

**GOLDMAN SACHS PROPERTY MANAGEMENT**

(unlimited company)

**ANNUAL REPORT**

**31 DECEMBER 2018**



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

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**STRATEGIC REPORT**

The directors present their strategic report for the year ended 31 December 2018.

**1. Principal activities**

Goldman Sachs Property Management (the company) holds fixed assets within properties in the United Kingdom and acts as the contracting party for various projects.

The company's ultimate parent undertaking and controlling entity is The Goldman Sachs Group, Inc. (Group Inc.). Group Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System. In relation to the company, 'group undertaking' means Group Inc. or any of its subsidiaries. Group Inc., together with its consolidated subsidiaries, form 'GS Group'. GS Group is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals.

The company primarily operates in a British Pound environment. Accordingly, the company's functional currency is the British Pound and these financial statements have been prepared in that currency.

**2. Financial overview**

The financial statements have been drawn up for the year ended 31 December 2018. Comparative information has been presented for the year ended 31 December 2017.

The results for the year are shown in the profit and loss account on page 6. Profit before taxation for the year ended 31 December 2018 was £6.1 million (31 December 2017: £6.9 million).

The company had total assets of £399.9 million (31 December 2017: £441.6 million).

**3. Future outlook**

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

**4. Principal risks and uncertainties**

The company is exposed to financial risk through its financial assets and liabilities. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet, the most important components of financial risk the directors consider relevant to the company are market risk, credit risk and liquidity risk. The company, as part of a global group, adheres to global risk management policies and procedures.

**5. Date of Authorisation of Issue**

The strategic report was authorised for issue by the Board of Directors on 22 July 2019.

**ON BEHALF OF THE BOARD**



**Director**

**V.S. Chima**

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

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**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2018.

**1. Introduction**

In accordance with section 414A of the Companies Act 2006, the directors have prepared a strategic report, which contains a review of the company's businesses and a description of the principal risks and uncertainties facing the company. The directors have chosen to make reference to the company's risk management objectives and policies, as well as exposures to market risk, credit risk and liquidity risk in the strategic report, in accordance with section 414C(11) of the Companies Act 2006, that would otherwise have been reported in the directors' report.

**2. Dividends**

The directors do not recommend the payment of a dividend in respect of the year (31 December 2017: £nil).

**3. 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 of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**4. Independent auditors**

Prior to 1 October 2007, the company passed an elective resolution under section 386 of the Companies Act 1985 to dispense with the annual reappointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the company pursuant to section 487(2) of the Companies Act 2006 and paragraph 44 of schedule 3 to the Companies Act 2006 (Commencement No. 3 Consequential Amendment, Transitional Provisions and Savings) Order 2007.

**5. Directors**

The directors of the company who served throughout the year and to the date of this report, except where noted, were:

<b>Name</b>	<b>Resigned</b>
G.A. Wills	17 May 2019
M.C. Taylor	
O. Dunne	
V.S. Chima	

No director had, at the year end, any interest requiring note herein.

**GOLDMAN SACHS PROPERTY MANAGEMENT**  
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**DIRECTORS' REPORT (continued)**

**6. Statement of directors' responsibilities**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

**7. Date of authorisation of issue**

The financial statements were authorised for issue by the Board of Directors on 22 July 2019.

**ON BEHALF OF THE BOARD**



**Director**  
**V.S. Chima**

# Independent auditors' report to the members of Goldman Sachs Property Management

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## Report on the audit of the financial statements

### Opinion

In our opinion, Goldman Sachs Property Management's financial statements::

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2018; the Profit and Loss Account, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# **Independent auditors' report to the members of Goldman Sachs Property Management**

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## **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nick Morrison (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

26 July 2019

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

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**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2018**

		Year Ended	Year Ended
		31 December 2018	31 December 2017
	Note	<u>£'000</u>	<u>£'000</u>
Revenue		126,525	134,408
Interest payable and similar expenses	5	(1,477)	(3,914)
Administrative expenses	6	<u>(118,965)</u>	<u>(123,612)</u>
<b>PROFIT BEFORE TAXATION</b>		6,083	6,882
Tax on profit	9	<u>(5,435)</u>	<u>(6,240)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>648</u>	<u>642</u>

The operating profits of the company are derived from continuing operations in the current and prior years.

