

# 15 - 09 - 97

Company number: 2611945

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

29 November 1996



## **GOLDMAN SACHS HOLDINGS (U.K.)** (unlimited company)

### **REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the 53 week period ended 29 November 1996.

#### **1. Principal activities**

The company is a holding company to a group which provides a wide range of financial services to clients located worldwide. The group's share capital is denominated in US dollars and the group is part of a US dollar reporting group, accordingly, the financial statements have been prepared in that currency.

#### **2. Review of business and future developments**

During the year the operating activities of Goldman Sachs Futures ('GSF') were transferred to Goldman Sachs International ('GSI') and its subsidiary undertaking, Goldman Sachs International Finance ('GSIF'), was sold to Goldman Sachs Holdings (U.K.). Subsequently, the share capital of GSF was reduced to US\$100. The net monetary effect to the group of this reorganisation was a loss of \$2,407,000, resulting from an indemnity payment made to the minority shareholders of GSIF.

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 group was satisfactory and do not anticipate any significant changes in its activities in the forthcoming year.

#### **3. Dividends**

The directors declared and paid ordinary dividends of US\$28,273,000 and preference dividends of US\$36,485,000 during the period (1995: US\$ Nil).

#### **4. Exchange rate**

The US dollar/sterling exchange rate at the balance sheet date was 1.6816 (1995: 1.5597). The average rate for the period was 1.5594 (1995: 1.5870).

#### **5. Preference share capital**

On 29 December 1995, the company allotted 68,965,517 preference shares of US\$ 0.01 each, fully paid, at US\$ 1.16 each.

15 - 09 - 97

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

**REPORT OF THE DIRECTORS**

**6. Directors**

The directors of the company during the period, together with dates of appointment or resignation where applicable, were:

Name	Appointed	Resigned
R. M. Hayden		
G. K. Palm		
D. W. Blood		14 June 1996
P. D. Sutherland		
J.A. Thain		
J. L. Thornton		
P. Savitz	13 June 1996	
P.C. Deighton	13 June 1996	

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

**7. 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 and the group as at the end of the financial period and of the profit or loss of the group 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 with the exception of the departures disclosed and explained in notes 1(d) and 1(e) to the financial statements, 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 the group and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD

  
D. J. GROUNSELL  
Secretary

20 March 1997

# 15 - 09 - 97

**Report of the auditors to the members of  
GOLDMAN SACHS HOLDINGS (U.K.)**

---

We have audited the financial statements set out on pages 4 to 20.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


**Basis of 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 affairs of the company and the group at 29 November 1996 and of the profit and cash flows of the group for the 53 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
COOPERS & LYBRAND  
Chartered Accountants and Registered Auditors  
London 10 April 1997

15 - 09 - 97

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the 53 week period ended 29 November 1996

	Note	1996 US\$'000	1995 US\$'000
Trading profit	2	1,280,878	806,498
Administrative expenses		(684,400)	(624,642)
<b>OPERATING PROFIT</b>	4	596,478	181,856
Loss on group reorganisation		(2,407)	-
Income from current asset investments		-	200
Gain on sale of subsidiary		-	705
Other interest receivable and similar income	5	31,652	34,102
Interest payable and similar charges	6	(269,044)	(232,210)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		356,679	(15,347)
Tax on profit/(loss) on ordinary activities	8	(41,181)	(1,668)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>	9	315,498	(17,015)
Minority interests	21	(8,728)	(19,802)
<b>PROFIT/(LOSS) FOR THE FINANCIAL PERIOD</b>		306,770	(36,817)
Dividends paid - ordinary (equity)	20	(28,273)	-
- preference (non equity)	20	(36,485)	-
<b>RETAINED PROFIT/(LOSS) FOR THE PERIOD</b>	19	242,012	(36,817)

The trading and operating profit of the group are derived from continuing operations.

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

The notes on pages 8 to 20 form part of these financial statements.  
Auditors' report - page 3.

