Company number: 2263951

GOLDMAN SACHS INTERNATIONAL

(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

24 November 2000

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

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 the 30th 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 30th November each year to ensure that it was coterminous with The Goldman Sachs Group, Inc. Consequently, the prior year comparative figures stated in these accounts are for a 30 week period.

1. Principal activities

The company provides a wide range of financial services to clients located worldwide and undertakes proprietary trading. The company is regulated by The Securities and Futures Authority. The company's share capital is denominated in US dollars and the company is part of a US dollar reporting group, accordingly, the company's functional currency is US dollars and these financial statements have been prepared in that currency.

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. In January 2001, the trading activities of Goldman Sachs Equity Securities (U.K.), a market maker and broker/dealer in equities in the London securities market and trader of related instruments, were transferred to the company.

3. Dividends

The directors declared and paid a final preference dividend of US$76,693,000 (30 week period ended 26 November 1999: US$ 72,993,875) and an interim ordinary dividend in specie of US$60,200,000 (30 week period ended 26 November 1999: US$ Nil). The directors do not recommend the payment of a final ordinary dividend.

4. Exchange rate

The US dollar/sterling exchange rate at the balance sheet date was 1.4000 (26 November 1999: 1.6072). The average rate for the period was 1.5256 (30 week period ended 26 November 1999: 1.6135).

5. Employment of disabled persons

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers within the group. Training, career development and promotion of disabled persons is, to the extent possible, identical to that of other employees who are not disabled.

6. Employee involvement

It is group policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs or future prospects. Employees share in performance based incentive schemes.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

REPORT OF THE DIRECTORS

7. 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
P. D. Sutherland, Chairman		
G. Davies		
J. D. Goldfield		January 20 2000
P. J. Ward		
S. Hefes		
P. A. Weinberg		
D.W. Blood		
S. B. Kapnick		
W. H. M. Pot		
P. C. Deighton		
S. M. Robertson		
J. Winkelried	January 14 2000	

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

8. 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, modified as explained in note 1(c), 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.

9. Charitable contributions

During the period, an amount of US$1,418,000 (30 week period ended 26 November 1999: US$573,000) was donated to charity.

BY ORDER OF THE BOARD

R F C Lawrie

R. F. C. LAWRIE
Secretary

15 February 2001

We have audited the financial statements on pages 4 to 17 which have been prepared under the accounting policies set out on pages 6 and 7.

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 as 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.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London 15 February 2001

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

PROFIT AND LOSS ACCOUNT
for the 52 week period ended 24 November 2000

	Note	52 week period ended 24 November 2000 US$'000	30 week period ended 26 November 1999 US$'000
Trading profit	3	3,500,373	1,474,960
Administrative expenses		(1,919,014)	(968,131)
Exceptional administrative expenses	5	(255,854)	(579,924)
OPERATING PROFIT/(LOSS)	5	1,325,505	(73,095)
Amounts written off fixed asset investments	12(a)	(18,936)	-
Other interest receivable and similar income	6	1,110	612
Interest payable and similar charges	7	(200,226)	(92,533)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,107,453	(165,016)
Tax on profit/(loss) on ordinary activities	10	(361,842)	(157,367)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		745,611	(322,383)
Dividends - preference (non equity)	21	(76,693)	(72,994)
- ordinary (equity)	21	(60,200)	-
PROFIT/(LOSS) FOR THE PERIOD	20	608,718	(395,377)

The trading and operating profit of the company is 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 except as explained in note 1(c).

The company has 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 17 form part of these financial statements.
Auditors' report - page 3.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

