Company number: 1122503

GOLDMAN SACHS INTERNATIONAL BANK

(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 November 2007

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 53 week period ended 30 November 2007

1. Principal activities

Goldman Sachs International Bank ('the company') is involved in loan origination, secondary dealing in bank loans and related activities The company also operates a branch in Korea, the Goldman Sachs Korea Branch ('the branch') whose principal activity is derivative trading The company is authorised under the Financial Services and Markets Act 2000

2. Review of business and future developments

The profit and loss account for the period is set out on page 7 Trading profit was £50 million for the period (52 week period ended 24 November 2006 £36 million) The results for the company show a pre-tax profit of £35 million for the period (52 week period ended 24 November 2006 £24 million) The company has total assets of £381 million (24 November 2006 £312 million)

Business environment

As a bank, our businesses are materially affected by conditions in the financial markets and general economic conditions A favourable business environment is typically characterised by, amongst other factors, transparent, liquid and efficient capital markets, low inflation, high business and investor confidence and strong business earnings During the first half of 2007, global economic growth was generally solid, inflation remained contained, global equity markets rose and corporate activity levels were strong However, during the second half of 2007, significant weakness and volatility in global credit markets spread to broader financial markets and began to affect global economic growth

Strategy

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

As part of the group, the company seeks to be the leading participant in the global financial markets in which it participates

Principal risks and uncertainties

The company faces a variety of risks that are substantial and inherent in its businesses including economic and market conditions, liquidity, credit risk, competition, staffing, operational infrastructure, and technology risks The key business risks affecting the company are set out below

Economic and market conditions

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

REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Liquidity

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

Credit quality

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

Competition

The financial services industry is intensely competitive and we expect it to remain so We compete on the basis of a number of factors including transaction execution, our products and services, innovation, reputation and price We believe that we will continue to experience pricing pressures in the future as some of our competitors seek to increase market share by reducing prices

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

Employees

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

Our performance is largely dependent on the talents and efforts of highly skilled individuals Competition from within the financial services industry and from business outside the financial service industry, such as hedge funds, private equity funds and venture capital funds, for qualified employees is intense This is particularly the case in emerging markets, where we are often competing for qualified employees with entities that have a significantly greater presence or more extensive experience in the region

REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Operational infrastructure

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

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

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

Technology

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

Risk management

The company's risk management objectives and policies, as well as its risks exposure, are described in note 25 of the financial statements

Future outlook

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

REPORT OF THE DIRECTORS (CONTINUED)

3. Dividends

The directors declared and paid a preference dividend of £5,113,402 during the period (52 week period ended 24 November 2006 £5,113,402) The directors do not recommend the payment of an ordinary dividend in respect of the period (2006 £Nil)

4. Directors

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

Name	Appointed
E G Corrigan (Chairman)	
S Davies	
R D Henderson	
D G J Paterson	
G P Earle	
E H Leouzon	
C Kengeter	
D D Buckley	12 February 2007

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

5. 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

6. Directors' responsibilities

United Kingdom company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,

- make judgements and estimates that are reasonable and prudent,

- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements, and

- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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

REPORT OF THE DIRECTORS (CONTINUED)

7. 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

8. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 21 February 2008

BY ORDER OF THE BOARD

J. P. Herman
Secretary

Independent auditors' report to the members of COMPANY NUMBER: 1122503 BANK (unlimited company)

We have audited the financial statements of Goldman Sachs International Bank for the 53 week period ended 30 November 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in total shareholders' funds, the balance sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

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 We also 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 company's affairs as at 30 November 2007 and of its profit for the period then ended,

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

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
25 February 2008

PROFIT AND LOSS ACCOUNT
for the 53 week period ended 30 November 2007

	Note	53 week period ended 30 November 2007 £'000	52 week period ended 24 November 2006 £'000
Interest receivable	4	22,983	15,760
Interest payable	5	(15,034)	(9,615)
Net interest income		7,949	6,145
Trading profits	3	50,259	35,554
TOTAL OPERATING INCOME		58,208	41,699
Administrative expenses		(5,923)	(3,183)
Other operating charges		(17,563)	(14,300)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	34,722	24,216
Tax on profit on ordinary activities	9	(10,623)	(7,389)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD		24,099	16,827