15 - 09 - 97

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the 53 week period ended 29 November 1996

	1996 US\$'000	1995 US\$'000
Retained profit/(loss) for the financial period	242,012	(36,817)
Exchange adjustments arising on foreign currency net assets	14,847	(7,376)
Total recognised gains/(losses) for the financial period	<u>256,859</u>	<u>(44,193)</u>

**RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS**  
for the 53 week period ended 29 November 1996

	1996 US\$'000	1995 US\$'000
Profit/(loss) for the financial period	306,770	(36,817)
Dividends - on equity shares	(28,273)	-
- on non equity shares	<u>(36,485)</u>	<u>-</u>
	242,012	(36,817)
Other recognised gains and losses for the financial period	14,847	(7,376)
Issue of preference share capital	<u>80,000</u>	<u>-</u>
Net increase/(reduction) in shareholders' funds	336,859	(44,193)
Opening shareholders' funds	192,048	236,241
Closing shareholders' funds	<u>528,907</u>	<u>192,048</u>

The notes on pages 8 to 20 form part of these financial statements.  
Auditors' report - page 3.

## GOLDMAN SACHS HOLDINGS (U.K.) (unlimited company)

### BALANCE SHEETS as at 29 November 1996

	Note	The Group		The Company	
		1996	1995	1996	1995
		US\$'000	US\$'000	US\$'000	US\$'000
<b>FIXED ASSETS</b>					
Tangible assets	10	113,848	118,378	-	-
Investments:					
Shares in subsidiary undertakings	11(a)	-	-	1,039,839	947,517
Other investments other than loans	11(b)	1,891	1,411	-	-
		115,739	119,789	1,039,839	947,517
<b>CURRENT ASSETS</b>					
Securities		18,608,228	18,622,712	-	-
Securities purchased under agreements to resell		12,711,276	8,759,279	-	-
Stocks		1,870	194,531	-	-
Debtors	12	25,346,510	19,215,062	19,092	29,248
Investments	13	42,632	49,967	-	-
Cash at bank and in hand	14	1,289,155	455,254	5	597
		57,999,671	47,296,805	19,097	29,845
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
Securities sold not yet purchased		(10,423,668)	(12,965,678)	-	-
Securities sold under agreements to repurchase		(16,307,026)	(6,834,895)	-	-
Other creditors	15	(27,779,322)	(25,579,001)	(426,964)	(455,778)
		(54,510,016)	(45,379,574)	(426,964)	(455,778)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		3,489,655	1,917,231	(407,867)	(425,933)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,605,394	2,037,020	632,822	521,584
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(2,591,847)	(1,456,900)	-	-
		1,013,547	580,120	631,972	521,584
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	148,682	147,992	148,682	147,992
Share premium account	19	434,214	354,904	434,214	354,904
Profit and loss account (accumulated losses)	19	(53,989)	(310,848)	49,076	16,688
<b>TOTAL SHAREHOLDERS' FUNDS</b>		528,907	192,048	631,972	521,584
Surplus/(Deficit) of equity shareholders' funds		90,165	(166,694)	193,230	162,842
Non-equity (preferred) shareholders' funds		438,742	358,742	438,742	358,742
<b>TOTAL SHAREHOLDERS' FUNDS</b>		528,907	192,048	631,972	521,584
<b>MINORITY INTERESTS</b>	21	484,640	388,072	-	-
		1,013,547	580,120	631,972	521,584

Approved by the Board of Directors on 20 March 1997.

