.

The fair value of our derivative contracts is reflected net of cash paid or received pursuant to credit support agreements and is reported on a gross-by-counterparty basis in our consolidated financial statements unless the Group has a current legal right of set off and also intends to settle on a net basis. For an OTC derivative, our credit exposure is directly with our counterparty and continues until the maturity or termination of such contract.

Derivative transactions may also involve legal risks including the risk that they are not authorised or appropriate for a counterparty, that documentation has not been properly executed or that executed agreements may not be enforceable against the counterparty. We attempt to minimise these risks by obtaining advice of counsel on the enforceability of agreements as well as on the authority of a counterparty to effect the derivative transaction. In addition, certain derivative transactions (e.g., credit derivative contracts) involve the risk that we may have difficulty obtaining, or be unable to obtain, the underlying security or obligation in order to satisfy any physical settlement requirement.

30. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

The following tables disclose the carrying values of financial assets recorded in the consolidated financial statements and represent the Group's maximum exposure to credit risk without taking account of the value of collateral obtained or any other credit enhancements (for example derivative master netting agreements):

Exposure to credit risk by class	**Gross Credit Exposure 2008 US$m**
Trading Inventory	1,091,796
Securities Purchased under agreements to resell	94,080
Debtors (excluding deferred tax of $335m)	175,976
Cash at bank and in hand	18,437
	1,380,289

Credit Rating	**Carrying Value per Balance Sheet US$m**
AAA	21,579
AA	825,103
A	260,014
BBB	83,074
BB	66,591
B	49,512
CCC	6,231
Unrated	68,185
Total	**1,380,289**

The table above groups exposure based on internal ratings assigned by the Credit department. Positions in cash inventory (e.g. equities, bonds) are captured as market risk in the firm's risk management process and are not assigned internal ratings. These positions constitute the majority of the exposures classified as unrated.

As of year end, financial assets past due or impaired were insignificant.

Collateralised Transactions

The group and its subsidiaries receive financial instruments as collateral, primarily in connection with resale agreements, securities borrowed, derivative transactions and customer margin loans. Such financial instruments may include obligations of the U.S. Government, federal agencies, sovereigns and corporations as well as equities and convertibles.

30. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

In many cases, the group and its subsidiaries are permitted to deliver or repledge these financial instruments in connection with entering into repurchase financings, collateralising derivative transactions and meeting firm or customer settlement requirements. As of 28 November 2008, the fair value of financial instruments received as collateral by the group and its subsidiaries that they were permitted to deliver or repledge was US$255.2 billion, of which the group and its subsidiaries delivered or repledged US$221 billion.

The group and its subsidiaries also pledge assets that they own to counterparties who may or may not have the right to deliver or repledge. Financial instruments owned and pledged to counterparties that have the right to deliver or repledge are included within 'Trading inventory' in the consolidated financial statements and were US$7.5 billion as of 28 November 2008. Financial instruments owned and pledged in connection with repurchase agreements, securities lending agreements and other secured financings to counterparties that did not have the right to sell or repledge are included in 'Trading inventory' in the consolidated financial statements and were US$15.3 billion as of 28 November 2008.

In addition to repurchase agreements and securities lending agreements, the firm obtains secured funding through the use of other arrangements. Other secured financings include arrangements that are non-recourse, that is, only the subsidiary that executed the arrangement or a subsidiary guaranteeing the arrangement is obligated to repay the financing. Other secured financings consist of liabilities related to consolidated special purpose entities, collateralised central bank financings, transfers of financial assets that are accounted for as financings rather than sales and other structured financing arrangements.

(c) Liquidity Risk

Liquidity is of critical importance to companies in the financial services sector. Most failures of financial institutions have occurred in large part due to insufficient liquidity resulting from adverse circumstances. 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. Our principal objective is to be able to fund the Group and to enable our core businesses to continue to generate revenues, even under adverse circumstances.

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

- Excess Liquidity – We maintain substantial excess liquidity to meet a broad range of potential cash outflows in a stressed environment including financing obligations.
- Asset-Liability Management – We seek to maintain funding sources that are sufficiently long-term in order to withstand a prolonged or severe liquidity-stressed environment without having to rely on asset sales.
- Conservative Liability Structure – We access funding across a diverse range of markets, products and counterparties, emphasise less credit-sensitive sources of funding and conservatively manage the distribution of funding across our entity structure.
- Crisis Planning – We base our liquidity and funding management on stress-scenario planning and maintain a crisis plan detailing our response to a liquidity-threatening event.

The following table details the Group's undiscounted cash flows of its financial liabilities by contractual maturity including interest that will accrue except where the Group is entitled to repay the liability before its maturity. Derivative contracts included within trading inventory sold, but not yet purchased are presented at their fair value and disclosed as 'on demand'. The Group considers this more accurately represents the liquidity risk arising from derivatives and is consistent with how those risks are managed.

30. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

Liquidity Disclosure	On Demand	Less than one month	More than one month but less than three months	More than three months but less than one year	More than one year but less than five years	Greater than five years	Total
	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Trading Inventory sold but not yet purchased	1,044,937	-	-	-	-	-	1,044,937
Securities sold under agreements to repurchase	-	40,473	10,783	13,774	75	-	65,105
Other Creditors	242,579	795	347	319	-	-	244,040
Creditors falling due after more than one year	-	-	-	-	8,895	5,152	14,047
	1,287,516	**41,268**	**11,130**	**14,093**	**8,970**	**5,152**	**1,368,129**

(d) Financial Instruments Valued Using Techniques That Incorporate Unobservable Inputs

Fair value of financial instruments may be determined in whole or part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on available observable market data.

Changes in fair value of financial instruments, resulting in realised and unrealised gains or losses, are recognised in net trading income. The total amount of the change in fair value of financial instruments held by the Group and estimated using a valuation technique that includes unobservable market data, is a net gain of US$1,407 million for the year ended 28 November 2008 (30 November 2007: US$1,152 million). This gain principally resulted from changes in observable inputs, as opposed to unobservable inputs. Financial instruments that are valued using techniques that incorporate unobservable inputs ('unobservable financial instruments') are frequently hedged with financial instruments whose valuation incorporates only observable inputs ('observable financial instruments'), and accordingly gains or losses that have been reported on unobservable financial instruments may be offset by gains or losses attributed to observable financial instruments.

As the fair value of unobservable financial instruments may involve in whole or part valuation techniques which are based upon assumptions, changing these assumptions will change the resultant estimate of fair value. The potential impact as at 28 November 2008 of using reasonably possible alternative assumptions for the valuation techniques including significant unobservable inputs has been quantified as approximately US$950 million (30 November 2007: US$800 million), which could be either positive or negative. The increase in the current year is primarily due to the use of wider bid offer spreads in the valuation methodologies partly offset by a reduction in risk. In determining reasonably possible alternative assumptions, a bid offer spread methodology has been applied. The bid offer spread is viewed as being a proxy of uncertainty when pricing a financial instrument. Management estimation has been used to determine an appropriate bid offer spread. This is wider than that observed on observable financial instruments to account for the more illiquid nature of unobservable financial instruments. In arriving at the total impact above, the range is based on all inputs moving to either their best or worst reasonably possible case at the same time.

30. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(d) Financial Instruments Valued Using Techniques That Incorporate Unobservable Inputs (continued)

The amounts not recognised in the consolidated income statement relating to the difference between the fair value at initial recognition (the transaction price) and the amounts determined at initial recognition using the valuation techniques are as follows:

	US$m
At 1 December 2007	208
New Transactions	151
Amounts recognised in the consolidated income statement during the period	(121)
At 28 November 2008	238

(e) Fair Value of Financial Instruments

For financial assets and liabilities not measured at fair value, the carrying amounts in the balance sheet are a reasonable approximation of fair value given the short term nature of these instruments, with the exception of the below:

	Carrying value US$m	Approximate fair value US$m
Long-term subordinated debt (see note 24)	9,297	8,436
Loan notes issued (see note 23)	1,817	1,612

The long term subordinated loans are repayable on either 2 or 5 years' notice to or from the holder. Consequently, the fair value of long term subordinated debt has been determined on the assumption that all loans are repaid on their earliest potential repayment date, although repayment is subject to FSA approval.

(f) Regulatory Capital Requirements

The company is the holding company to a UK regulated group which is regulated by UK Financial Services Authority (FSA) and as such is subject to minimum capital adequacy standards. In implementing the Capital Requirements Directive (CRD) the FSA requires each bank and banking group to maintain an individually prescribed ratio of capital to risk weighted assets. The group monitors and demonstrated compliance with the relevant regulatory capital requirements of the FSA at all times during the period.

The level and composition of the group's capital is principally determined by its regulatory capital requirements, but may also be influenced by the business environment, conditions in the financial markets and assessments of potential future losses due to extreme and adverse changes in the group's business and market environment.

The group's capital is divided into three tiers:

As at 28 November 2008:

- Tier 1 capital - US$13.8 billion - comprises permanent share capital, profit and loss account and reserves, share premium account, perpetual non-cumulative preference shares.
- Tier 2 capital - US$1.3 billion - solely comprises long term subordinated debt.
- Tier 3 capital – US$8.0 billion – comprises short term subordinated debt.

Various regulatory limits and deductions are applied.

31. *RELATED PARTY DISCLOSURES*

Under the terms of paragraph 3(c) of FRS 8, 'Related Party Disclosures', the company is exempt from disclosing transactions with fellow group companies. There were no other related party transactions requiring disclosure.

32. *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., 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.