

**GOLDMAN SACHS PROPERTY MANAGEMENT**  
(unlimited company)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**24 November 2000**



# **GOLDMAN SACHS PROPERTY MANAGEMENT**

(unlimited company)

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## **REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the 52 week period ended 24 November 2000. During the prior year the company's accounting reference date was changed to 30 April in connection with the initial public offering on the New York Stock Exchange of the ultimate parent undertaking. Later in 1999 the company's accounting reference date was restored to 30 November each year to ensure that it was coterminous with The Goldman Sachs Group. Consequently, the prior year comparative figures stated in these accounts are for a 30 week period.

### **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 shareholders have agreed to waive the receipt of preference dividends in respect of the year ended 24 November 2000. Consequently, the directors do not recommend the payment of a dividend (30 weeks ended 26 November 1999: £ 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:

<b>Name</b>	<b>Appointed</b>	<b>Resigned</b>
S. W. M. Cantwell		1 September 2000
P.C. Deighton		
S. Hunt		
R. C. Kitchener	1 September 2000	

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

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***REPORT OF THE DIRECTORS***

**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.

**BY ORDER OF THE BOARD**

*F. J. Nelmès*

**F. J. NELMES**  
Secretary

**Report of the auditors to the members of  
GOLDMAN SACHS PROPERTY MANAGEMENT  
(unlimited company)**

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We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 6.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Directors' Report and Financial Statements. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

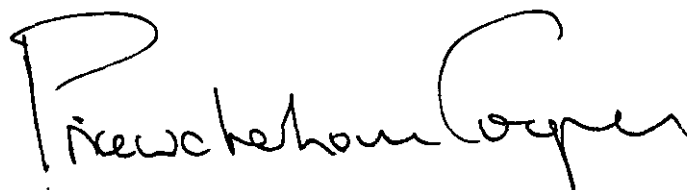
**Basis of audit opinion**

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 24 November 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', is written over a large, stylized capital 'P'.

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London

**GOLDMAN SACHS PROPERTY MANAGEMENT**  
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**PROFIT AND LOSS ACCOUNT**  
for the 52 week period ended 24 November 2000

	Note	52 week period ended 24 November 2000 £'000	30 week period ended 26 November 1999 £'000
Turnover	3	111,256	39,563
Administrative expenses		(100,677)	(36,960)
<b>OPERATING PROFIT</b>	5	10,579	2,603
Other interest receivable and similar income	6	746	96
Interest payable and similar charges	7	(11,308)	(2,695)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		17	4
Tax on profit on ordinary activities	10	6,586	330
<b>PROFIT FOR THE PERIOD</b>	17	6,603	334

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 profit 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 profit 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**  
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**BALANCE SHEET**  
as at 24 November 2000

	Note	24 November 2000 £'000	26 November 1999 £'000
<b>FIXED ASSETS</b>			
Tangible fixed assets	11	294,094	137,053
<b>CURRENT ASSETS</b>			
Debtors	12	16,025	5,894
Cash at bank and in hand		10,275	965
		26,300	6,859
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	13	(38,803)	(22,924)
<b>NET CURRENT LIABILITIES</b>		(12,503)	(16,065)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		281,591	120,988
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	14	(192,500)	(76,500)
		89,091	44,488
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	43,822	43,444
Share premium account	17	37,622	-
Profit and loss account	17	7,647	1,044
Equity shareholders' funds		7,657	1,054
Non-equity (preferred) shareholders' funds		81,434	43,434
<b>TOTAL SHAREHOLDERS' FUNDS</b>	18	89,091	44,488

Approved by the Board of Directors on 13 February 2001

Director



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 – 24 NOVEMBER 2000**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies, which have been consistently applied, were as follows:

- (a) **Tangible fixed assets:** Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write-off the cost of the assets, on a straight line basis, over their estimated useful lives. The principal annual rates used for this purpose are:

	52 week period ended 24 November 2000 %	30 week period ended 26 November 1999 %
Fixtures and fittings	20	20
Computer equipment	20 - 33 1/3	20 - 33 1/3
Motor vehicles	20	20

Leasehold improvements are depreciated over the life of the lease.

- (b) **Deferred taxation:** Deferred taxation is provided in respect of all differences in timing between the accounting and tax treatments of income and expenses, to the extent that a liability is expected to crystallise in the foreseeable future. Such taxation is provided at the rate of taxation expected to be ruling when the differences reverse.
- (c) **Foreign currencies:** Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than sterling are converted at the rates of exchange prevailing at the dates the transactions were made. Gains and losses on exchange are recognised in the profit and loss account.