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

The notes on pages 10 to 27 form part of these financial statements
Auditors' report – page 6

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 53 week period ended 30 November 2007

	Note	53 week period ended 30 November 2007 US$'000	52 week period ended 24 November 2006 US$'000
Profit for the financial period		24,099	16,827
Translation (loss)/gain	20	(1,944)	206
Gain on net investment hedge	20	449	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL PERIOD		22,604	17,033

The notes on pages 10 to 27 form an integral part of these financial statements
Independent Auditors' report – page 6

BALANCE SHEET
as at 30 November 2007

	Note	30 November 2007 £'000	24 November 2006 £'000
ASSETS			
Cash at bank and in hand		65,713	3,768
Loans and advances to banks		48,748	40,400
Customer accounts receivable		2,431	-
Trading inventory		24,055	476
Securities purchased from group companies under agreements to resell		211,036	248,008
Tangible fixed assets	14	710	819
Other assets	12	28,151	18,797
Total assets	11	380,844	312,268
LIABILITIES			
Customer accounts	16	56,182	79,080
Trading inventory		27,226	3,135
Other liabilities	17	59,436	44,205
Accruals and deferred income	18	1,704	1,043
Subordinated debt	19	89,000	55,000
		233,548	182,463
Called up share capital	21	7,049	7,049
Share premium account	20	61,361	61,361
Other reserves	20	(1,289)	206
Profit and loss account	20	80,175	61,189
Shareholders' funds	22	147,296	129,805
Total liabilities	11	380,844	312,268
Equity shareholders' funds		85,296	67,805
Non equity shareholders' funds		62,000	62,000
Shareholders' funds	22	147,296	129,805
MEMORANDUM ITEMS			
Contingent liabilities	23	161	262
Commitments	23	88,512	54,693

Approved by the Board of Directors on

Director

The notes on pages 10 to 27 form part of these financial statements
Auditors' report – page 6

1. *ACCOUNTING POLICIES*

(a) Accounting convention These financial statements have been prepared under the historical cost convention (except as explained in note 1 (i)), the accounting policies set out below, and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking companies, applicable accounting standards, and Statements of Recommended Accounting Practice issued by the British Bankers' Association The company is a subsidiary undertaking of a company incorporated in Great Britain and has elected not to prepare group accounts in accordance with the dispensation set out in section 228(1) of the Companies Act 1985

(b) New accounting standards adopted During the financial period, the following accounting standards have been adopted by the company,

(i) FRS26 – Financial Instruments recognition and measurement The standard was applied prospectively in accordance with the transitional provisions of the standard and the exemption conferred by paragraph 108D in FRS26 not to restate comparative information has been taken The company has not elected to early adopt the recognition and derecognition requirements of FRS26

(ii) FRS29 – Financial Instruments disclosures The standard introduces new disclosures relating to financial instruments

The adoption of each of these accounting standards represents a change in accounting policy No material impact on the results or financial position of the company has occurred following the adoption of these standards

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

(d) 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

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

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

(f) Foreign currencies: Transactions denominated in foreign currencies are translated into Sterling at rates of exchange ruling on the date the transaction occurred All other gains and losses on exchange are recognised in operating profit Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date

NOTES TO THE FINANCIAL STATEMENTS - 30 NOVEMBER 2007

(g) **Net investment hedging:** Where net investment hedging is employed, all gains and losses on the effective portion of the hedging instrument, together with any gains and losses on the foreign currency translation of the hedged investment in accordance with FRS 23, are taken directly to equity Any gains or losses on the ineffective portion are recognised immediately in the profit and loss account The cumulative gains and losses on the hedging instrument and gains and losses on the translation of the hedged item are recognised in the profit and loss account only on disposal of the investment

(h) **Operating income:** The operating results for the period include all profits or losses arising from the trading operations of the company, including loan origination, secondary dealing in bank loans and related activities, and derivative trading Revenues are recorded on a trade date basis

