

Company number: 1122503

**GOLDMAN SACHS INTERNATIONAL BANK**  
(unlimited company)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**29 November 2002**



**GOLDMAN SACHS INTERNATIONAL BANK**  
(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 29 November 2002.

**1. Principal activities**

The company is involved in loan origination, secondary dealing in senior bank loans and related activities. The company is authorised under the Banking Act 1987.

**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 its activities in the forthcoming year.

**3. Dividends**

The directors declared and paid preference dividends of £5,113,402 during the period (53 week period ended 30 November 2001: £5,113,402). The directors do not recommend the payment of an ordinary dividend (2001: £nil) in respect of the period.

**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	Resigned
E. G. Corrigan (Chairman)		
P. C. Deighton		
S. Davies		
T. P. Hughes		
R. D. Henderson		
D. G. J. Paterson	4 July 2002	
T. J. O'Neill		15 January 2002

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

**GOLDMAN SACHS INTERNATIONAL BANK**  
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**REPORT OF THE DIRECTORS (CONTINUED)**

**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 standards 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, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**6. Auditors**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

**BY ORDER OF THE BOARD**

*Fiona C. Skinner*

**Fiona Skinner**  
**Secretary**  
*14 March 2003*

**Independent auditors' report to the members of  
GOLDMAN SACHS INTERNATIONAL BANK  
(unlimited company)**

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We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, reconciliation of movements in shareholders funds and 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 29 November 2002 and of its result 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 2003

**GOLDMAN SACHS INTERNATIONAL BANK**  
(unlimited company)

**PROFIT AND LOSS ACCOUNT**  
for the 52 week period ended 29 November 2002

	Note	52 week period ended 29 November 2002 £'000	53 week period ended 30 November 2001 £'000
Interest receivable	4	9,087	16,111
Interest payable	5	(6,258)	(11,905)
Net interest income		2,829	4,206
Fees and commissions receivable		298	7
Dealing profits	25	3,788	6,130
Other operating income		612	415
<b>TOTAL OPERATING INCOME</b>		7,527	10,758
Administrative income/(expenses)		103	(205)
Other operating charges		(6,725)	(7,450)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	7	905	3,103
Tax credit/ (charge) on profit on ordinary activities	9	14	(795)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		919	2,308
Dividends paid - preference (non equity)	10	(5,113)	(5,113)
<b>LOSS FOR THE PERIOD</b>		(4,194)	(2,805)

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

The turnover and loss from the company are derived from continuing operations.

The notes on pages 7 to 16 form part of these financial statements.  
Auditors' report – page 3.

**GOLDMAN SACHS INTERNATIONAL BANK**  
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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the 52 week period ended 29 November 2002

	52 week period ended 29 November 2002 £'000	53 week period ended 30 November 2001 £'000
Profit and total recognised gains for the financial period	919	2,308
Foreign exchange losses	-	(60)
Total recognised gains since the last annual report	919	2,248

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
as at 29 November 2002

	Note	52 week period ended 29 November 2002 £'000	53 week period ended 30 November 2001 £'000
Profit on ordinary activities after taxation		919	2,308
Dividends paid – non equity shares	10	(5,113)	(5,113)
		(4,194)	(2,805)
Foreign exchange losses		-	(60)
Net decrease in shareholders' funds		(4,194)	(2,865)
Opening shareholders' funds		86,969	89,834
Closing shareholders' funds		82,775	86,969

The notes on pages 7 to 16 form part of these financial statements.  
Auditors' report – page 3.

**GOLDMAN SACHS INTERNATIONAL BANK**  
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**BALANCE SHEET**  
**as at 29 November 2002**

	Note	29 November 2002 £'000	30 November 2001 £'000
<b>ASSETS</b>			
Cash and balances at central banks	12	691	3,342
Loans and advances to banks	13	22,370	-
Securities purchased under agreements to resell		223,172	430,077
Other assets		-	46
<b>Total assets</b>	11	<u>246,233</u>	<u>433,465</u>
<b>LIABILITIES</b>			
Deposits by banks	15	-	467
Customer accounts	16	125,237	303,276
Accruals and deferred income	17	587	803
Other liabilities	18	2,634	6,950
Subordinated debt	19	35,000	35,000
		<u>163,458</u>	<u>346,496</u>
Called up share capital	21	7,049	7,049
Share premium account	20	61,361	61,361
Profit and loss account	20	14,365	18,559
<b>Shareholders' funds</b>		<u>82,775</u>	<u>86,969</u>
<b>Total liabilities</b>		<u>246,233</u>	<u>433,465</u>
Equity shareholders' funds		20,775	24,969
Non equity shareholders' funds		62,000	62,000
<b>Shareholders' funds</b>		<u>82,775</u>	<u>86,969</u>
<b>MEMORANDUM ITEMS</b>			
Contingent liabilities	22	<u>493</u>	<u>542</u>
Commitments	22	<u>38,468</u>	<u>36,012</u>

Approved by the Board of Directors on



Director

14 March 2003

The notes on pages 7 to 16 form part of these financial statements.  
Auditors' report – page 3.