Director



The notes on pages 8 to 20 form part of these financial statements.  
Auditors' report - page 3

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

**CONSOLIDATED CASHFLOW STATEMENT**  
**for the 53 week period ended 29 November 1996**

	Note	1996 US\$'000	Restated 1995 US\$'000
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	22	98,780	(1,011,174)
Returns on investments and servicing of finance	23	(276,589)	(212,171)
Taxation	24	3,733	3,503
Capital expenditure and financial investment	25	(14,520)	(10,352)
Acquisitions and disposals	26	-	(2,285)
Equity dividends paid	27	(29,161)	(550)
		(217,757)	(1,233,029)
<b>CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>			
Management of liquid resources	28	7,488	53,928
Financing			
- issue of shares	29	163,854	102,940
- increase in debt	29	827,824	995,921
		991,678	1,098,861
<b>INCREASE/(DECREASE) IN CASH IN THE PERIOD</b>		781,409	(80,240)

The group has opted for early adoption of the cashflow statement disclosure provisions of Financial Reporting Standard 1 (revised 1996). The 1995 comparative figures have consequently been restated to comply with the revised cashflow disclosure provisions.

**RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT**

	Note	1996 US\$'000	1995 US\$'000
<b>INCREASE/(DECREASE) IN CASH IN THE PERIOD</b>		781,409	(80,240)
Cash inflow from increase in debt and lease financing		(827,824)	(995,921)
Cash inflow from decrease in liquid resources		(7,488)	(53,928)
Change in net debt resulting from cash flows		(53,903)	(1,130,089)
Translation difference		(20,823)	16,189
Movement in market value on current asset investments		153	35,658
<b>MOVEMENT IN NET DEBT IN THE PERIOD</b>		(74,573)	(1,078,242)
<b>NET DEBT AT 24 NOVEMBER 1995</b>		(3,868,126)	(2,789,884)
<b>NET DEBT AT 29 NOVEMBER 1996</b>	30	(3,942,699)	(3,868,126)

The notes on pages 8 to 20 form part of these financial statements.  
Auditors' report page 3



## GOLDMAN SACHS HOLDINGS (U.K.) (unlimited company)

### NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996

#### 1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, modified as explained in notes 1(d) and 1(e) below, and in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies, which have been consistently applied, were as follows:

(a) **Basis of consolidation:** The consolidated financial statements include the company and all of its subsidiaries made up to 29 November 1996. The results of subsidiaries disposed of during the period are included in the consolidated profit and loss account to the date of their disposal.

(b) **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 & equipment	10 to 33 1/3
Motor vehicles	25

Leasehold improvements are depreciated over the life of the lease.

(c) **Investments:** Shares in subsidiary undertakings are stated at cost, less provision for any permanent diminution in value.

(d) **Securities and other financial instruments:** 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 the market prices ruling at the balance sheet date. 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 group's trading activities, in accordance with section 226(5) of the Companies Act 1985. The directors consider that it would be misleading to quantify the effect of non compliance with the Act.

(e) **Valuation of stocks:** Stocks are stated at market 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 group's trading activities in accordance with the requirements of Section 226(5) of the Companies Act 1985. The directors consider that it would be misleading to quantify the effect of non compliance with the Act.

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

(g) **Amounts due from/to clients:** Amounts due from/to clients in respect of unsettled trading transactions are, unless written agreements exist by which such transactions can be settled on a net basis, stated at the gross amounts.

(h) **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 the amounts at which the securities will be subsequently resold or reacquired, including accrued interest as specified in the respective agreements.

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996

**1. ACCOUNTING POLICIES (CONTINUED)**

- (i) Current asset investments: Current asset investments are stated at the lower of cost and net realisable value.
- (j) 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.
- (k) 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. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at average rate, are dealt with through reserves.
- (l) Profit recognition: The operating results for the period include all profits arising from the trading operations of the group including net trading interest. Purchases and sales of securities are accounted for on a trade date basis.
- (m) Corporate finance fees: Corporate finance income is accrued when all the parties to a transaction are contractually bound. Advisory fees are credited when earned.
- (n) 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 additional collateral as appropriate.

**2. TRADING PROFIT**

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

**3. SEGMENTAL REPORTING**

All trading profit arises from the provision of financial services to clients, accordingly the directors are of the opinion that the group's activities constitute a single business. No analysis of results by geographical market is provided on the grounds that the group's clients are located worldwide.