BALANCE SHEET
as at 24 November 2000

	Note		24 November 2000 US$'000		26 November 1999 US$'000
FIXED ASSETS					
Tangible assets	11		2,072		1,487
Investments:					
Shares in subsidiary undertakings	12(a)		-		79,136
Other investments other than loans	12(b)		1,249		1,222
			3,321		81,845
CURRENT ASSETS					
Securities inventory			27,727,554		25,079,233
Securities purchased under agreements to resell			31,545,666		27,506,925
Debtors	13		60,935,786		68,734,488
Investments	14		39,015		49,737
Cash at bank and in hand	15		3,984,089		2,729,214
			124,232,110		124,099,597
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Securities sold not yet purchased			(23,377,292)		(23,184,229)
Securities sold under agreements to repurchase			(27,565,617)		(25,755,816)
Other creditors	16		(66,263,984)		(71,143,320)
			(117,206,893)		(120,083,365)
NET CURRENT ASSETS			7,025,217		4,016,232
TOTAL ASSETS LESS CURRENT LIABILITIES			7,028,538		4,098,077
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17		(5,076,709)		(2,754,966)
			1,951,829		1,343,111
CAPITAL AND RESERVES					
Called up share capital	19		121,357		121,357
Share premium account	20		1,034,891		1,034,891
Capital reserve (non-distributable)			17,286		17,286
Profit and loss account	20		778,295		169,577
Equity shareholders' funds		907,352		298,634	
Non-equity (preferred) shareholders' funds		1,044,477		1,044,477	
TOTAL SHAREHOLDERS' FUNDS			1,951,829		1,343,111

Approved by the Board of Directors on 15 February 2001

Director

The notes on pages 6 to 17 form part of these financial statements.
Auditors' report – page 3.

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2000

1. *ACCOUNTING POLICIES*

The financial statements have been prepared under the historical cost convention, modified as explained in note 1(c) below, and in accordance with applicable Accounting Standards in the United Kingdom. The company is a subsidiary undertaking of a company incorporated in England and Wales and has elected not to prepare group accounts in accordance with the dispensation set out in section 228(1) of the Companies Act 1985. The principal accounting policies, which have been consistently applied, are 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:

	%
Fixtures, fittings and equipment	20
Computer equipment	33 1/3
Motor vehicles	20 to 25

Leasehold improvements are depreciated over the life of the lease.

(b) **Investments:**

(i) Shares in group undertakings are stated at cost less provision for any impairment.

(ii) Equipment leasing partnerships are stated at the company's share of the net assets of the partnerships.

(iii) Investments in exchange memberships are stated at cost less provision for any impairment.

(c) **Securities inventory:** Securities purchased and securities sold not yet purchased include the related interest and dividends. Securities purchased and securities sold not yet purchased and other financial instruments are valued, and stated in the balance sheet, at fair value. The gains or losses resulting from the application of this policy are taken to the profit and loss account, which represents a departure, as far as gains are concerned, from the Companies Act 1985. The directors consider that this departure is necessary in order that the financial statements should give a true and fair view of the results of the company's trading activities, in accordance with section 226(5) of the Companies Act 1985. The directors consider that it is not practicable, and moreover would be misleading, to quantify the effect of non-compliance with the Act.

The securities inventory represents the trading portfolio of the company and the directors are therefore of the opinion that it would not be appropriate to classify it as current asset investments, or to provide an analysis of such securities between those listed and unlisted.

(d) **Operating leases:** Costs in respect of operating leases are charged on a straight line basis over the lease term.

(e) **Amounts due from/to clients:** Amounts due from/to clients in respect of unsettled trading transactions are stated at the gross amounts, unless the offset requirements of FRS5 are met, in which cases such balances are stated on a net basis. Amounts due from/to counterparties in respect of derivative transactions are only offset where a legally binding netting agreement exists.

(f) **Repurchase and resale agreements:** Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralised financing transactions and are carried at cost, including accrued interest as specified in the respective agreements.

1. *ACCOUNTING POLICIES (CONTINUED)*

Included within the repurchase and resale agreements are amounts of US$3.5 billion (26 November 1999: US$2.1 billion) and US$6.1 billion (26 November 1999 :US$7.2 billion) respectively which relate to fellow subsidiary undertakings.

(g) **Current asset investments:** Current asset investments, which are not held for trading purposes, are stated at the lower of cost and net realisable value.

(h) **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.

(i) **Foreign currencies:** Assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than US dollars 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.

(j) **Profit recognition:** The operating results for the period include all profits arising from the trading operations of the company, including those arising from net trading interest. Purchases and sales of securities are accounted for on a trade date basis.

(k) **Corporate finance fees:** Corporate finance income is accrued when all the parties to a transaction are contractually bound. Advisory fees are credited when earned.