**GOLDMAN SACHS INTERNATIONAL BANK**  
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**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002**

**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 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 has not consolidated its subsidiary undertaking as it is not material to the financial statements.

The company has adopted the requirements of FRS 19 "Deferred Tax" in accordance with the timetable specified in the standard. The adoption of the new standard represents a change in accounting policy (see note 1(e)). No restatement of the prior period figures has been made as the effect is not material. The impact of the change, where applicable, has been included in the current year profit and loss account (see note 9).

The company has changed its accounting policy in respect of recognition of operating income from a settlement date basis to a trade date basis (see note 1 (f)). The effect of the change in accounting policy is *not material for the current period, nor the prior period, and hence no restatement of prior period figures* has been made. The directors consider that this change will lead to a fairer presentation of trading income and will bring the company into line with the remainder of the group.

- (b) **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 provision for any impairment.
- (c) **Resale agreements:** Securities purchased under agreements to resell are treated as collateralised financing transactions as they meet the requirements defined in FRS 5 and are carried at cost, the amount which the securities were sold or acquired and the accrued interest as specified in the respective agreements. The resale agreements relate to group undertakings.
- (d) **Foreign currencies:** Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into sterling at rates of exchange ruling on the date the transaction occurred. Differences arising on the translation of the opening reserves of the former overseas branch are dealt with in the translation reserve. All other gains and losses on exchange are recognised in operating profit.
- (e) **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 expected future tax rates. An asset is not recognised if the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted. This represents a change in accounting policy from the prior period.
- (f) **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 senior bank loans and related activities. Revenues are recorded on a trade date basis.

**2. CASHFLOW STATEMENT**

As at 29 November 2002, the company was a wholly owned subsidiary of The Goldman Sachs Group, Inc., and was therefore exempt from preparing a cashflow statement as required by FRS1 as the ultimate parent undertaking consolidated accounts are publicly available.



**GOLDMAN SACHS INTERNATIONAL BANK**  
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**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002**

**3. SEGMENTAL REPORTING**

All operating income arises from loan origination, secondary dealing and related activities. The directors manage the company's activities as a single business and accordingly no segmental analysis has been provided.

**4. INTEREST RECEIVABLE**

	52 week period ended 29 November 2002 £'000	53 week period ended 30 November 2001 £'000
Interest receivable comprises:		
Interest on securities purchased under agreements to resell	7,838	14,353
Interest on loans to banks and customers	1,249	1,758
	<b>9,087</b>	<b>16,111</b>

**5. INTEREST PAYABLE**

	52 week period ended 29 November 2002 £'000	53 week period ended 30 November 2001 £'000
Interest payable comprises:		
Interest payable on deposits from banks and customers	4,230	9,170
Interest payable on subordinated debt to parent undertaking	2,028	2,735
	<b>6,258</b>	<b>11,905</b>

**6. DIRECTORS' EMOLUMENTS**

	52 week period ended 29 November 2002 £'000	53 week period ended 30 November 2001 £'000
Aggregate emoluments	149	128
Company pension contributions to money purchase schemes	17	7
	<b>166</b>	<b>135</b>

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. Certain directors of the company also received options over shares in the ultimate parent company, which is registered outside the United Kingdom. Six directors are members of the defined contribution and five directors are members of the defined benefit pension schemes.

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

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**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002**

**7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	52 week period ended 29 November 2002 £'000	53 week period ended 30 November 2001 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration - audit services	45	79
Management fees charged by group undertakings	6,714	6,279
Exceptional management fee charged in respect of restricted stock units	(137)	101

The exceptional management fee relates to restricted stock units awarded to employees following the initial public offering of The Goldman Sachs Group, Inc. on the New York Stock exchange on 7 May 1999. The fee for the period comprises the adjustments to reflect the market value of the units up to the date of delivery. All awards relating to the initial public offering have now been delivered and hence no further liabilities in this respect remain within the company.