## GOLDMAN SACHS HOLDINGS (U.K.) (unlimited company)

### NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996

#### 4. OPERATING PROFIT

	The Group	
	1996	1995
	US\$'000	US\$'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	27,206	33,340
Management fees charged by fellow subsidiary undertakings	422,144	353,299
Auditors' remuneration : - audit services	1,445	1,511
- other	980	331
(company: Audit services US\$ 35,000, 1995: US\$ 32,000)		
Operating lease rentals	21,797	21,930
Trading interest payable: - group undertakings	1,120,749	728,811
- other	2,003,913	1,962,082
(Profit)/loss on sale of tangible fixed assets	(441)	1,807
and after crediting:		
Management fees charged to fellow subsidiary undertakings	11,509	14,075
Trading interest receivable: - group undertakings	1,089,735	873,159
- other	2,250,825	2,027,070

The trading interest payable and receivable comparative figures for 1995 have been adjusted to reflect a reclassification from other to fellow subsidiary undertakings of \$203,685,000 and \$370,270,000 respectively.

#### 5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Other interest receivable and similar income comprises:

	The Group	
	1996	1995
	US\$'000	US\$'000
Receivable from fellow subsidiary undertakings	26,033	22,140
Receivable from parent undertakings	-	6,464
Other interest	5,619	5,498
	31,652	34,102

#### 6. INTEREST PAYABLE AND SIMILAR CHARGES

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

	The Group	
	1996	1995
	US\$'000	US\$'000
On loans repayable within five years:		
Payable to fellow subsidiary undertakings	15,724	24,475
Payable to parent undertakings	158,066	163,748
Other interest	86,287	33,096
	260,077	221,319
On loans repayable after five years:		
Payable to fellow subsidiary undertakings	252	639
Payable to parent undertakings	8,715	10,252
	8,967	10,891
	269,044	232,210

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996

**7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**

The company and the group have no employees (1995: Nil). All persons involved in the group's operations are employed by a fellow subsidiary undertaking. The charges made by this fellow subsidiary undertaking for all the services provided (personnel and other) to the group are included in the management fee charged by fellow subsidiary undertakings. The directors received no emoluments in respect of their services as directors of the company (1995: US\$ Nil). All of the directors except one are partners in The Goldman Sachs Group, L.P., and their remuneration is earned in relation to their activities in the firm as a whole. No part of their remuneration relates to their services as directors of the company. The remuneration of the remaining director is in respect of his services within global business units of The Goldman Sachs Group, L.P., which take place within the worldwide group, and is not in respect of his services as director of the company.

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

The taxation charge for the period comprises:

	The Group	
	1996	1995
	US\$'000	US\$'000
Group relief receivable	(2,245)	(4,977)
UK corporation tax at 33% - current year	22,559	-
UK corporation tax at 33% - prior year	1,324	(1,160)
Overseas taxation	2,855	223
Withholding tax written off	-	4,335
Tax on Franked Investment Income	16,688	5,072
Deferred taxation	-	(1,825)
	41,181	1,668

Group relief is receivable from, or payable to, other subsidiaries of the immediate parent undertaking to the extent that current year losses are surrendered to the group under group relief arrangements.

A potential deferred tax asset of US\$ 22.9 million (1995: US\$ 20.5 million) has not been recognised. In addition, within the group there are tax losses which may be carried forward indefinitely. Advance Corporation Tax, which may be offset against future corporation tax liabilities, has also not been recognised in the financial statements.

**9. COMPANY PROFIT FOR THE PERIOD**

Of the group's profit for the period, a profit of US\$ 30,388,000 (1995: US\$ 27,578,000) has been dealt with in the financial statements of the company. As permitted by section 230(3) of the Companies Act 1985 the company's profit and loss account has not been included in these financial statements.