(l) **Money broker deposits:** Deposits with money brokers and deposits received from money brokers are carried at the amounts of cash collateral advanced and received in connection with the transactions. The company measures the market value of the securities borrowed and loaned against the collateral on a daily basis and obtains or provides additional collateral as appropriate.

(m) **Pension cost:** The company participates in a hybrid pension plan for the benefit of certain employees. This comprises:

(i) A funded defined benefit scheme, for which the costs are charged to the profit and loss account on the basis of the contribution rate determined by the actuary.

(ii) A funded contribution scheme, for which the costs of providing the expected retirement benefits to relevant employees are charged to the profit and loss account in the period to which they relate.

Variations from regular cost are allocated over the remaining service lives of current employees within the scheme.

(n) **Long term loan notes:** Long term loan notes issued are initially recorded at the proceeds received after deducting issue costs. Finance costs, including discounts allowed on issue, are allocated to the profit and loss account so as to achieve a constant rate of return on the carrying amount of the debt over the period to the date at which the debt is expected to be redeemed.

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. *TRADING PROFIT*

Trading profit has been disclosed instead of turnover as this reflects more meaningfully the nature and results of the company's activities. Trading profit, after charging related expenses, includes the net profit arising from transactions in securities, foreign exchange and other financial instruments, and fees and commissions earned. Related expenses include trading interest payable less trading interest and dividends receivable.

4. *SEGMENTAL REPORTING*

All trading profit arises from financial services provided to clients and proprietary trading in financial instruments. The directors manage the company's activities as a single business and accordingly no segmental analysis has been provided.

5. *OPERATING PROFIT/(LOSS)*

	52 week period ended 24 November 2000 US$'000	**30 week period ended 26 November 1999 US$'000**
Operating profit/(loss) is stated after charging:		
Depreciation of tangible fixed assets	519	387
Management fees charged by fellow subsidiary undertakings	678,572	300,606
Exceptional management fee charged in respect of restricted stock units	255,854	579,924
Auditors' remuneration: - audit services	2,633	1,889
- other	5,498	3,034
Operating lease rentals	54,163	20,795
Trading interest payable: - fellow subsidiary undertakings	1,880,637	1,190,140
- other	3,093,954	901,540
and after crediting:		
Trading interest receivable: - fellow subsidiary undertakings	2,382,727	1,292,327
- other	2,942,692	990,120

The exceptional administrative expenses comprise a management fee which 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 1999 fee represented the initial cost of the awards plus an adjustment to reflect the market value of the units at the balance sheet date. The fee for the current period comprises the amortisation of the costs of the awards and the adjustment to reflect the market value of the units at the balance sheet date.

6. *OTHER INTEREST RECEIVABLE AND SIMILAR INCOME*

Other interest receivable and similar income comprises:

	52 week period ended 24 November 2000 US$'000	30 week period ended 26 November 1999 US$'000
Interest on overnight deposits	**1,110**	**612**

7. *INTEREST PAYABLE AND SIMILAR CHARGES*

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

	52 week period ended 24 November 2000 US$'000	30 week period ended 26 November 1999 US$'000
Payable to parent undertakings	**200,226**	**92,533**

8. *DIRECTORS' EMOLUMENTS*

	52 week period ended 24 November 2000 US$'000	30 week period ended 26 November 1999 US$'000
Aggregate emoluments	8,307	8,913
Company pension contributions to defined contribution schemes	91	200
	8,398	**9,113**

	US$'000	US$'000
Highest paid director:		
Aggregate emoluments and benefits	1,214	1,176
Company pension contributions to defined contribution schemes	2	1
Defined benefit schemes:		
Accrued pension at end of period	6	4

In accordance with the Companies Act 1985, the 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. Eleven directors are members of the defined contribution pension scheme and eight are members of the defined benefit pension scheme. Certain 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.