The company has no recognised gains and losses other than those included in the profit and loss account for the years shown above and therefore no separate statement of comprehensive income has been presented.

The accompanying notes are an integral part of these financial statements.

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

**BALANCE SHEET**

**as at 31 December 2018**

	Note	31 December 2018 £'000	31 December 2017 £'000
<b>FIXED ASSETS</b>			
Intangible assets	10	23,667	59,433
Tangible assets	11	289,269	277,887
<b>CURRENT ASSETS</b>			
Debtors: Amounts falling due within one year	12	51,899	62,191
Deferred tax	13	10,736	7,996
Cash at bank and in hand		24,291	34,064
		86,926	104,251
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	(41,229)	(28,115)
<b>NET CURRENT ASSETS</b>		45,697	76,136
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		358,633	413,456
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	(147,407)	(202,878)
<b>NET ASSETS</b>		211,226	210,578
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	43,956	43,956
Share premium account		163,973	163,973
Profit and loss account		3,297	2,649
<b>TOTAL SHAREHOLDER'S FUNDS</b>		211,226	210,578

The financial statements were approved by the Board of Directors on 22 July 2019 and signed on its behalf by:



**Director**  
**V.S. Chima**

The accompanying notes are an integral part of these financial statements.

Company number: 02432555



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**STATEMENT OF CHANGES IN EQUITY**

**for the year ended 31 December 2018**

	Called up share capital	Share premium account	Profit and loss account	Total shareholder's funds
Note	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2017</b>	43,588	14,340	2,007	59,935
Profit for the financial year	-	-	642	642
Proceeds from shares issued	368	149,633	-	150,001
<b>Balance at 31 December 2017</b>	43,956	163,973	2,649	210,578
Profit for the financial year	-	-	648	648
<b>Balance at 31 December 2018</b>	43,956	163,973	3,297	211,226

No dividends were paid in 2018 and 2017.

The accompanying notes form an integral part of these financial statements.

**GOLDMAN SACHS PROPERTY MANAGEMENT**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

**1. GENERAL INFORMATION**

The company is a private unlimited company and is incorporated and domiciled in England and Wales. The address of its registered office is Peterborough Court, 133 Fleet Street, London, EC4A, 2BB, United Kingdom.

The immediate parent undertaking is Goldman Sachs International Service Entities Holdings Limited, a company incorporated and domiciled in England and Wales.

The ultimate holding company and the parent company of the smallest and 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 consolidated financial statements can be obtained from Investor Relations, 200 West Street, New York, NY 10282, United States of America, or at [www.goldmansachs.com/shareholder/](http://www.goldmansachs.com/shareholder/).

**2. ACCOUNTING POLICIES**

**a. Basis of preparation**

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006.

The following exemptions from disclosure requirements of International Financial Reporting Standards (IFRS) as adopted by the E.U. have been applied in the preparation of these financial statements in accordance with FRS 101:

- (i) IFRS 2 'Share-based Payment' paragraph 45(b) and 46 to 52. These disclosures are provided in the consolidated financial statements of Group Inc.;
- (ii) IFRS 7 'Financial Instruments: Disclosures';
- (iii) IFRS 13 'Fair Value Measurement' paragraphs 91-99;
- (iv) IAS 1 'Presentation of Financial Statements' paragraph 38 to present comparative information in respect of IAS 1 'Presentation of Financial Statements' paragraph 79(a)(iv);
- (v) IAS 1 'Presentation of Financial Statements' paragraphs 10(f), 16 and 40A-D;
- (vi) IAS 7 'Statement of Cash Flows';
- (vii) IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;
- (viii) IFRS 15 'Revenue from Contracts with Customers' second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129;
- (ix) IAS 24 'Related Party Disclosures' paragraph 17; and
- (x) IAS 24 'Related Party Disclosures' requirements to disclose transactions with companies also wholly owned within GS Group.