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996

**10. TANGIBLE FIXED ASSETS**

The movement in the group's tangible fixed assets during the period was:

	Leasehold improvements US\$'000	Fixtures, fittings and equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
<b>COST</b>				
At 25 November 1995	93,474	111,471	5,194	210,139
Exchange movements	7,420	9,072	195	16,687
Additions	1,552	12,210	2,607	16,369
Disposals	(69)	(5,776)	(2,173)	(8,018)
At 29 November 1996	102,377	126,977	5,823	235,177
<b>DEPRECIATION</b>				
At 25 November 1995	14,986	74,576	2,199	91,761
Exchange movements	1,520	7,037	27	8,584
Charge for the period	4,444	21,566	1,196	27,206
Disposals	(12)	(4,848)	(1,362)	(6,222)
At 29 November 1996	20,938	98,331	2,060	121,329
<b>NET BOOK VALUE</b>				
At 29 November 1996	81,439	28,646	3,763	113,848
At 25 November 1995	78,488	36,895	2,995	118,378

**11. FIXED ASSET INVESTMENTS**

(a) Shares in subsidiary undertakings at cost

The movement for the period comprises:

	The Company US\$'000
At 25 November 1995	947,517
Subscription for shares in subsidiary undertakings	155,663
Redemption of shares in subsidiary undertakings	(63,341)
At 29 November 1996	1,039,839

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996

**11. FIXED ASSET INVESTMENTS (CONTINUED)**

The directors consider that there has been no permanent diminution in the carrying value of investments in subsidiary undertakings.

The subsidiaries over which the company exercises control, and the effective ownership in the ordinary and preference shares, at the period end are listed below. The shares are held directly by the company, with the exception of Goldman Sachs Property Management, where the shares are held by another subsidiary undertaking.

Name of company and activity	%	No.	Class	Nominal
Goldman Sachs Asset Management International (fund manager)	99	988,000	Ordinary shares	US\$ 1
	1	4,385,966	Preference shares	US\$ 0.01
Goldman Sachs Equity Securities (U.K.) (equity trader)	99	51,000,000	Ordinary shares	£ 1
	94	3,408,021	Preference shares	£ 0.01
Goldman Sachs Government Securities (U.K.) (UK gilts trader)	99	2,000,000	Ordinary shares	£ 1
	10	55,789,474	Preference shares	£ 0.01
Goldman Sachs Immobilier (French real estate adviser)	99	50,000	Ordinary shares	£ 1
Goldman Sachs International (securities dealer)	98	111,770,698	Ordinary shares	US\$ 1
	62	860,620,148	Preference shares	US\$ 0.01
J. Aron & Company (U.K.) (commodity dealer)	99	1,500	Ordinary shares	£ 0.01
	99	1,500,000	Deferred shares	£ 1
	99	50,000,000	Preference shares	US\$ 1
J. Aron & Company (Bullion) (precious metals dealer)	94	21,063,832	Ordinary shares	US\$ 1
Goldman Sachs Futures (dormant)	99	100	Ordinary shares	US\$ 1
Goldman Sachs International Finance (foreign exchange dealer)	94	45,923,916	Ordinary shares	US\$ 1
	94	81,521,742	Preference shares	US\$ 1
	94	42,608,696	Preference shares	US\$ 0.01
Goldman Sachs Property Management (property manager) (formerly Goldman Sachs Property Management Limited)	99	10,000	Ordinary shares	£ 1
	99	43,434,344	Preference shares	£ 1

All the above subsidiary undertakings are registered in England and Wales.