9. *STAFF COSTS*

The average number of employees of the company including directors, is analysed below:

	52 week period ended 24 November 2000 Number	30 week period ended 26 November 1999 Number
Trading, sales, advisory, research and asset management	1,933	1,465
Support, operations and technology	1,236	1,248
	3,169	**2,713**

The employment costs incurred by the company, including those relating to directors, were:

	52 week period ended 24 November 2000 US$'000	30 week period ended 26 November 1999 US$'000
Aggregate gross wages and salaries	752,140	492,453
Employer's national insurance contributions	77,240	39,747
Pension costs	22,754	14,618
Total direct costs of employment	**852,134**	**546,818**

Pension schemes

The company operates a pension plan with a hybrid structure, having both defined benefit and defined contribution sections.

The most recent valuation of the defined benefit scheme of the pension plan was carried out by the scheme actuary as at 1 December 1999 using the projected unit funding method. Under this method the market value of assets of the scheme was US$76.0 million (£54.3 million). This value represented some 121% of the value placed on the scheme's accrued liabilities, including allowance for expected future increases in salary. The principal long-term actuarial assumptions adopted at that time were for future investment returns of 6.5% pa, salary increases of 4.5% pa and pension increases on post-30 November 1996 accrual of 2.5% pa (in line with price inflation). However, if the Pension Plan had been discontinued and wound up as at 1 December 1999 the premium required at that time to purchase annuities for pensioners and deferred annuities for active members and deferred pensioners, might have exceeded the market value of the accumulated assets by $38.2 million (£27.3 million). This deficit would potentially arise because, under the terms of the Plan Trust Deed, the scheme is required to fund benefits accrued prior to 1 December 1996 on a buy-out basis i.e. on terms for securing accrued benefits with an insurance company. These terms are driven by UK gilt yields which at the time of the valuation were expensive (in historic terms). In view of this shortfall, the company has agreed to maintain the current contribution rate of 13.6% of limited qualifying salaries for three years.

For the purposes of compliance with SSAP24, calculations as at 1 December 1999 have been carried out by the scheme actuary to assess the pension costs relating to the defined benefit scheme of pension plan. The regular cost on a valuation basis is 5.5% of limited qualifying salaries. However, because of the increased actual contribution rate required as detailed above, a variation to regular cost arises. The financial effect of this variation is being spread over a period of 6 years, representing the average future working lifetime of employees.

For the defined contribution section of the Plan, the pension cost is equal to the contributions paid by the company of US$16.1 million (£11.9 million).

10. *TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES*

The taxation charge for the period comprises:

	52 week period ended 24 November 2000 US$'000	30 week period ended 26 November 1999 US$'000
UK corporation tax at 30% - current period	387,058	146,265
UK corporation tax - prior year	822	-
Group relief payable to fellow subsidiary undertakings at 30%	18,917	-
Overseas taxation	(44,955)	11,102
	361,842	**157,367**

The difference between the UK corporation tax rate and the effective tax rate in the financial statements is due mainly to the disallowance of exceptional administrative expenses incurred in the current period and the deduction for exceptional administrative expenses incurred but disallowed in a previous accounting period.

Overseas taxation in the current period comprises overseas tax payable, less dividend tax credits receivable in accordance with FRS16.

11. *TANGIBLE FIXED ASSETS*

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

	Leasehold improvements US$'000	Fixtures fittings & equipment US$'000	Motor vehicles US$'000	Total US$'000
COST				
At 26 November 1999	1,199	2,567	345	4,111
Additions	1,083	21	-	1,104
Reclassifications	(28)	17	11	-
Disposals	-	(1,847)	(65)	(1,912)
At 24 November 2000	**2,254**	**758**	**291**	**3,303**
DEPRECIATION				
At 26 November 1999	297	2,011	316	2,624
Charge for period	337	168	14	519
Disposals	-	(1,847)	(65)	(1,912)
At 24 November 2000	**634**	**332**	**265**	**1,231**
NET BOOK VALUE				
At 24 November 2000	**1,620**	**426**	**26**	**2,072**
At 26 November 1999	**902**	**556**	**29**	**1,487**

12. *FIXED ASSET INVESTMENTS*

(a) Shares in subsidiary undertakings (at cost)

	US$'000
At 26 November 1999	79,136
Transfer to parent undertakings	(79,136)
At 24 November 2000	-

(i) The only subsidiary over which the company exercises control at the period end is listed below.