**8. STAFF COSTS**

The company has no employees (2001: Nil). All persons involved in the company's operations 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.

**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**(a) Analysis of (credit)/charge in period:**

	52 week period ended 29 November 2002 £'000	53 week period ended 30 November 2001 £'000
UK corporation tax at 30% (2001: 30%)- current period	-	768
Adjustments in respect of prior periods	(14)	26
Overseas tax	-	1
	(14)	795

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**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002**

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

**(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 29 November 2002 £'000	53 week period ended 30 November 2001 £'000
Profit on ordinary activities before tax	905	3,103
Profit on ordinary activities multiplied by standard rate in the UK (30%)	272	931
Timing difference in respect of restricted stock units	(177)	(163)
Adjustments to tax charge in respect of previous periods	(14)	26
Higher rate on overseas earnings	-	1
Utilisation of group tax losses for nil consideration	(95)	-
Current tax (credit)/charge	<u>(14)</u>	<u>795</u>

The timing difference arising from the restricted stock units (see note 7) comprises the net of the amounts charged to the profit and loss during the period and those amounts paid to employees during the period.

**10. DIVIDENDS PAID**

	52 week period ended 29 November 2002 £'000	53 week period ended 30 November 2001 £'000
Dividend on non equity shares:		
£0.01 fixed rate preference shares	<u>5,113</u>	<u>5,113</u>

**11. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

	29 November 2002 £'000	30 November 2001 £'000
Assets:		
denominated in sterling	120,455	128,720
denominated in other currencies	125,778	304,745
	<u>246,233</u>	<u>433,465</u>
Liabilities:		
denominated in sterling	120,996	129,018
denominated in other currencies	125,237	304,447
	<u>246,233</u>	<u>433,465</u>

**12. CASH AND BALANCES AT CENTRAL BANKS**

	29 November 2002 £'000	30 November 2001 £'000
Cash at banks	665	3,316
Balances at central banks	26	26
	<u>691</u>	<u>3,342</u>

**GOLDMAN SACHS INTERNATIONAL BANK**  
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**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002**

**13. LOANS AND ADVANCES TO BANKS**

	29 November 2002 £'000	30 November 2001 £'000
Repayable: In not more than three months	22,370	-

**14. INVESTMENT IN SUBSIDIARY UNDERTAKINGS**

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

	29 November 2002 £	30 November 2001 £
Restamove Limited (dormant)		
- 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.

**15. DEPOSITS BY BANKS**

	29 November 2002 £'000	30 November 2001 £'000
Repayable: On demand	-	467

**16. CUSTOMER ACCOUNTS**

	29 November 2002 £'000	30 November 2001 £'000
Customer accounts comprise the following repayable on demand:		
Demand deposits	16	27
Amounts due to group undertakings	125,221	303,249
	125,237	303,276

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

**17. ACCRUALS AND DEFERRED INCOME**

	29 November 2002 £'000	30 November 2001 £'000
Accruals and deferred income comprise:		
Accrual for management charges payable to parent and group undertakings	538	569
Other accruals and deferred income	49	234
	587	803

**GOLDMAN SACHS INTERNATIONAL BANK**  
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**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002**

**18. OTHER LIABILITIES**

	29 November 2002 £'000	30 November 2001 £'000
Other liabilities comprise:		
Amounts due to group undertakings	2,625	6,157
Corporation tax payable	9	776
Creditors and other liabilities	-	17
	<u>2,634</u>	<u>6,950</u>

**19. SUBORDINATED LIABILITIES**

Subordinated liabilities comprise loan capital from the ultimate parent undertaking of £35,000,000 (30 November 2001: £35,000,000) which matures on 29 June 2014. Interest is payable on the loan capital 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	Profit and Loss Account £'000
30 November 2001	61,361	18,559
Loss for the year	-	(4,194)
29 November 2002	<u>61,361</u>	<u>14,365</u>

**21. SHARE CAPITAL**

	No.	29 November 2002 £'000	No.	30 November 2001 £'000
<b><u>Authorised</u></b>				
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
		<u>46,596</u>		<u>46,596</u>
<b><u>Allotted, called up and fully paid</u></b>				
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
		<u>7,049</u>		<u>7,049</u>

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.

