

GOLDMAN SACHS PROPERTY MANAGEMENT
(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

26 November 2004



GOLDMAN SACHS PROPERTY MANAGEMENT

(unlimited company)

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 52 week period ended 26 November 2004.

1. Principal activities

The company is a property management company.

2. Review of business and future developments

The profit and loss account for the period is set out on page 4.

The directors consider that the period end financial position of the company was satisfactory and do not anticipate any significant changes in the activities of the company in the forthcoming year.

3. Dividend

The company did not pay the period end preference dividend due to insufficient distributable reserves. In addition, the directors do not recommend the payment of an ordinary dividend in respect of the period (52 week period ended 28 November 2003: £ nil).

4. Directors

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

Name	Appointed	Resigned
S. J. Hunt		3 August 2004
S. Davies		
P. E. Mulvihill		
T. Smith	3 August 2004	

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

5. Directors' responsibilities

The directors are required by UK company law to prepare financial statements 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 for that period. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed, and the financial statements have been prepared on a going concern basis. The directors are responsible for keeping proper accounting records, and for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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REPORT OF THE DIRECTORS

6. 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.

BY ORDER OF THE BOARD

R J Twidale

R. J. Twidale
Secretary

09/03/05

**Independent auditors' report to the members of
GOLDMAN SACHS PROPERTY MANAGEMENT
(unlimited company)**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

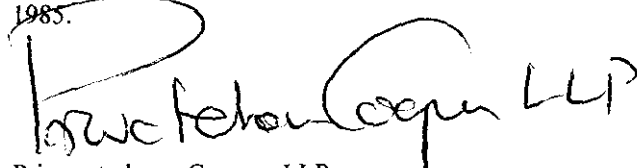
Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 of the state of the company's affairs at 26 November 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London 14 March 2005

GOLDMAN SACHS PROPERTY MANAGEMENT
(unlimited company)

PROFIT AND LOSS ACCOUNT
for the 52 week period ended 26 November 2004

	Note	52 week period ended 26 November 2004 £'000	52 week period ended 28 November 2003 £'000
Turnover	1(e)	155,749	174,228
Administrative expenses		(140,573)	(159,038)
OPERATING PROFIT	4	15,176	15,190
Other interest receivable and similar income	5	544	1,192
Interest payable and similar charges	6	(15,620)	(16,360)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		100	22
Tax on profit on ordinary activities	9	(616)	(423)
LOSS FOR THE PERIOD AFTER TAX	16	(516)	(401)

The turnover and operating profit of the company are derived from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the loss for the period as stated above and their historical cost equivalents.

The company had no recognised gains and losses other than those included in the loss for the period above, and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 6 to 12 form part of these financial statements.
Auditors' report - page 3.

GOLDMAN SACHS PROPERTY MANAGEMENT
(unlimited company)

BALANCE SHEET
as at 26 November 2004

	Note	26 November 2004 £'000	28 November 2003 £'000
FIXED ASSETS			
Tangible fixed assets	10	444,780	469,303
CURRENT ASSETS			
Debtors	11	11,570	8,480
Cash at bank and in hand		3,478	2,049
		<u>15,048</u>	<u>10,529</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(13,182)</u>	<u>(10,112)</u>
NET CURRENT ASSETS		<u>1,866</u>	<u>417</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		446,646	469,720
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(307,971)	(331,145)
DEFERRED TAX	14	<u>(24,329)</u>	<u>(23,713)</u>
NET ASSETS		<u>114,346</u>	<u>114,862</u>
CAPITAL AND RESERVES			
Called up share capital	15	44,405	44,405
Share premium account	16	95,539	95,539
Profit and loss account	16	<u>(25,598)</u>	<u>(25,082)</u>
Equity shareholders' deficit		(25,588)	(25,072)
Non-equity (preferred) shareholders' funds		<u>139,934</u>	<u>139,934</u>
TOTAL SHAREHOLDERS' FUNDS	17	<u>114,346</u>	<u>114,862</u>

Approved by the Board of Directors on



Director

09/03/05

The notes on pages 6 to 12 form part of these financial statements.
Auditors' report - page 3.