Name of company	%	Number in issue	Class	Nominal
Goldman Sachs Europe Limited	100	100	Ordinary shares	US$ 1

Goldman Sachs Europe Limited is incorporated in Jersey, and operates outside the United Kingdom, primarily in Europe.

During the period ended 24 November 2000, the company transferred its 43,000,000 preference shares of £1 each in Goldman Sachs Property Management to its parent undertakings by way of a dividend in specie of US$60,200,000 (Note 21). The remaining amount of US$18,936,000 was written off.

(b) Other investments other than loans

The company has a US$67,000 (26 November 1999: US$ 77,000) investment in an equipment leasing partnership operating in the United Kingdom. This represents the company's share of the net assets of the partnership, mainly being investments in finance leases financed by the partners' equity investment.

The company also has investments in exchange memberships, which are unlisted and stated at cost.

	24 November 2000 US$'000	26 November 1999 US$'000
Investments in equipment leasing partnerships		
Beginning of period	77	77
Foreign exchange translation	(10)	-
	67	**77**
Exchange memberships		
Beginning of period	1,145	1,145
Additions	37	-
	1,182	**1,145**

(c) The directors consider that the value of investments in subsidiary undertakings and other investments other than loans is not less than their book value.

13. DEBTORS

	24 November 2000 US$'000	26 November 1999 US$'000
Deposits as collateral for stock borrowed	3,085,121	3,343,678
Amounts due from broker / dealers and customers	24,723,765	28,008,382
Amounts due from parent and fellow subsidiary undertakings	32,964,244	37,285,437
Amounts due from subsidiary undertakings	-	5,399
Corporation tax recoverable	17,745	20,350
Other debtors	70,509	28,579
Prepayments and accrued income	74,402	42,663
	60,935,786	**68,734,488**

Of the amount due from parent and fellow subsidiary undertakings, US$57,186,000 (1999: US$26,932,000) is due in more than one year. This relates to IPO awards and equity based employee compensation. The remaining debtors are all due within one year of the balance sheet date.

14. CURRENT ASSET INVESTMENTS

Current asset investments are stated at the lower of cost and net realisable value and comprise US Treasury Bills with a market value of US$39,032,000 at the period end (26 November 1999: US$ 49,746,000).

15. CASH AT BANK AND IN HAND

Included within cash at bank and in hand is US$3,654,115,000 (1999: US$2,089,536,000) that is held on behalf of clients in segregated accounts.

16. OTHER CREDITORS

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

	24 November 2000 US$'000	26 November 1999 US$'000
Promissory notes issued	694,358	225,448
Bank loans and overdrafts	189,832	337,478
Deposits received as collateral for stock loans	23,600,602	19,965,815
Amounts due to broker / dealers and customers	15,815,234	18,049,210
Amounts due to parent and fellow subsidiary undertakings	25,078,764	31,752,731
Amounts due to subsidiary undertakings	356	-
Corporation tax payable	180,407	245,557
Accrual for management charges payable to parent and fellow subsidiary undertakings	175,017	138,889
Other taxes and social security costs	62,116	51,207
Other creditors and accruals	467,298	376,985
	66,263,984	**71,143,320**

16. *OTHER CREDITORS (CONTINUED)*

Of the other creditors falling due within one year US$23,601 million (26 November 1999: US$19,966 million) is secured by marketable securities.

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

	24 November 2000 US$'000	26 November 1999 US$'000
Long-term subordinated loan	2,455,000	2,190,000
Long-term loan notes	1,802,645	-
Accrual for management charges payable to parent and fellow subsidiary undertakings	764,048	526,346
Other creditors and accruals	55,016	38,620
	5,076,709	**2,754,966**

The amounts outstanding at 24 November 2000 and 26 November 1999 include long-term subordinated loans from a parent undertaking. The loans are unsecured and carry interest at a margin over LIBOR. The long-term subordinated loans of US$2,455 million (26 November 1999: US$2,190 million) constitute regulatory capital as approved by The Securities and Futures Authority. US$2,100 million is repayable upon giving or receiving at least 2 years notice to or from the parent undertaking. US$355 million is repayable upon giving or receiving at least 5 years notice to or from the parent undertaking.