## GOLDMAN SACHS HOLDINGS (U.K.) (unlimited company)

### NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996

#### 11. FIXED ASSET INVESTMENTS (CONTINUED)

##### (b) Other investments other than loans

The other investments, which are unlisted and stated at cost, comprise:

	The Group		The Company	
	1996 US\$'000	1995 US\$'000	1996 US\$'000	1995 US\$'000
Exchange memberships	1,794	1,283	-	-
Other	97	128	-	-
	<u>1,891</u>	<u>1,411</u>	<u>-</u>	<u>-</u>

#### 12. DEBTORS

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

	The Group		The Company	
	1996 US\$'000	1995 US\$'000	1996 US\$'000	1995 US\$'000
Amounts due from brokers/dealers and customers	7,067,633	10,235,063	-	-
Deposits with money brokers as collateral for stock borrowed	1,280,770	1,566,346	-	-
Amounts due from parent and fellow subsidiary undertakings	16,942,156	7,312,076	10,423	18,644
Group relief receivable from fellow subsidiary undertakings	2,245	5,105	8,669	10,604
Corporation tax recoverable	14,315	16,451	-	-
Other debtors	30,383	70,931	-	-
Prepayments and accrued income	9,008	9,090	-	-
	<u>25,346,510</u>	<u>19,215,062</u>	<u>19,092</u>	<u>29,248</u>

#### 13. CURRENT ASSET INVESTMENTS

Current asset investments, which are stated at the lower of cost and net realisable value, comprise:

	The Group		The Company	
	1996 US\$'000	1995 US\$'000	1996 US\$'000	1995 US\$'000
US Treasury Bills	42,632	49,967	-	-

US Treasury Bills have a market value of US\$ 43 million at the period end (1995: market value of US\$ 50 million).

## GOLDMAN SACHS HOLDINGS (U.K.) (unlimited company)

### NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996

#### 14. CASH AT BANK

US\$ 0.5 million of the group's cash at bank (1995: US\$7.6 million), and all of the company's cash at bank, is held at Goldman Sachs International Bank, an authorised credit institution in the UK and a fellow subsidiary undertaking.

#### 15. OTHER CREDITORS

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

	The Group		The Company	
	1996 US\$'000	1995 US\$'000	1996 US\$'000	1995 US\$'000
Promissory notes issued	189,052	207,815	-	-
Bank loans and overdrafts	166,876	114,384	-	-
Short-term subordinated loans (see Note 17)	-	1,004,955	-	-
Amounts due to brokers/dealers and customers	6,713,126	11,167,610	-	-
Loans from money brokers and institutions	2,894,224	3,104,336	-	-
Loans from third parties	1,883,588	1,172,569	-	-
Amounts due to parent and fellow subsidiary undertakings	15,192,423	8,082,707	331	252
Loans from fellow subsidiary undertakings	231,047	231,047	231,047	231,047
Loans from parent undertakings	401,128	393,492	195,547	224,447
Corporation tax payable	23,230	-	-	-
Other creditors and accruals	84,628	100,086	39	32
	<u>27,779,322</u>	<u>25,579,001</u>	<u>426,964</u>	<u>455,778</u>

Of the creditors falling due within one year US\$ 709.6 million (1995: US\$ 2,073.6 million) is secured by marketable securities. Loans from third parties include US\$ Nil (1995: US\$ 107.3 million) secured by metal and cocoa warrants.

#### 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	1996 US\$'000	1995 US\$'000	1996 US\$'000	1995 US\$'000
Long-term subordinated loans (see Note 17)	2,206,211	1,074,955	-	-
Loans from ultimate parent undertaking	60,538	29,634	-	-
Other loans	325,098	352,311	-	-
	<u>2,591,847</u>	<u>1,456,900</u>	<u>-</u>	<u>-</u>



## GOLDMAN SACHS HOLDINGS (U.K.) (unlimited company)

### NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996

#### 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

The loan from the ultimate parent undertaking is unsecured and carries interest at a margin over LIBOR. Other loans comprise bank loans fully collateralised by eurobonds and carrying interest at fixed rates. The group has entered into swap agreements such that the interest on these bank loans is effectively converted to a floating rate. All amounts are due in two to five years.

