

**GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**  
(unlimited company)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**24 November 2000**



# **GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**

(unlimited company)

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## **REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the 52 week period ended 24 November 2000.

### **1. Principal activity**

The company is an asset management company and is regulated by the Investment Management Regulatory Organisation. 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 and do not anticipate any significant changes in its activities in the forthcoming year.

On 30 December 2000, the company acquired the business of a fellow subsidiary, another asset management company (note 19).

### **3. Dividend**

The directors do not recommend the payment of a preference dividend (1999: US\$ Nil) or an ordinary dividend (1999:US\$ Nil).

### **4. Exchange rate**

The US dollar/sterling exchange rate at the balance sheet date was 1.4000 (1999: 1.6072). The average rate for the period was 1.5256 (1999: 1.6214).

### **5. Directors**

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

<b>Name</b>	<b>Appointed</b>	<b>Resigned</b>
D.B. Ford (Chief Executive Officer and Managing Director)		
J.P. McNulty		
P.C. Deighton		
T.T. Sotir		
D.W. Blood		
S.C. Fitzgerald		4 August 2000
J. M. Longerstaey	1 September 2000	
S. M. Noble	1 September 2000	
A. F. Wilson	1 September 2000	

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

**GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**  
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***REPORT OF THE DIRECTORS***

**6. Directors' responsibilities**

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

**BY ORDER OF THE BOARD**



**A. M. Marshall**  
Secretary

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

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

**Respective responsibilities of directors and auditors**

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

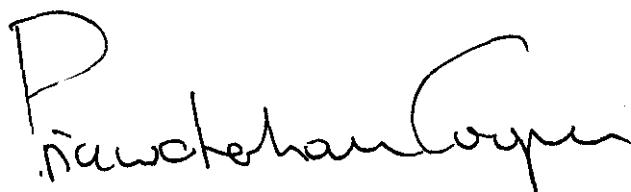
**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 24 November 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London

13 February 2001.

**GOLDMAN SACHS ASSET MANAGEMENT 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	52 week period ended 26 November 1999 US\$'000
Turnover	3	117,121	84,559
Administrative expenses		(98,892)	(86,617)
Exceptional administrative expenses	5	(11,254)	(33,174)
<b>OPERATING PROFIT/(LOSS)</b>	5	6,975	(35,232)
Other interest receivable and similar income	6	4,998	1,333
Interest payable and similar charges	7	(1,184)	(765)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		10,789	(34,664)
Tax on profit/(loss) on ordinary activities	10	(4,487)	(464)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		6,302	(35,128)
Dividends payable		-	-
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	18	6,302	(35,128)

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

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

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

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

**GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**  
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**BALANCE SHEET**  
as at 24 November 2000

	Note	2000 US\$'000	1999 US\$'000
<b>FIXED ASSETS</b>			
Investments	11	84	104
<b>CURRENT ASSETS</b>			
Securities purchased under agreements to resell		87,284	-
Debtors	12	29,585	21,282
Investments	13	49	53
Cash at bank and in hand		10,554	70,384
		127,472	91,719
<b>CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	(34,081)	(18,780)
<b>NET CURRENT ASSETS</b>		93,391	72,939
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		93,475	73,043
<b>CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	(45,357)	(41,227)
		48,118	31,816
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	1,695	1,581
Share premium account	17	69,293	59,407
Profit and loss account	17	(22,870)	(29,172)
Equity shareholders' deficit		(21,882)	(28,184)
Non-equity (preferred) shareholders' funds		70,000	60,000
<b>TOTAL SHAREHOLDERS' FUNDS</b>		48,118	31,816

Approved by the Board of Directors on

13 February 2001

  
Director

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

**GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**  
(unlimited company)

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

**1. ACCOUNTING POLICIES**

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

- (a) **Resale agreements**: Securities purchased under agreements to resell are treated as collateralized financing transactions and are carried at cost, including accrued interest as specified in the respective agreements. The resale agreements relate to fellow subsidiary undertakings.
- (b) **Fixed asset investment**: Debentures which are stated at cost and amortised over their useful economic life.
- (c) **Current asset investments**: Current asset investments, which are not held for trading purposes, are stated at the lower of cost and net realisable value.
- (d) **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.

**2. CASHFLOW STATEMENT**

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

**3. TURNOVER**

Turnover represents fees earned for managing investments and is recognised in the profit and loss account on an accruals basis.

**4. SEGMENTAL REPORTING**

All income arises from the management of funds. The directors manage the company's activities as a single business and accordingly no segmental analysis has been provided.

**GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**  
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**NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2000**

**5. OPERATING PROFIT/(LOSS)**

	2000 US\$'000	1999 US\$'000
Operating profit/(loss) is stated after charging:		
Auditors' remuneration: audit services	10	11
non audit services	157	143
Management fees charged by fellow subsidiary undertakings	87,331	71,783
Exceptional management fee charged in respect of restricted stock units	11,254	33,174
Amortisation of fixed asset investment	46	33

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**

	52 week period ended 24 November 2000 US\$'000	52 week period ended 26 November 1999 US\$'000
Interest on overnight deposits	2,180	1,333
Interest on resale agreements	2,818	-
	<b>4,998</b>	<b>1,333</b>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	52 week period ended 24 November 2000 US\$'000	52 week period ended 26 November 1999 US\$'000
Interest on subordinated loan from a parent undertaking	1,184	765

**8. STAFF COSTS**

The company has no employees (1999: Nil). All persons involved in the company's operations are employed by a fellow subsidiary 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 fellow subsidiary undertakings.

**GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**  
(unlimited company)

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

**9. DIRECTORS' EMOLUMENTS**

	52 week period ended 24 November 2000 US\$'000	52 week period ended 26 November 1999 US\$'000
Aggregate emoluments	309	319
Company pension contributions to defined contribution schemes	7	19
	<b>316</b>	<b>338</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Highest paid director		
Aggregate emoluments and benefits	109	122
Defined benefit schemes:		
Accrued pension at end of period	2	-

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. All directors are members of the defined contribution and seven directors are members of the defined benefit pension schemes. The emoluments of the directors are paid by a fellow group undertaking.

A provision of US\$10,000 (1999: US\$3,000) has been made for qualifying services in respect of a long term incentive scheme for directors. When the shares are awarded under the scheme, the appropriate amounts will be disclosed in directors' emoluments at that time.

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

The taxation charge for the period comprises:

	52 week period ended 24 November 2000 US\$'000	52 week period ended 26 November 1999 US\$'000
UK corporation tax at 30% (1999: 30.33 %) - current year	4,643	464
UK corporation tax - prior year	(156)	-
	<b>4,487</b>	<b>464</b>

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.

The deferred tax asset of US\$12,359,099 (1999: US\$10,654,000), arising from timing differences on exceptional administrative expenses, has not been recognised.

**GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**  
(unlimited company)

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

**11. FIXED ASSET INVESTMENT**

The fixed asset investment comprises debentures, which are stated at cost and amortised over their useful economic life.

	<u>US\$'000</u>
<b>COST</b>	
At 26 November 1999	183
Additions	41
Redemptions	(11)
Other	(12)
	<u>201</u>
At 24 November 2000	<u>201</u>
<b>AMORTISATION</b>	
At 26 November 1999	79
Charge for the period	46
Other	(8)
	<u>117</u>
At 24 November 2000	<u>117</u>
<b>NET BOOK VALUE</b>	
At 24 November 2000	<u>84</u>
At 26 November 1999	<u>104</u>

**12. DEBTORS**

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

	<b>2000</b>	<b>1999</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Trade debtors	11,563	3,700
Amounts due from fellow subsidiary undertakings	8,624	8,860
Prepayments and accrued income	9,398	8,722
	<u>29,585</u>	<u>21,282</u>

**13. CURRENT ASSET INVESTMENTS**

The current asset investments which are unlisted and stated at the lower of cost and net realisable value comprise Japanese bonds.

**GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**  
(unlimited company)

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

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

	2000 US\$'000	1999 US\$'000
Amounts due to fellow subsidiary undertakings	19,707	6,854
Corporation tax payable	2,734	488
Accrual for management charges payable to parent and fellow subsidiary undertakings	10,228	9,279
Accruals and deferred income	1,412	2,159
	<u>34,081</u>	<u>18,780</u>

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

	2000 US\$'000	1999 US\$'000
Long-term subordinated loan	15,000	15,000
Accrual for management charges payable to parent and fellow subsidiary undertakings	30,357	26,227
	<u>45,357</u>	<u>41,227</u>

The long term subordinated loan is from a parent undertaking. The loan is unsecured, carries interest at a margin above LIBOR and is repayable upon receipt of at least 2 years notice from the parent undertaking. No such notice has yet been received. The accrual for management charges is in respect of restricted stock awards and long term incentive schemes.

**16. SHARE CAPITAL**

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

	2000		1999	
	No.	US\$'000	No.	US\$'000
<b><u>Authorised</u></b>				
Ordinary shares of US\$ 1 each	988,000	988	988,000	988
'B' ordinary shares of £ 1 each	2	-	2	-
Non-cumulative preference shares of US\$ 0.01 each	100,000,000	1,000	100,000,000	1,000
		<u>1,988</u>		<u>1,988</u>
	2000		1999	
	No.	US\$'000	No.	US\$'000
<b><u>Allotted, called up and fully paid</u></b>				
Ordinary shares of US\$ 1 each	988,000	988	988,000	988
'B' ordinary shares of £ 1 each	2	-	2	-
Non-cumulative preference shares of US\$ 0.01 each	70,708,124	707	59,344,488	593
		<u>1,695</u>		<u>1,581</u>

**GOLDMAN SACHS ASSET MANAGEMENT INTERNATIONAL**  
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**NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2000**

**16. SHARE CAPITAL (CONTINUED)**

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.

On 24 March 2000, the company allotted 11,363,636 preference shares of \$0.01 each at \$0.88 to The Goldman Sachs Group, Inc. in order to maintain regulatory capital levels in the company.

**17. SHARE PREMIUM ACCOUNT AND RESERVES**

	Share premium account US\$'000	Profit and loss account US\$'000
At 26 November 1999	59,407	(29,172)
Profit for the period	-	6,302
Preference shares issued	9,886	-
At 24 November 2000	<u>69,293</u>	<u>(22,870)</u>

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

	2000 US\$'000	1999 US\$'000
Profit/(loss) for the period	6,302	(35,128)
New share capital issued	10,000	55,000
Net increase in shareholders' funds	16,302	19,872
Opening shareholders' funds	31,816	11,944
Closing shareholders' funds	<u>48,118</u>	<u>31,816</u>

**19. POST BALANCE SHEET EVENT**

Subsequent to the period end, the company acquired the business, comprising net assets and all contracts of a fellow subsidiary undertaking, another asset management company. Consideration paid was equivalent to the net asset value of CIN Management at the date of the transfer (30 December 2000).

**20. 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.

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

**21. *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 (U.K.), a company registered in England and Wales, is the immediate parent undertaking.