(i) **Trading inventory:** Trading inventory consists of financial instruments carried at fair value or amounts that approximate fair value The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale
The fair values of the company's derivative contracts consist of exchange-traded and over-the-counter ('OTC') derivatives The fair values of the company's exchange-traded derivatives are generally determined from quoted market prices OTC derivatives are valued using valuation models The company uses a variety of valuation models including the present value of known or estimated cash flows and option pricing models The valuation models used to derive the fair values of the company's OTC derivatives require inputs including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs The selection of a model to value an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market The company generally uses similar models to value similar instruments Where possible, the company verifies the values produced by its pricing models to market transactions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 30 NOVEMBER 2007

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

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

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

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

(k) **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

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

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. *SEGMENTAL REPORTING*

The branch and the head office operate in two geographically distinct regions Geographic segmental analysis is provided below Geographic results have been allocated based on the location of the trading desk

	Europe, Middle East, and Africa		Asia		Total	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Turnover	39,641	33,624	10,618	1,930	50,259	35,554
Operating Profit	28,271	23,940	6,451	276	34,722	24,216
Net Assets	92,108	109,393	55,188	20,412	147,296	129,805

Both the branch and the head office operate within the trading and principal investments business segment As a result, no disclosure of segmental information by business has been provided

NOTES TO THE FINANCIAL STATEMENTS - 30 NOVEMBER 2007

4. *INTEREST RECEIVABLE*

	53 week period ended 30 November 2007 £'000	52 week period ended 24 November 2006 £'000
Interest on securities purchased under agreements to resell	17,612	13,585
Interest on loans to banks and customers	5,201	1,821
Interest on loans to group undertaking	170	354
	22,983	**15,760**

5. *INTEREST PAYABLE*

	53 week period ended 30 November 2007 £'000	52 week period ended 24 November 2006 £'000
Interest payable on subordinated debt to parent undertaking	5,890	2,626
Interest on loans from group undertaking	8,591	6,989
Interest Payable on loans to banks and customers	553	-
	15,034	**9,615**

6. *PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION*

Profit on ordinary activities before taxation is stated after charging	53 week period ended 30 November 2007 £'000	52 week period ended 24 November 2006 £'000
Auditors' remuneration - audit services	58	50
Management fees charged by group undertakings	16,739	14,874
Staff related costs (see note 8)	3,578	1,069
Depreciation on tangible fixed assets	169	58
Setup cost associated with the branch	672	471

NOTES TO THE FINANCIAL STATEMENTS - 30 NOVEMBER 2007

7. *DIRECTORS' EMOLUMENTS*

	53 week period ended 30 November 2007 £'000	52 week period ended 24 November 2006 £'000
Aggregate emoluments	197	269
Company pension contributions to money purchase schemes	1	1
	198	**270**

	£'000	£'000
Highest paid director		
Aggregate emoluments and benefits	62	106
Company pension contributions to money purchase schemes	-	-
Defined benefit schemes		
Accrued pension at end of period	-	-

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 Seven directors are members of the defined contribution pension scheme and six directors are members of the defined benefit pension scheme

Seven directors have been granted shares in respect of long term incentive schemes
One director has exercised options

8. *STAFF COSTS*

All persons involved in the company's operations, other than the branch, are employed by a group undertaking The charges made by this group undertaking for all the services provided (personnel and other) to the company are included in the management fees charged by group undertakings

The employees at the branch are employed directly by the branch Under Korean regulations, the branch is treated as a legal entity, hence it has the ability to enter into contractual agreements in its own right

The average number of employees of the branch, is analysed below

	53 week period ended 30 November 2007 Number	52 week period ended 24 November 2006 Number
Trading and sales	8	5
Support, finance, operations and technology	15	13
	23	**18**

NOTES TO THE FINANCIAL STATEMENTS - 30 NOVEMBER 2007

8. *STAFF COSTS (CONTINUED)*

The employment costs incurred by the branch were

	53 week period ended 30 November 2007 £'000	52 week period ended 24 November 2006 £'000
Aggregate gross wages and salaries	3,404	1,029
Employer's National Insurance Contributions	48	6
Employer's contributions to the defined contribution plan	126	34
Total direct costs of employment	**3,578**	**1,069**