GOLDMAN SACHS PROPERTY MANAGEMENT
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NOTES TO THE FINANCIAL STATEMENTS – 26 NOVEMBER 2004

1. ACCOUNTING POLICIES

- (a) **Accounting convention:** These financial statements have been prepared under the historical cost convention, the accounting policies set out below, and in accordance with applicable Accounting Standards in the United Kingdom and pronouncements of the Urgent Issues Task Force (UITF).
- (b) **Tangible fixed assets:** Tangible fixed assets are stated at cost less accumulated depreciation. Costs that are directly attributable to the development of new business application software and which are incurred during the period are capitalised. Depreciation is provided on a straight-line basis over the estimated useful lives at the following annual rates:

	%
Fixtures and fittings	14 - 20
Computer equipment and software	20 - 33 1/3

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. No depreciation is charged on assets in the course of construction. Once assets are completed and brought into use, they are transferred to the appropriate depreciable category.

- (c) **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 the 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.
- (d) **Foreign currencies:** Transactions denominated in foreign currencies are translated into sterling at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Gains and losses on exchange are recognised in operating profit.
- (e) **Turnover:** Turnover includes management charges made to other group undertakings and is shown exclusive of VAT. Management charges are recognised in the period in which the services are provided to the respective group entity.

2. CASHFLOW STATEMENT

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

3. SEGMENTAL REPORTING

Turnover arises from charges made to other group undertakings. The directors manage the company's activities as a single business and accordingly no segmental analysis has been provided.

GOLDMAN SACHS PROPERTY MANAGEMENT
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NOTES TO THE FINANCIAL STATEMENTS – 26 NOVEMBER 2004

4. OPERATING PROFIT

	52 week period ended 26 November 2004 £'000	52 week period ended 28 November 2003 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	72,441	94,811
Auditors' remuneration: audit services	45	45
Loss on disposal of tangible fixed assets	47	6,773

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	52 week period ended 26 November 2004 £'000	52 week period ended 28 November 2003 £'000
Other interest receivable and similar income comprises:		
Interest on overnight deposits	544	1,192

6. INTEREST PAYABLE AND SIMILAR CHARGES

	52 week period ended 26 November 2004 £'000	52 week period ended 28 November 2003 £'000
Interest on loan from parent undertaking	15,620	16,360

7. STAFF COSTS

The company has no employees (2003: nil). All persons involved in the company's operations are employed by a group undertaking and no cost is borne by the company.

8. DIRECTORS' EMOLUMENTS

	52 week period ended 26 November 2004 £'000	52 week period ended 28 November 2003 £'000
Aggregate emoluments	1	5
Company pension contributions to money purchase schemes	-	-
	1	5

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

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

GOLDMAN SACHS PROPERTY MANAGEMENT
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NOTES TO THE FINANCIAL STATEMENTS – 26 NOVEMBER 2004

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in period:

	52 week period ended 26 November 2004 £'000	52 week period ended 28 November 2003 £'000
Current tax		
Overseas corporation tax in respect of Paris branch	-	2
UK corporation tax at 30% - current period	-	709
Group relief payable at 30% - current period	-	2,051
Total current tax (see note 9(b))	-	2,762
Deferred tax		
Provisions and other timing differences – current period	616	(2,339)
Total deferred tax (see note 14)	616	(2,339)
Tax on profit on ordinary activities	616	423

(b) Factors affecting tax charge for the period

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

	52 week period ended 26 November 2004 £'000	52 week period ended 28 November 2003 £'000
Profit on ordinary activities before tax	100	22
Profit on ordinary activities multiplied by standard rate in the UK (30%)	30	7
Overseas corporation tax in respect of Paris branch	-	2
Expenses disallowed for the purposes of tax provision	21,380	30,117
Capital allowances	(24,015)	(27,364)
Loss on disposal of tangible fixed assets	14	-
Tax losses carried forward	2,591	-
Current tax charge for the period	-	2,762

GOLDMAN SACHS PROPERTY MANAGEMENT
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NOTES TO THE FINANCIAL STATEMENTS – 26 NOVEMBER 2004

10. TANGIBLE FIXED ASSETS

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

	Leasehold Improvements £'000	Fixtures & Fittings £'000	Computer Equipment & Software £'000	Assets in Course of Construction £'000	Total £'000
COST					
At 28 November 2003	434,129	52,298	266,535	18,079	771,041
Additions	488	269	17,836	29,382	47,975
Disposals	(55)	(2,392)	(19,222)	-	(21,669)
Transfers	7,658	-	14,029	(21,687)	-
At 26 November 2004	442,220	50,175	279,178	25,774	797,347
DEPRECIATION					
At 28 November 2003	69,625	31,792	200,321	-	301,738
Charge for the period	20,882	7,854	43,705	-	72,441
Disposals	-	(2,390)	(19,222)	-	(21,612)
At 26 November 2004	90,507	37,256	224,804	-	352,567
NET BOOK VALUE					
At 26 November 2004	351,713	12,919	54,374	25,774	444,780
At 28 November 2003	364,504	20,506	66,214	18,079	469,303

The directors have performed a reassessment of the current use of fixed assets. Accordingly, £2.4 million (2003: £0.1 million) of fixtures and fittings, as well as £19.1 million (2003: £15.1 million) of computer equipment, have been deemed to be no longer in use within the business and have been written off in the current period.