**b. Changes in accounting policies**

- (i) IFRS 9 'Financial Instruments'

From 1 January 2018 the company adopted IFRS 9 'Financial Instruments' as issued by the IASB in July 2014. As permitted by the transitional provisions of IFRS 9, the company elected not to restate comparative figures. The adoption of IFRS 9 has resulted in changes in the company's accounting policies for classification and measurement of financial assets and liabilities. Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the company.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (continued)**

**b. Changes in accounting policies (continued)**

• **Classification and measurement**

The company performed a detailed analysis of its business models for managing financial assets and, where required, subsequent analysis of cash flow characteristics on individual financial assets.

There were no changes to the carrying amount of financial assets as a result of the adoption of IFRS 9. At 1 January 2018, the company had £62.2 million of financial assets classified as loans and receivables under IAS 39. These financial assets were reclassified as measured at amortised cost under IFRS 9. There were no changes to the classification and measurement of financial liabilities.

• **Impairment**

The company has developed and tested an impairment model that complies with the key requirements of IFRS 9. The results calculated by the model were not material and therefore the company has not recorded any credit losses as a result of adopting IFRS 9.

**(ii) IFRS 16 'Leases'**

The standard assess the off-balance sheet leases, bringing most leases on balance sheet and eliminating the distinction between operating and finance leases. The standard is effective for periods beginning on or after 1 January 2019.

At initial adoption on 1 January 2019, the Company will be required to recognise a lease liability, and a corresponding right of use asset, in respect of the lease. These amounts will be measured by discounting the future lease payments over the lease term, or earlier if management expect to exit the lease early. The adoption of IFRS 16 is expected to result in the recognition of a lease liability of £26.2 million, a related right of use asset of £25.5 million and a reduction in accruals of £0.7 million. Subsequent to the initial adoption, the effect of IFRS 16 on the income statement recognition profile of leases is not expected to be material.

**c. Dividends**

Final equity dividends are recognised as a liability and deducted from equity in the period in which the dividends are approved by the company's shareholder. Interim equity dividends are recognised and deducted from equity when paid.

**d. Revenue recognition**

Revenue has been disclosed instead of turnover as this more meaningfully reflects the nature and results of the company's activities. Revenue comprises of management charges and development fees charged to other group undertakings excluding VAT. Management charges are recognised in the year in which the services are provided to the respective group undertaking.

**e. Operating leases**

The Company has entered into long-term non-cancellable operating lease arrangements for data centre space. Leased assets are not recognised on the balance sheet. Costs in respect of operating leases, are charged on a straight-line basis over the lease term and included within administrative expenses in the profit and loss account.

**f. Foreign currencies**

The company's financial statements are presented in British pounds, which is also the company's functional currency.

Transactions denominated in foreign currencies are translated into British pound at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into British pound at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are recognised in the profit and loss account.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (continued)**

**g. Intangible assets**

Intangible assets are stated at historical cost less accumulated amortisation and provision for any impairment. Assets in the course of construction are transferred to the appropriate asset category once completed and ready for its intended use. No amortisation is charged on assets in the course of construction. Costs that are directly attributable to the development or improvement of new business application software are capitalised. Amortisation is included in administrative expenses and is provided on a straight-line basis over the following estimated useful life:

	<u>Years</u>
Computer software	3 - 5
Amortisation policies are reviewed on an annual basis.	