**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. TURNOVER**

Turnover comprises management charges made to other group undertakings, and is shown exclusive of VAT.

**4. SEGMENTAL REPORTING**

All 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 – 24 NOVEMBER 2000**

**5. OPERATING PROFIT**

	52 week period ended 24 November 2000 £'000	30 week period ended 26 November 1999 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	35,800	13,766
Auditors' remuneration: audit services	7	4
And after crediting:		
Gain on disposal of tangible fixed assets	151	207

**6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

Other interest receivable and similar income comprises:

	52 week period ended 24 November 2000 £'000	30 week period ended 26 November 1999 £'000
Interest on overnight deposits	746	96

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

All interest payable and similar charges arises on loans repayable within five years otherwise than by instalments. The interest comprises:

	52 week period ended 24 November 2000 £'000	30 week period ended 26 November 1999 £'000
Payable to parent undertakings	11,308	2,695

**8. STAFF COSTS**

The company has no employees (30 week period ended 26 November 1999: Nil). All persons involved in the company's operations are employed by a fellow subsidiary undertaking.



**GOLDMAN SACHS PROPERTY MANAGEMENT**  
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**NOTES TO THE FINANCIAL STATEMENTS – 24 NOVEMBER 2000**

**9. DIRECTORS' EMOLUMENTS**

	52 week period ended 24 November 2000 £'000	30 week period ended 26 November 1999 £'000
Aggregate emoluments	6	7
Company pension contributions to money purchase schemes	1	1
	<u>7</u>	<u>8</u>

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 and defined benefit pension schemes. The emoluments of the directors are paid by fellow group undertakings.

No provision (1999: Nil) has been made for qualifying services in respect of a long term incentive scheme for directors. When the shares are awarded under the scheme, the appropriate amounts will be disclosed in directors' emoluments at that time.

**10. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	52 week period ended 24 November 2000 £'000	30 week period ended 26 November 1999 £'000
Corporation tax payable	-	(11)
Group relief receivable from fellow subsidiary undertakings at 30% (30 week period ended 26 November 1999: 30%) - current period	5,704	423
Group relief receivable from fellow subsidiary undertakings at 30% (30 week period ended 26 November 1999: 30%) - prior period	782	-
Corporation tax overprovided in prior years	100	-
Group relief payable to fellow subsidiary undertakings - prior year	-	(82)
	<u>6,586</u>	<u>330</u>

Group relief is receivable/payable from/to fellow subsidiary undertakings to the extent that the current period losses are surrendered under group relief arrangements.

The group relief receivable arose mainly due to the difference between the depreciation charge and the writing down of the capital allowance available for tax purposes.

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**NOTES TO THE FINANCIAL STATEMENTS – 24 NOVEMBER 2000**

**11. TANGIBLE ASSETS**

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

	Leasehold Improvements £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
<b>COST</b>					
At 26 November 1999	104,790	25,994	120,702	3,636	255,122
Additions	96,162	15,919	80,605	952	193,638
Disposals	-	-	(10)	(787)	(797)
At 24 November 2000	<b>200,952</b>	<b>41,913</b>	<b>201,297</b>	<b>3,801</b>	<b>447,963</b>
<b>DEPRECIATION</b>					
At 26 November 1999	21,342	15,858	79,643	1,226	118,069
Charge for the period	6,117	4,089	25,345	751	36,302
Disposals	-	-	-	(502)	(502)
At 24 November 2000	<b>27,459</b>	<b>19,947</b>	<b>104,988</b>	<b>1,475</b>	<b>153,869</b>
<b>NET BOOK VALUE</b>					
At 26 November 1999	83,448	10,136	41,059	2,410	137,053
At 24 November 2000	<b>173,493</b>	<b>21,966</b>	<b>96,309</b>	<b>2,326</b>	<b>294,094</b>

**12. DEBTORS**

Debtors, all of which are due within one year of the balance sheet date, comprise:

	2000 £'000	1999 £'000
Group relief receivable	6,313	1,203
Amounts due from fellow subsidiary undertakings	1,191	673
Other debtors	8,241	2,145
Prepayments and accrued income	24	1,873
Corporation tax receivable	256	-
	<b>16,025</b>	<b>5,894</b>