11. DEBTORS

	26 November 2004 £'000	28 November 2003 £'000
Amounts falling due within one year:		
Amounts due from group undertakings	7,581	3,248
Corporation tax receivable	-	1,489
Prepayments and accrued income	2,630	2,217
Other debtors	1,359	1,526
	11,570	8,480

GOLDMAN SACHS PROPERTY MANAGEMENT
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NOTES TO THE FINANCIAL STATEMENTS – 26 NOVEMBER 2004

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	26 November 2004 £'000	28 November 2003 £'000
Amounts due to group undertakings	1,972	475
Amounts due to parent undertaking	1,274	1,067
Group relief payable	-	2,051
Accruals and deferred income	6,237	5,720
Other creditors	3,503	799
Corporation tax payable	196	-
	<u>13,182</u>	<u>10,112</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	26 November 2004 £'000	28 November 2003 £'000
Deferred income	22,971	24,145
Loan from parent undertaking	285,000	307,000
	<u>307,971</u>	<u>331,145</u>

Goldman Sachs Property Management has entered into a loan facility agreement with The Goldman Sachs Group, Inc.. This facility is unsecured and carries interest at a margin over LIBOR. Advances may be drawn under this facility for any period up to November 2050. Goldman Sachs Property Management had advances of £285,000,000 (2003: £307,000,000) outstanding under this facility on 26 November 2004, none of which are scheduled for repayment within the next year.

14. DEFERRED TAX

	26 November 2004 £'000
As at 28 November 2003	23,713
Transfer to the profit and loss account	616
As at 26 November 2004	<u>24,329</u>

	26 November 2004 £'000	28 November 2003 £'000
Deferred tax provision attributable to:		
Accelerated capital allowances	26,920	23,713
Current period tax loss	(2,591)	-
	<u>24,329</u>	<u>23,713</u>

GOLDMAN SACHS PROPERTY MANAGEMENT
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NOTES TO THE FINANCIAL STATEMENTS – 26 NOVEMBER 2004

15. SHARE CAPITAL

At 26 November 2004 and 28 November 2003, share capital comprised:

	26 November 2004		28 November 2003	
	No.	£'000	No.	£'000
<u>Authorised</u>				
Ordinary shares of £1 each	5,000,000	5,000	5,000,000	5,000
Redeemable 'A' preference shares of £1 each	78,000,000	78,000	78,000,000	78,000
Redeemable 'B' preference shares of £0.01 each	150,000,000	1,500	150,000,000	1,500
		84,500		84,500
<u>Allotted, called up and fully paid</u>				
Ordinary shares of £1 each	10,000	10	10,000	10
Redeemable 'A' preference shares of £1 each	43,434,344	43,434	43,434,344	43,434
Redeemable 'B' preference shares of £0.01 each	96,071,205	961	96,071,205	961
		44,405		44,405

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. Class 'A' preference shares have a fixed non-cumulative dividend payable at a rate of 0.5 per cent per annum. Class 'B' preference shares have a fixed non-cumulative dividend payable at a rate of 8 pence per share per annum.

16. SHARE PREMIUM ACCOUNT AND RESERVES

	Share Premium Account £'000	Profit & Loss Account £'000
At 28 November 2003	95,539	(25,082)
Loss for the period	-	(516)
At 26 November 2004	95,539	(25,598)

17. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' FUNDS

	26 November 2004 £'000	28 November 2003 £'000
Loss for the period	(516)	(401)
Net decrease in shareholders' funds	(516)	(401)
Opening shareholders' funds	114,862	115,263
Closing shareholders' funds	114,346	114,862

GOLDMAN SACHS PROPERTY MANAGEMENT
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NOTES TO THE FINANCIAL STATEMENTS – 26 NOVEMBER 2004

18. *FINANCIAL COMMITMENTS*

As at 26 November 2004, the company had £11.2m commitments for capital expenditure not provided for in the financial statements (28 November 2003: £Nil).

19. *RELATED PARTY DISCLOSURES*

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

20. *ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS*

The ultimate and immediate parent undertaking, and the parent company of the group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., with its principal place of business at 85 Broad Street, New York, NY 10004, United States of America. This company is incorporated in the United States of America.