**h. Tangible assets**

Tangible assets are stated at historical cost less accumulated depreciation and provision for any impairment. Assets in the course of construction are transferred to the appropriate asset category once completed and ready for its intended use. No depreciation is charged on assets in the course of construction. Costs that are directly attributable to the development of qualifying fixed assets are capitalised. Depreciation is included in administrative expenses and is provided on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Computer equipment	3 - 5
Fixtures, fittings and equipment	5 - 7

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. Depreciation policies are reviewed on an annual basis. Borrowing cost directly associated with the purchase or development of qualifying fixed assets is capitalised.

**i. Cash at bank and in hand**

Cash at bank and in hand is highly liquid overnight deposits held in the ordinary course of business.

**j. Financial assets and liabilities**

Financial assets and liabilities primarily comprise of amounts due from group undertakings, amounts due to group undertakings and other payables. They are initially recognised at fair value and are subsequently measured at amortised cost, with finance income and expense recognised on an accruals basis. All finance income and expense are recognised in the profit and loss account. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and substantially all the risks and rewards of ownership of that financial asset. A financial liability is derecognised only when it is extinguished (i.e. when the obligation specified in the contract is discharged, is cancelled or expires).

**k. Current and deferred tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more tax or a right to pay less tax in the future with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (continued)**

**k. Current and deferred tax (continued)**

- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in these financial statements. The nature of estimation means that actual outcomes could differ from those estimates. The following judgement had the most significant effect on amounts recognised in the financial statements:

- Useful lives of fixed assets: the useful lives of the company's fixed assets represent a key judgement which impacts the value of depreciation charged to the profit & loss account. The useful lives of the asset categories which determine the value of depreciation charged are reviewed annually and are based on management's judgement and experience.
- The company has recognised a deferred tax asset (see note 13) which requires judgement for determining the extent of its recoverability at each reporting date. The company assesses recoverability with reference to forecasts of future taxable profits. These forecasts require the use of assumptions and estimates.

**4. SEGMENTAL REPORTING**

The directors manage the company's activities as a single business in the same geographic region and accordingly no segmental analysis has been provided.

**5. INTEREST PAYABLE AND SIMILAR EXPENSES**

	Year Ended 31 December 2018	Year Ended 31 December 2017
	£'000	£'000
Interest on loan from group undertaking (see note 15)	1,477	3,914

**6. ADMINISTRATIVE EXPENSES**

	Year Ended 31 December 2018	Year Ended 31 December 2017
	£'000	£'000
Depreciation and amortisation (see notes 10 and 11)	95,938	105,997
Foreign exchange losses/(gains)	47	(50)
Auditors' remuneration - audit services	17	17
Loss on disposal of fixed assets	4,679	569
Other expenses	18,284	17,079
	<u>118,965</u>	<u>123,612</u>

**7. STAFF COSTS**

As in the prior year, the company has no employees. All persons involved in the company's operations are employed by group undertakings and no costs are borne by the company.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

**8. DIRECTORS' EMOLUMENTS**

The directors did not receive any remuneration from the company in the current or prior years and no contributions were made by the company under defined benefit or defined contribution pension schemes. The directors are employed by other group undertakings and their remuneration is borne by those companies and not re-charged. The directors do not consider that more than a trivial amount of their remuneration relates to the qualifying services provided to the company.

**9. TAX ON PROFIT**

	<b>Year Ended</b> <b>31 December 2018</b>	<b>Year Ended</b> <b>31 December 2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
U.K. corporation tax	6,134	11,599
Adjustments in respect of previous periods	2,041	1,530
<b>Total current tax</b>	<b>8,175</b>	<b>13,129</b>
<b>Deferred tax:</b>		
Provisions and other timing differences	(2,740)	(6,889)
Total deferred tax (see note 13)	(2,740)	(6,889)
<b>Total tax on profit</b>	<b>5,435</b>	<b>6,240</b>

The table below presents a reconciliation between tax on profit and the amount calculated by applying the weighted average rate of U.K. corporation tax applicable to the company for the year of 19% (31 December 2017: 19.25%) to the profit before taxation.