Pension schemes

The branch operates a defined contribution plan under Korean regulations It is required to have a severance plan within the defined contribution plan it operates The branch contributes towards the plan 1 5 times of each employee's one monthly base salary, per annum The total contribution cost for the financial period is £125,889 (2006 £33,756), and there is no amount in respect of this cost that remains payable as at the balance sheet date

9. *TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES*

(a) Analysis of charge in period:

	53 week period ended 30 November 2007 £'000	52 week period ended 24 November 2006 £'000
Current Tax		
UK corporation tax at 30% - current period	10,649	7,377
UK corporation tax under provided in previous period	-	65
Double Taxation Relief	(2,032)	(149)
Overseas taxation	2,020	945
Total current tax (see note (9b))	**10,637**	**8,238**
Deferred tax:		
Other timing differences (see note 13)	(14)	(849)
Tax charge on profit on ordinary activities	**10,623**	**7,389**

9. *TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)*

(b) Factors affecting tax charge for the period

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

	53 week period ended 30 November 2007 £'000	52 week period ended 24 November 2006 £'000
Profit on ordinary activities before taxation	34,722	24,216
Profit on ordinary activities multiplied by standard rate in the UK (30%)	10,417	7,265
Expenses not deductible for tax purposes	127	59
Adjustment in respect of foreign taxation	(12)	801
Adjustment in respect of prior period	-	65
Other timing differences	105	48
Current tax charge for the period	**10,637**	**8,238**

10. *DIVIDENDS PAID*

	53 week period ended 30 November 2007 £'000	52 week period ended 24 November 2006 £'000
Dividend on equity shares		
£0 01 fixed rate preference shares	**5,113**	**5,113**

11. *ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES*

	30 November 2007 £'000	24 November 2006 £'000
Assets:		
Denominated in sterling	214,517	176,851
Denominated in other currencies	166,327	135,417
	380,844	**312,268**
Liabilities and shareholders equity:		
Denominated in sterling	222,516	181,807
Denominated in other currencies	158,328	130,461
	380,844	**312,268**

12. *OTHER ASSETS*

	30 November 2007 £'000	24 November 2006 £'000
Amounts due from group undertakings (see (a) below)	22,420	17,086
Amounts due from customers	3,610	720
Deferred tax (see note 13)	852	849
Other assets	1,269	142
	28,151	**18,797**

(a) Amounts due from group undertakings include derivative contracts held with intercompany counterparties to hedge against trading derivative positions held with third parties

13. *DEFERRED TAX*

The deferred tax balance comprises:	30 November 2007 £'000	24 November 2006 £'000
Timing differences in respect of foreign taxation	736	801
Other timing differences	116	48
	852	849
The movements in the deferred tax balance were as follows		
24 November 2006	849	-
Translation adjustments	(11)	-
Transfer to the profit and loss account for the period	14	849
30 November 2007	**852**	**849**

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

14. *TANGIBLE FIXED ASSETS*

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

	Leasehold improvements £'000	Fixtures fittings & equipment £'000	Total £'000
COST			
At 24 November 2006	410	467	877
Additions	11	99	110
Currency Translation	(28)	(28)	(56)
Asset transfer	-	(2)	(2)
At 30 November 2007	**393**	**536**	**929**
DEPRECIATION			
At 24 November 2006	26	32	58
Charge for period (note 6)	76	93	169
Currency Translation	(3)	(5)	(8)
At 30 November 2007	**99**	**120**	**219**
NET BOOK VALUE			
At 30 November 2007	**294**	**416**	**710**
At 24 November 2006	**384**	**435**	**819**

15. *INVESTMENT IN SUBSIDIARY UNDERTAKINGS*

The company has an investment in the following subsidiary undertaking which is wholly-owned and registered in England and Wales

	30 November 2007 £	24 November 2006 £
Restamove Limited (non-trading)		
- Ordinary shares of £1 at cost	2	2
	2	2

The directors consider that the value of the investment in the subsidiary undertaking is not less than its book value