**GOLDMAN SACHS INTERNATIONAL BANK**  
(unlimited company)

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**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002**

**22. FINANCIAL COMMITMENTS AND CONTINGENCIES**

**Commitments**

	29 November 2002	30 November 2001
	£'000	£'000
Undrawn loan commitments	37,259	34,520
Letters of credit	1,209	1,492
	<b>38,468</b>	<b>36,012</b>

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 fully collateralise the undrawn commitments (note 16).

**Contingencies**

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 £493,229 (30 November 2001: £542,000). 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.

**23. RELATED PARTIES**

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.

**24. ULTIMATE PARENT UNDERTAKING**

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

**GOLDMAN SACHS INTERNATIONAL BANK**  
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**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002**

**25. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS**

**Trading Activities**

The company acts as a lender of record on loan positions arising from originations, secondary trading or the purchase of distressed mortgage portfolios.

**Risk Management**

The company seeks to measure, monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems.

Interest rate and foreign exchange exposure is managed so as to keep the company's exposure to interest rate and foreign exchange risk within limits set by management. The limit structure also includes exposures to counterparties both on an individual and aggregate basis.

**Interest Rate Risk**

The table below summarises the company's period-end 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. Short term debtors and creditors have been excluded from this and all subsequent analyses.

	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
<b>As at 29 November 2002</b>							
<b>Assets:</b>							
Cash and balances at central banks	691	-	-	-	-	-	691
Loans and advances to banks	22,370	-	-	-	-	-	22,370
Securities purchased under agreements to resell	223,172	-	-	-	-	-	223,172
	246,233	-	-	-	-	-	246,233
<b>Liabilities:</b>							
Deposits by banks	-	-	-	-	-	-	-
Customer accounts	(125,237)	-	-	-	-	-	(125,237)
Subordinated debt	-	-	(35,000)	-	-	-	(35,000)
Shareholders' funds	-	-	-	-	-	(82,775)	(82,775)
	(125,237)	-	(35,000)	-	-	(82,775)	(243,012)
Interest sensitivity gap	120,996	-	(35,000)	-	-	(82,775)	3,221
Cumulative interest sensitivity gap	120,996	120,996	85,996	85,996	85,996	3,221	3,221
Net short term creditors							(3,221)
							-

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**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002**

**25. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (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
<b>As at 30 November 2001</b>							
<b>Assets:</b>							
Cash and balances at central banks	3,342	-	-	-	-	-	3,342
Loans and advances to banks	-	-	-	-	-	-	-
Securities purchased under agreements to resell	430,077	-	-	-	-	-	430,077
	<u>433,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,419</u>
<b>Liabilities:</b>							
Deposits by banks	-	-	-	-	-	(467)	(467)
Customer accounts	(303,276)	-	-	-	-	-	(303,276)
Subordinated debt	-	-	(35,000)	-	-	-	(35,000)
Shareholders' funds	-	-	-	-	-	(86,969)	(86,969)
	<u>(303,276)</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>(87,436)</u>	<u>(425,712)</u>
Interest sensitivity gap	<u>130,143</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>(87,436)</u>	<u>7,707</u>
Cumulative interest sensitivity gap	<u>130,143</u>	<u>130,143</u>	<u>95,143</u>	<u>95,143</u>	<u>95,143</u>	<u>7,707</u>	<u>7,707</u>
Net short term creditors							<u>(7,707)</u>
							<u>-</u>

*Currency Risk*

The table below shows the company's transactional currency exposures (all non-trading book) as at 29 November 2002.

Functional currency of operation	Net foreign currency monetary assets / (liabilities) in £'000				
	US dollar	Yen	Euro	Other	Total
Sterling	216	9	291	25	541
Total	<u>216</u>	<u>9</u>	<u>291</u>	<u>25</u>	<u>541</u>



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**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002**

**25. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)**

The table below shows the company's transactional currency exposures (all non-trading book) as at 30 November 2001.

Functional currency of operation	Net foreign currency monetary assets / (liabilities) in £'000				
	US dollar	Yen	Euro	Other	Total
Sterling	(367)	61	283	321	298
Total	(367)	61	283	321	298

*Trading and related activities*

Dealing profits can be analysed as follows:

	52 week period ended 29 November 2002 £'000	53 week period ended 30 November 2001 £'000
Secondary trading and related activities	3,788	6,130
Loans and advances to customers	-	-
	<u>3,788</u>	<u>6,130</u>

Total counterparty risk is monitored on an aggregate basis across all activities. To reduce credit risk, the company uses a variety of credit enhancement techniques such as netting and collateralisation, where security is provided against exposure.

The company had no derivative positions at 29 November 2002 or 30 November 2001.