	<b>Year Ended</b> <b>31 December 2018</b>	<b>Year Ended</b> <b>31 December 2017</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	6,083	6,882
Profit multiplied by the weighted average rate in the U.K. 19% (2017: 19.25%)	1,156	1,325
Changes in recognition and measurement of deferred tax assets	(973)	(3,544)
Expenses not deductible for tax purposes	3,211	6,929
Adjustments in respect of prior periods	2,041	1,530
<b>Total tax on profit</b>	<b>5,435</b>	<b>6,240</b>

Expenses not deductible for tax purposes primarily include depreciation on assets for which no capital allowances are available.

**GOLDMAN SACHS PROPERTY MANAGEMENT**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

**10. INTANGIBLE ASSETS**

The movements in intangible fixed assets during the year were as follows:

	<b>Computer software £'000</b>	<b>Assets under development £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2018	104,075	6,095	110,170
Additions/ transfers	4,058	(4,097)	(39)
Disposals	(52,864)	-	(52,864)
Transfers	(878)	(1,306)	(2,184)
At 31 December 2018	<b>54,391</b>	<b>692</b>	<b>55,083</b>
<b>Accumulated amortisation</b>			
At 1 January 2018	50,737	-	50,737
Charge for year	32,928	-	32,928
Disposals	(51,383)	-	(51,383)
Transfers	(866)	-	(866)
At 31 December 2018	<b>31,416</b>	<b>-</b>	<b>31,416</b>
<b>Net Book Value</b>			
At 31 December 2018	<b>22,975</b>	<b>692</b>	<b>23,667</b>
At 31 December 2017	<b>53,338</b>	<b>6,095</b>	<b>59,433</b>

On 30 June 2015, Group Inc. entered into an agreement with its affiliates, which governs the development, ownership, cost allocation and usage of the intellectual property. Pursuant to the terms of the agreement, intellectual property assets are owned by group undertakings.

Reassessment of the current use of fixed assets is performed periodically. Accordingly, £47.1 million (31 December 2017: £59.7 million) of computer software, have been deemed to be no longer in use within the business and have been written off in the current year.

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**11. TANGIBLE ASSETS**

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

	Leasehold improvements £'000	Fixtures & fittings £'000	Computer equipment £'000	Assets under development £'000	Total £'000
<b>Cost</b>					
At 1 January 2018	594,590	17,864	157,433	50,598	820,485
Additions	1,296	221	25,141	50,932	77,590
Disposals	(81,039)	(620)	(24,697)	-	(106,356)
At 31 December 2018	<b>514,847</b>	<b>17,465</b>	<b>157,877</b>	<b>101,530</b>	<b>791,719</b>
<b>Accumulated depreciation</b>					
At 1 January 2018	417,996	12,976	111,626	-	542,598
Charge for the year	45,181	1,610	16,219	-	63,010
Disposals	(77,846)	(615)	(24,697)	-	(103,158)
At 31 December 2018	<b>385,331</b>	<b>13,971</b>	<b>103,148</b>	<b>-</b>	<b>502,450</b>
<b>Net book value</b>					
At 31 December 2018	<b>129,516</b>	<b>3,494</b>	<b>54,729</b>	<b>101,530</b>	<b>289,269</b>
At 31 December 2017	176,594	4,888	45,807	50,598	277,887

The amount of borrowing cost capitalised for the year ended 31 December 2018 is £0.8 million (31 December 2017: £0.3 million) using a weighted average interest rate of 1.09 percent per annum (31 December 2017: 1.07 percent per annum).

Reassessment of the current use of fixed assets is performed periodically. Accordingly, £59.5 million (31 December 2017: £5.7 million) of leasehold improvements, £0.2 million (31 December 2017: £1.6 million) of fixtures and fittings and £24.7 million (31 December 2017: £27.4million) of computer equipment have been deemed to be no longer in use within the business and have been written off in the current year.