16. *CUSTOMER ACCOUNTS*

	30 November 2007 £'000	24 November 2006 £'000
Customer accounts comprise the following repayable on demand		
Demand deposits	2,412	1,337
Amounts due to group undertakings	53,770	77,743
	56,182	**79,080**

Amounts due to group undertakings include amounts deposited with the company to collateralise fully the undrawn commitments which have been sub-participated

17. *OTHER LIABILITIES*

	30 November 2007 £'000	24 November 2006 £'000
Amounts due to group undertakings	54,909	25,590
Corporation tax payable	4,527	3,080
Short term unsecured borrowings	-	15,535
	59,436	**44,205**

18. *ACCRUALS AND DEFERRED INCOME*

	30 November 2007 £'000	24 November 2006 £'000
Other accruals and deferred income	**1,704**	**1,043**

19. *SUBORDINATED DEBT*

Subordinated debt comprises loan capital from the ultimate parent undertaking of £89,000,000 (24 November 2006 £55,000,000) Of this balance, £63,000,000 matures on 29 June 2014, with the remaining £26,000,000 maturing on 1 February 2056 Interest is payable on the loan at a margin over LIBOR The rights of the lender are subordinated to the claims of the senior creditors

20. *SHARE PREMIUM ACCOUNT AND RESERVES*

	Share Premium Account £'000	Other Reserve Account £'000	Profit and Loss Account £'000
24 November 2006	61,361	206	61,189
Profit for the period	-	-	24,099
Payment of preference dividend	-	-	(5,113)
Cumulative Translation Adjustment	-	(1,944)	-
Gain on net investment hedge	-	449	-
30 November 2007	61,361	(1,289)	80,175

Other reserve relates to the translation differences arising on consolidation of the branch whose functional currency is Korean Won, and also includes the gain on the net investment hedge in respect of the Korea Branch

21. *SHARE CAPITAL*

	No.	30 November 2007 £'000	No.	24 November 2006 £'000
Authorised				
Ordinary Shares of £1 each	45,595,600	45,596	45,595,600	45,596
Preference shares of £0 01 each	100,000,000	1,000	100,000,000	1,000
		46,596		46,596
Allotted, called up and fully paid				
Ordinary Shares of £1 each	6,410,256	6,410	6,410,256	6,410
Preference shares of £0 01 each	63,917,526	639	63,917,526	639
		7,049		7,049

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

The company's preference shares carry a fixed non-cumulative preferential dividend at the rate of 8 pence per share per annum

22. *RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS*

	53 week period ended 30 November 2007 £'000	52 week period ended 24 November 2006 £'000
Profit on ordinary activities after taxation	24,099	16,827
Payment of non-cumulative preference dividend (see note 10)	(5,113)	(5,113)
Movement in other reserve	(1,495)	206
Net increase in shareholders' funds	17,491	11,920
Opening shareholders' funds	129,805	117,885
Closing shareholders' funds	**147,296**	**129,805**

23. *FINANCIAL COMMITMENTS AND CONTINGENCIES*

Commitments

	30 November 2007 £'000	24 November 2006 £'000
Undrawn loan commitments	84,769	52,685
Letters of credit	3,743	2,008
	88,512	**54,693**

These commitments are sub-participated to third party institutions Amounts sub-participated to group undertakings are not included as these companies have deposited cash with the company to collateralise the undrawn commitments fully (note 16)

23. *FINANCIAL COMMITMENTS AND CONTINGENCIES (CONTINUED)*

Contingent Liabilities

Arising from the sale of a loan portfolio in the ordinary course of business, the company has a contingent liability to third party borrowers totalling £160,506 (24 November 2006 £262,473) This relates to deposits that the borrowers were required to place with the loan originator as a condition of them being granted a loan and which the company may be required to repay if certain conditions are met by such borrowers All costs arising from the contingent liability are fully reimbursable to the company from a related party

24. *RELATED PARTIES*

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

25. *FINANCIAL RISK MANAGEMENT*

Normal trading activities expose the company to market, credit, and liquidity risk These activities include loan origination, secondary trading and related activities in the company, and derivative positions in the branch The 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, as part of a global group, adheres to global risk management policies and procedures