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

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

	2000 £'000	1999 £'000
Amounts due to fellow subsidiary undertakings	1,988	3,457
Amounts due to parent undertakings	9,566	5,867
Accruals and deferred income	27,249	7,479
Corporation tax payable	-	11
Bank overdraft	-	6,110
	<b>38,803</b>	<b>22,924</b>

**GOLDMAN SACHS PROPERTY MANAGEMENT**  
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**NOTES TO THE FINANCIAL STATEMENTS – 24 NOVEMBER 2000**

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

	2000 £'000	1999 £'000
Loan from parent undertaking	-	37,500
Long-term subordinated loan from parent undertaking	192,500	39,000
	<b>192,500</b>	<b>76,500</b>

The loan from parent undertaking was repaid on 28 January 2000. The loan (26 November 1999: £37,500,000) was unsecured, carried interest at a margin over LIBOR and was repayable upon giving or receiving at least 2 years notice to or from the parent undertaking.

The long term subordinated loan from the parent undertaking of £192,500,000 (26 November 1999: £39,000,000) is unsecured, carries interest at a margin over LIBOR and is repayable on receiving at least 5 years notice from the parent undertaking, subject to the latest date of repayment being 21 June 2047.

**15. POTENTIAL DEFERRED TAX**

A potential deferred tax liability attributable to capital allowances in excess of depreciation of £9,407,307 (26 November 1999: £4,158,905) has not been recognised in the financial statements.

**16. SHARE CAPITAL**

At 24 November 2000 and 26 November 1999 share capital comprised:

	24 November 2000		26 November 1999	
	No.	£'000	No.	£'000
<b><u>Authorised</u></b>				
Ordinary shares of £1 each	5,000,000	5,000	5,000,000	5,000
Redeemable preference shares of £1 each	78,000,000	78,000	78,000,000	78,000
Redeemable preference shares of £0.01 each	150,000,000	1,500	-	-
		<b>84,500</b>		<b>83,000</b>
<b><u>Allotted, called up and fully paid</u></b>				
Ordinary shares of £1 each	10,000	10	10,000	10
Redeemable preference shares of £1 each	43,434,344	43,434	43,434,344	43,434
Redeemable preference shares of £0.01 each	37,774,629	378	-	-
		<b>43,822</b>		<b>43,444</b>

The redeemable preference shares may be redeemed at the option of the company at any time. A premium may be payable at the discretion of the Board of Directors.

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 £1 preference shares have a fixed non-cumulative dividend payable at a rate of 0.5 per cent per annum. The £0.01 preference shares have a fixed non-cumulative dividend payable at a rate of 8 pence per share per annum.

**GOLDMAN SACHS PROPERTY MANAGEMENT**  
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**NOTES TO THE FINANCIAL STATEMENTS – 24 NOVEMBER 2000**

**16. SHARE CAPITAL (CONTINUED)**

The £0.01 non-cumulative redeemable preference shares were issued in four tranches during the year ended 24 November 2000. The shares were issued as follows:

Number of Shares	Date of Issue	Par Value (£)	Proceeds (£)	Share Premium (£)
9,708,738	28-Jan-00	0.01	10,000,000	9,902,913
5,940,594	14-April-00	0.01	6,000,000	5,940,594
7,692,308	11-Jul-00	0.01	8,000,000	7,923,077
14,432,989	11-Sep-00	0.01	14,000,000	13,855,669
			<b>38,000,000</b>	<b>37,622,253</b>

**17. SHARE PREMIUM ACCOUNT AND RESERVES**

	Share Premium Account £'000	Profit & Loss Account £'000
At 26 November 1999	-	1,044
Profit for the period	-	6,603
Preference shares issued (note 16)	37,622	-
<b>At 24 November 2000</b>	<b>37,622</b>	<b>7,647</b>

**18. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' FUNDS**

	2000 £'000	1999 £'000
Profit on ordinary activities after taxation	6,603	334
Preference share issue (note 16)	38,000	-
Net increase in shareholders' funds	44,603	334
Opening shareholders' funds	44,488	44,154
Closing shareholders' funds	<b>89,091</b>	<b>44,488</b>

**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.

**GOLDMAN SACHS PROPERTY MANAGEMENT**  
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**NOTES TO THE FINANCIAL STATEMENTS – 24 NOVEMBER 2000**

**20. *ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS***

The ultimate parent undertaking is The Goldman Sachs Group, Inc., of 85 Broad Street, New York, NY 10004, United States of America. Goldman Sachs (U.K.) L.L.C., a company incorporated in Delaware, United States of America, is the immediate parent undertaking.