**12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

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

	31 December 2018 £'000	31 December 2017 £'000
Amounts due from group undertakings	50,969	61,295
Prepayments and accrued income	761	638
Other debtors	169	258
	<b>51,899</b>	<b>62,191</b>

Amounts due from group undertakings includes a cash balance of £0.2 million (31 December 2017: £0.2 million) held on account by a fellow group undertaking.



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**13. DEFERRED TAX**

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deferred tax asset balance comprises:</b>		
Depreciation in excess of capital allowances	<b>10,736</b>	<b>7,996</b>

**The movements in the deferred tax balance were as follows:**

At 1 January 2017	1,107	
Credited to the profit and loss account (see note 9)	6,889	
At 31 December 2017	7,996	
Credited to the profit and loss account (see note 9)	2,740	
<b>At 31 December 2018</b>	<b>10,736</b>	

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax payable	6,299	3,750
Accruals	4,869	3,407
Amounts due to ultimate parent undertaking	-	606
Other creditors and deferred income	11,978	7,788
Group relief payable	15,886	10,260
Amounts due to group undertakings	2,197	2,304
	<b>41,229</b>	<b>28,115</b>

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£'000</b>	<b>£'000</b>
Loan payable to group undertaking	141,299	194,583
Interest payable to group undertaking	3,002	680
Deferred income	3,106	7,615
	<b>147,407</b>	<b>202,878</b>

In 2017, the company terminated its existing loan facility with Group Inc. and entered into a new loan agreement with Goldman Sachs Funding LLC dated 21 June 2017. The company has advances of £141.3 million (31 December 2017: £194.6 million) outstanding under an unsecured facility that accrues interest at a variable margin over the U.S. Federal Reserve's federal fund rate. The loan is repayable at the earlier of 367 days from when the lender demands repayment or 21 June 2041. None of these advances are scheduled for repayment within the next year.

Deferred income represents advance contributions received in respect of lease payments that are recognised over the life of the lease.

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**16. CALLED UP SHARE CAPITAL**

At 31 December 2018 and 31 December 2017, called up share capital comprised:

	31 December 2018		31 December 2017	
	No.	£'000	No.	£'000
<b><u>Allotted, called up and fully paid</u></b>				
Ordinary shares of £1 each	377,554	378	377,554	378
'A' preference shares of £1 each	43,434,344	43,434	43,434,344	43,434
'B' preference shares of £0.01 each	14,398,947	144	14,398,947	144
		<b>43,956</b>		<b>43,956</b>

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 discretionary preferential dividend payable at a rate of 0.5 pence per share per annum. Class 'B' preference shares have a fixed discretionary preferential dividend payable at a rate of 8 pence per share per annum.

On 1 December 2016, 10,000 ordinary shares of £1 each, 43,434,344 class 'A' preference shares of £1 each and 14,398,947 class 'B' preference shares of £0.01 each were transferred by Group Inc. to Goldman Sachs International Service Entities Holdings Limited at par value.

On 30 June 2017, 367,554 ordinary shares of £1 each were issued to Goldman Sachs International Service Entities Holdings Limited at a premium.

**17. FINANCIAL COMMITMENTS AND CONTINGENCIES**

The company had £88.7 million of commitments for capital expenditure not provided for in the financial statements at 31 December 2018 (31 December 2017: £157.2 million).

The company also has commitments under operating lease. The table below presents total future minimum rental payments under non-cancellable leases:

	31 December 2018	31 December 2017
	£'000	£'000
<b><u>Maturity of lease</u></b>		
Less than one year	5,283	3,553
Between one and five years	18,114	13,118
Over five years	6,415	7,926
	<b>29,812</b>	<b>24,597</b>

The company revised its prior year disclosure of commitments under operating lease to conform to the current year presentation.