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

(a) Market risk

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

Interest Rate Risk

Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads Interest rate exposure is managed so as to keep the company's exposure to interest rate risk within limits set by management The limit structure also includes exposures to counterparties both on an individual and aggregate basis

The table below summarises the company's period-end trading, non-trading and loan book into time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date

NOTES TO THE FINANCIAL STATEMENTS - 30 NOVEMBER 2007

25. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(a) Market risk (continued)

	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Non-interest bearing £'000	Total £'000
As at 30 November 2007							
Assets:							
Cash and balances at central banks	65,713	-	-	-	-	-	65,713
Loans and advances to banks	48,748	-	-	-	-	-	48,748
Customer accounts receivable	2,431	-	-	-	-	-	2,431
Securities purchased under agreements to resell	211,036	-	-	-	-	-	211,036
Trading Inventory	-	-	-	-	-	24,055	24,055
Tangible fixed assets	-	-	-	-	-	710	710
Other assets	8,137	-	-	-	-	20,014	28,151
	336,065	-	-	-	-	44,779	380,844
Liabilities:							
Customer accounts	(56,182)	-	-	-	-	-	(56,182)
Accruals and deferred income	(1,704)	-	-	-	-	-	(1,704)
Trading Inventory	-	-	-	-	-	(27,226)	(27,266)
Other liabilities	(8,137)	-	-	-	-	(51,299)	(59,436)
Subordinated debt	-	-	-	-	(89,000)	-	(89,000)
Shareholders' funds	-	-	-	-	-	(147,296)	(147,296)
	(66,023)	-	-	-	(89,000)	(225,821)	(380,844)
Interest sensitivity gap	270,042	-	-	-	(89,000)	(181,042)	-
Cumulative interest sensitivity gap	270,042	270,042	270,042	270,042	181,042	-	-

25. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(a) Market risk (continued)

	Not more than three months £'000	**More than three months but not more than six months £'000**	**More than six months but not more than one year £'000**	**More than one year but not more than five years £'000**	**More than five years £'000**	**Non-interest bearing £'000**	**Total £'000**
As at 24 November 2006							
Assets:							
Cash and balances at central banks	3,768	-	-	-	-	-	3,768
Loans and advances to banks	40,400	-	-	-	-	-	40,400
Securities purchased under agreements to resell	248,008	-	-	-	-	-	248,008
Trading Inventory	-	-	-	-	-	476	476
Tangible Fixed Assets	-	-	-	-	-	819	819
Other assets	-	-	-	-	-	18,797	18,797
	292,176					20,092	312,268
Liabilities:							
Customer accounts	(79,080)	-	-	-	-	-	(79,080)
Accruals and Deferred Income	(1,043)	-	-	-	-	-	(1,043)
Trading Inventory	-	-	-	-	-	(3,135)	(3,135)
Subordinated debt	-	-	-	-	(55,000)	-	(55,000)
Other liabilities	(15,535)	-	-	-	-	(28,670)	(44,205)
Shareholders' funds	-	-	-	-	-	(129,805)	(129,805)
	(95,658)	-	-	-	(55,000)	(161,610)	(312,268)
Interest sensitivity gap	196,518	-	-	-	(55,000)	(141,518)	-
Cumulative interest sensitivity gap	196,518	196,518	196,518	196,518	141,518	-	-

25. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(a) Market risk (continued)

Currency Risk

Currency rate risks result from exposures to changes in spot prices, forward prices and volatilities of currency rates Foreign exchange exposure is managed so as to keep the company's exposure to foreign exchange risk within limits set by management The tables below show the company's transactional currency exposures (all trading and non-trading book)

	30 November 2007				
	Net foreign currency monetary assets / (liabilities) in £'000				
Functional currency of operation	**US dollar**	**Yen**	**Euro**	**Other**	**Total**
Sterling	12,276	2	624	42,529	55,431
Total	12,276	2	624	42,529	55,431

	24 November 2006				
	Net foreign currency monetary assets / (liabilities) in £'000				
Functional currency of operation	**US dollar**	**Yen**	**Euro**	**Other**	**Total**
Sterling	(11,985)	5	661	31,628	20,309
Total	(11,985)	5	661	31,628	20,309