#### 17. SUBORDINATED LOANS

	The Group		The Company	
	1996	1995	1996	1995
	US\$'000	US\$'000	US\$'000	US\$'000
Repayable as follows:				
In one year or less	-	1,004,955	-	-
Between one and two years	1,851,211	1,074,953	-	-
Between two and five years	355,000	-	-	-
	<u>2,206,211</u>	<u>2,079,910</u>	<u>-</u>	<u>-</u>

The amounts outstanding represent long-term and short-term subordinated loans from group undertakings. These loans are unsecured and carry interest at a margin over LIBOR.

#### 18. SHARE CAPITAL

	No.	1996 US\$'000	No.	1995 US\$'000
<u>Authorised</u>				
Ordinary shares of US\$ 1 each	200,000,000	200,000	200,000,000	200,000
Preference shares of US\$ 0.01 each	1,000,000,000	10,000	1,000,000,000	10,000
		<u>210,000</u>		<u>210,000</u>
<u>Allotted, called up and fully paid</u>				
Ordinary shares of US\$ 1 each	144,154,084	144,154	144,154,084	144,154
Preference shares of US\$ 0.01 each	452,811,077	4,528	383,845,560	3,838
		<u>148,682</u>		<u>147,992</u>

The preference shares carry no voting rights, and on a winding up the holders have a preferential right to return of capital together with any premium.

On 29 December 1995, the company allotted 68,967,517 preference shares of US\$ 0.01 each, fully paid at US\$ 1.16 each.

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996**

**19. SHARE PREMIUM ACCOUNT AND RESERVES**

	The Group Share premium account US\$'000	Profit and loss account US\$'000	The Company Share premium account US\$'000	Profit and loss account US\$'000
At 25 November 1995	354,904	(310,848)	354,904	18,688
Arising on issue of non-cumulative preference shares	79,310	-	79,310	-
Retained profits for the financial period				
- the company	-	30,388	-	30,388
- subsidiary undertakings	-	211,624	-	-
Exchange differences	-	14,847	-	-
At 29 November 1996	434,214	(53,989)	434,214	49,076

**20. DIVIDENDS PAID AND PAYABLE**

	1996 US\$'000	1995 US\$'000
Dividends on equity shares:		
Ordinary shares	28,273	-
Dividends on non-equity shares:		
Non-cumulative preference shares	36,485	-

**21. MINORITY INTERESTS**

	1996 US\$'000	1995 US\$'000
At 25 November 1995	388,072	260,484
Profit and loss account	8,728	19,802
Dividends paid - on equity shares	(888)	(550)
- on non-equity shares	(1,777)	(826)
Shares issued for cash - non-equity	1,003	4,443
- share premium	106,726	464,694
Shares redeemed - equity	(518)	(3,339)
- non-equity	(23,357)	(362,858)
Eliminated on sale of subsidiary	-	(43)
Exchange differences	6,651	6,265
At 29 November 1996	484,640	388,072
Equity minority interests	16,573	2,082
Non-equity minority interests	468,067	385,990
	484,640	388,072

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996**

**22. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	1996 US\$'000	1995 US\$'000
Operating profit	596,478	181,856
Depreciation of tangible fixed assets	27,206	33,340
(Profit)/loss on sale of tangible fixed assets	(441)	1,807
Profit on sale of fixed asset investments	(34)	-
Profit on sale of current asset investments	(153)	-
Decrease/(Increase) in securities	14,484	(838,042)
Decrease in stocks	192,661	582,504
(Increase)/decrease in other current assets	(10,105,136)	4,631,299
(Decrease) in securities sold not yet purchased	(2,542,010)	(5,114,105)
Increase/(decrease) in other creditors	11,882,949	(487,584)
Exchange differences on opening net assets	32,776	(2,249)
Net cash inflow/(outflow) from operating activities	<u>98,780</u>	<u>(1,011,174)</u>