The accrual for management charges is in respect of restricted stock awards and long-term incentive schemes.

The long term loan notes were issued to a subsidiary undertaking of the ultimate parent company and are stated at the principal amounts of £375 million and US$1,240 million plus the discount accretion to 24 November 2000. The notes are zero coupon and are due to mature on 15 October 2003 at a value of £465 million and US$1,557 million respectively. However, the company is able to redeem these notes at any time before 15 October 2003 should it choose to do so.

18. *DEFERRED TAX*

	24 November 2000 US$'000	26 November 1999 US$'000
Deferred tax asset attributable to:		
Depreciation in excess of capital allowances	990	1,891
Other timing differences	293,480	207,315
	294,470	**209,206**

The potential deferred tax asset of US$294,470,000 (26 November 1999: US$209,206,000) has not been recognised in the financial statements. Other timing differences include deferred tax in respect of exceptional administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2000

19. SHARE CAPITAL

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

	24 November 2000		26 November 1999	
	No.	US$'000	No.	US$'000
Authorised				
Ordinary shares of US$ 1 each	250,000,000	250,000	250,000,000	250,000
Preference shares of US$ 0.01 each	1,500,000,000	15,000	979,508,407	9,795
		265,000		259,795
Allotted, called up and fully paid				
Ordinary shares of US$ 1 each	111,770,698	111,771	111,770,698	111,771
Preference shares of US$ 0.01 each	958,659,364	9,586	958,659,364	9,586
		121,357		121,357

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. Preference shares have a fixed non-cumulative dividend payable at a rate of 8 cents per share per annum.

20. SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account US$'000	Profit and loss account US$'000
At 26 November 1999	1,034,891	169,577
Profit for the period	-	608,718
At 24 November 2000	1,034,891	778,295

21. DIVIDENDS

	24 November 2000 US$'000	26 November 1999 US$'000
Dividends on non-equity shares:		
US$0.01 fixed rate preference shares	76,693	72,994
Dividends on equity shares in specie:		
US$1 ordinary shares	60,200	-

The ordinary dividend in specie of US$60,200,000 was paid by distributing the company's 43,000,000 preference shareholding in Goldman Sachs Property Management (Note 12).

22. *RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS*

	24 November 2000 US$'000	**26 November 1999 US$'000**
Profit/(loss) on ordinary activities after taxation	745,611	(322,383)
Payment of non-cumulative preference dividend	(76,693)	(72,994)
Payment of ordinary dividend in specie	(60,200)	-
Issue of preference shares	-	100,000
Net increase/(decrease) in shareholders' funds	608,718	(295,377)
Opening shareholders' funds	1,343,111	1,638,488
Closing shareholders' funds	**1,951,829**	**1,343,111**

23. *FINANCIAL COMMITMENTS AND CONTINGENCIES*

(a) The company's only financial commitments and contingencies outstanding at the period end arise from letters of credit and forward foreign exchange, swaps, options, financial futures contracts, debt and equity forwards and underwriting commitments entered into in the ordinary course of business. The company is exempt from the disclosures required by FRS13 as it is not a financial institution or insurance company and it has no capital instruments that are publicly listed or traded.

In addition, there are registered charges on the company's assets which have arisen in the ordinary course of business.

(b) The company leases certain buildings on long term leases. Under these leases, which are subject to renegotiation at various intervals specified in the leases, the company pays all insurance, maintenance and repairs of these properties. The rentals that the company is committed to pay in the next year are as follows:

	24 November 2000 US$'000	**26 November 1999 US$'000**
Maturity of lease		
Less than one year	1,580	-
Between 1 and 2 years	298	222
Between 2 and 5 years	665	1,488
Over 5 years	85,430	34,862
	87,973	**36,572**

24. *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.

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2000

25. POST BALANCE SHEET EVENT

In January 2001, the trading activities of Goldman Sachs Equity Securities (U.K.), a market maker and broker/dealer in equities in the London securities market and trader of related instruments, were transferred to the company.

26. 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 Holdings (UK), registered in England and Wales, is the immediate parent undertaking.