The company enters into short dated GBP/KRW foreign exchange forward transactions in order to hedge the forward foreign exchange rate risk of the company's net investment in its Korean Branch The company has applied net investment hedge accounting to such contracts Forward contracts with a fair value of £451,520 at 30 November 2007 were designated as net investment hedges (24 November 2006 £Nil) No ineffectiveness was recognised in the profit and loss account from net investment hedges

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

Firmwide market risk limits are monitored on a daily basis by the Finance Division and are reviewed regularly by the appropriate risk committee

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

- risk limits based on a summary measure of market risk exposure referred to as Value-at-Risk ('VaR') which are updated and monitored on a daily basis VaR represents the potential loss in value of the company's trading positions due to adverse market movements over a defined time horizon with respect to a specified confidence level,
- scenario analyses, stress tests and other analytical tools that measure the potential effects on our trading net revenues of various market events, including, but not limited to, a large widening of credit spreads, a substantial decline in equity markets and significant moves in selected emerging markets, and
- inventory positions limits for certain business units (determined at a firmwide level)

25. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(a) Market risk (continued)

The branch's VaR as at year-end was £593,000 and Average VaR for the year was £190,000 VaR is measured over a one day time period and the value is calculated using a 95% confidence level 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

(b) Credit risk

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

To reduce our credit exposures, we seek to enter into netting agreements with counterparties that permit us to offset receivables and payables with such counterparties In addition, we attempt to further reduce credit risk with certain counterparties by

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

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

For collateralised transactions, the company receives 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

In many cases, the company is permitted to deliver or re-pledge these financial instruments in connection with entering into repurchase financings, collateralizing derivative transactions and meeting firm or customer settlement requirements As of 30 November 2007, the fair value of financial instruments received as collateral by the company that they were permitted to deliver or repledge was £217 8 million, of which the company delivered or re-pledged £Nil

25. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(b) Credit risk (continued)

The company also pledges assets that they own to counterparties who may or may not have the right to deliver or re-pledge Financial instruments owned and pledged to counterparties that have the right to deliver or re-pledge are reported as "Financial instruments owned and pledged as collateral, at fair value" in the consolidated statements of financial condition and were £Nil as of 30 November 2007 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 re-pledge are included in "financial instruments owned, at fair value" in the consolidated statements of financial condition and were £Nil as of 30 November 2007

The table below summarises the company's period-end assets in to credit risk bands by reference to internal credit risk ratings for the relevant counterparties,

Rating	Total Exposure	Collateral	Net exposure
	£'000	£'000	£'000
AA/Aa	281,733	(212,559)	69,174
A/A	76,166	-	76,166
BBB/Baa	4,886	-	4,886
BB/Ba	4,458	-	4,458
B/B	2,503	(5,267)	(2,764)
Not Rated	11,098	-	11,098
	380,844	(217,826)	163,018

(c) Liquidity risk

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

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

- excess liquidity – maintain substantial excess liquidity to meet a broad range of potential cash outflows in a stressed environment including financing obligations,
- asset liability management – ensure that we fund our assets with appropriate financing, and
- crisis planning – ensure all funding and liquidity management is based on stress-scenario planning and feeds into our liquidity crisis plan

25. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(c) Liquidity risk (continued)

The table below summarises the company's period-end liabilities into time bands to maturity,

	Trading/On Demand	Subject to notice	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities:							
Customer accounts	(53,871)	(1,361)	(949)	-	-	-	(56,182)
Accruals and deferred income	-	-	(1,635)	(22)	'(47)	-	(1,704)
Derivatives contracts	(27,226)	-	-	-	-	-	(27,226)
Other liabilities	(50,614)	-	(6,359)	(2,161)	(302)	-	(59,436)
Subordinated debt	-	-	-	-	-	(89,000)	(89,000)
Total as at 30 November 2007	(131,711)	(1,361)	(8,996)	(2,183)	8,349)	(89,000)	(233,548)

26. *ULTIMATE PARENT UNDERTAKING*

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

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