**23. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	1996 US\$'000	1995 US\$'000
Interest received	31,652	34,178
Interest paid	(267,572)	(245,523)
Dividends paid - non equity	(36,485)	-
Dividends paid to minority shareholders- non equity	(1,777)	(826)
Indemnity payment to minority shareholders of GSIF	(2,407)	-
	<u>(276,589)</u>	<u>(212,171)</u>

**24. TAXATION**

	1996 US\$'000	1995 US\$'000
Group relief	5,105	3,503
UK corporation tax	1,483	-
Overseas taxation	(2,855)	-
	<u>3,733</u>	<u>3,503</u>

**25. CAPITAL EXPENDITURE**

	1996 US\$'000	1995 US\$'000
Purchase of tangible fixed assets	(16,369)	(13,312)
Proceeds of sale of tangible fixed assets	2,242	2,774
Purchase of fixed asset investments	(537)	(38)
Proceeds of sale of fixed asset investments	144	224
	<u>(14,520)</u>	<u>(10,352)</u>

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

**NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996**

**26. ACQUISITIONS AND DISPOSALS**

	1996 US\$'000	1995 US\$'000
Net cash outflow on sale of subsidiary undertakings	-	(2,285)

**27. EQUITY DIVIDENDS PAID**

	1996 US\$'000	1995 US\$'000
Dividends paid - equity	(28,273)	-
Dividends paid to minority shareholders - equity	(888)	(550)
Dividends paid	(29,161)	(550)

**28. MANAGEMENT OF LIQUID RESOURCES**

	1996 US\$'000	1995 US\$'000
Purchase of current asset investment	(28,366)	-
Proceeds from sale of current asset investments	35,854	53,928
	7,488	53,928

Liquid resources comprise US Treasury Bills.

**29. FINANCING**

	1996 US\$'000	1995 US\$'000
Issue of preference shares	80,000	-
Long term loan from parent and fellow subsidiary undertakings received/(repaid)	28,587	(102,566)
Long term loans from third party (repaid)/received	(27,213)	288,171
Long term subordinated loans repaid	1,090,000	198,535
Long term subordinated loans received	(70,000)	(24,522)
Short term loans from parent and fellow subsidiary undertakings received	23,324	157,703
Short term loans from parent and fellow subsidiary undertakings repaid	(28,900)	-
Short term subordinated loans received	82,398	-
Short term subordinated loans repaid	(980,000)	(484,233)
Short term loans from third party received	709,628	962,833
Shares issued to minority interests	107,729	469,137
Shares redeemed from minority interests	(23,875)	(366,197)
	991,678	1,098,861

**GOLDMAN SACHS HOLDINGS (U.K.)**  
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 1996

**30. ANALYSIS OF CHANGES IN NET DEBT**

	At 25 November 1995 US\$'000	Cash flows US\$'000	Other changes US\$'000	At 29 November 1996 US\$'000
Cash at bank and in hand	455,254	833,901	-	1,289,155
Overdrafts	(114,384)	(52,492)	-	(166,876)
Debt due within one year	(2,802,063)	197,550	92,750	(2,515,763)
Debt due after one year	(1,456,900)	(1,021,374)	(113,573)	(2,591,847)
Current asset investments	49,967	(7,488)	153	42,632
	<u>(3,868,126)</u>	<u>(53,903)</u>	<u>(20,670)</u>	<u>(3,942,699)</u>

**31. FINANCIAL COMMITMENTS AND CONTINGENCIES**

- (a) The group's only financial commitments and contingencies outstanding at the period end arise from forward foreign exchange, options and financial futures contracts, debt and equity forwards, underwriting commitments and agreements to borrow and lend metals entered into in the ordinary course of business.
- (b) The group leases certain buildings on long term leases from a fellow subsidiary undertaking. 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:

	1996 US\$'000	1995 US\$'000
Leases terminating after five years	<u>23,041</u>	<u>21,488</u>

Certain of the subsidiary undertakings have fixed and floating charges over their assets held by certain regulatory bodies.

**32. ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS**

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