

Company number: 2611945

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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

28 November 1997



GOLDMAN SACHS HOLDINGS (U.K.)

(unlimited company)

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 28 November 1997.

1. Principal activities

The company is a holding company to a group which provides a wide range of financial services to clients located worldwide and undertakes proprietary trading. The company'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 Government Securities (U.K.) ("GSGS") were transferred to Goldman Sachs International ("GSI"). Subsequently, the share capital of GSGS was reduced to £2. The net monetary effect to the group of this reorganisation was a profit of US\$21,887,000. A transfer of US\$41,314,000 being the loss incurred by the company on the redemption of GSGS share capital, has been made from the profit and loss reserve to a special capital reserve, with the result that the company's retained earnings have been unaffected by the reorganisation.

The profit and loss account for the year is set out on page 4.

The directors consider that the year 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\$40,000,000 (1996: US\$28,273,000) and preference dividends of US\$36,124,000 (1996: US\$36,485,000) during the year.

4. Exchange rate

The US dollar/sterling exchange rate at the balance sheet date was 1.6880 (1996: 1.6816). The average rate for the year was 1.6448 (1996: 1.5594).

5. Directors

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

Name	Resigned
R. M. Hayden	
G. K. Palm	
P. D. Sutherland	
J.A. Thain	18 July 1997
J. L. Thornton	
P. Savitz	
P.C. Deighton	

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

GOLDMAN SACHS HOLDINGS (U.K.)
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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 year 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 year and of the profit or loss of the group for that year. 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.

7. Charitable contributions

An amount of US\$648,000 (1996: US\$ 432,000) was donated to charity.

BY ORDER OF THE BOARD



D. J. GROUNSELL
Secretary

9 March 1998

**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 19.

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 and the group'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 as at 28 November 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
London 16 March 1998

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 28 November 1997

		The Group	
	Note	1997	1996
		US\$'000	US\$'000
Trading profit	3	1,386,629	1,280,878
Administrative expenses		(850,813)	(684,400)
OPERATING PROFIT	5	535,816	596,478
Profit/(loss) on group reorganisation		21,887	(2,407)
Other interest receivable and similar income	6	33,365	31,652
Interest payable and similar charges	7	(295,526)	(269,044)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		295,542	356,679
Tax on profit on ordinary activities	9	(52,469)	(41,181)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	10	243,073	315,498
Minority interests	23	(7,168)	(8,728)
PROFIT FOR THE FINANCIAL YEAR		235,905	306,770
Dividends paid - ordinary (equity)	22	(40,000)	(28,273)
- preference (non equity)	22	(36,124)	(36,485)
RETAINED PROFIT FOR THE FINANCIAL YEAR	21	159,781	242,012

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 year as stated above and their historical cost equivalents.

The notes on pages 7 to 19 form part of these financial statements.
Auditors' report - page 3.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 28 November 1997

	The Group	
	1997	1996
	US\$'000	US\$'000
Retained profit for the financial year	159,781	242,012
Exchange adjustments arising on foreign currency net assets	10,598	14,847
Total recognised gains for the financial year	<u>170,379</u>	<u>256,859</u>

RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS
for the year ended 28 November 1997

	The Group	
	1997	1996
	US\$'000	US\$'000
Profit for the financial year	235,905	306,770
Dividends - on equity shares	(40,000)	(28,273)
- on non equity shares	(36,124)	(36,485)
	159,781	242,012
Other recognised gains for the financial year	10,598	14,847
Issue of preference share capital	-	80,000
Net increase in shareholders' funds	170,379	336,859
Opening shareholders' funds	528,907	192,048
Closing shareholders' funds	<u>699,286</u>	<u>528,907</u>

The notes on pages 7 to 19 form part of these financial statements.
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GOLDMAN SACHS HOLDINGS (U.K.)
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BALANCE SHEETS
as at 28 November 1997

	Note	The Group		The Company	
		1997	1996	1997	1996
		US\$'000	US\$'000	US\$'000	US\$'000
FIXED ASSETS					
Tangible assets	11	125,586	113,848	-	-
Investments:					
Shares in subsidiary undertakings	12(a)	-	-	1,020,532	1,039,839
Other investments other than loans	12(b)	1,883	1,891	-	-
		127,469	115,739	1,020,532	1,039,839
CURRENT ASSETS					
Securities		21,718,790	18,608,228	-	-
Securities purchased under agreements to resell		17,822,536	12,711,276	-	-
Stocks		1,768	1,870	-	-
Debtors	13	25,675,403	25,346,510	12,345	19,092
Investments	14	23,773	42,632	-	-
Cash at bank and in hand	15	1,229,488	1,289,155	5	5
		66,471,758	57,999,671	12,350	19,097
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Securities sold not yet purchased		(14,512,060)	(10,423,668)	-	-
Securities sold under agreements to repurchase		(17,916,984)	(16,307,026)	-	-
Other creditors	16	(30,875,277)	(27,779,322)	(440,560)	(426,964)
		(63,304,321)	(54,510,016)	(440,560)	(426,964)
NET CURRENT ASSETS/(LIABILITIES)		3,167,437	3,489,655	(428,210)	(407,867)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,294,906	3,605,394	592,322	632,822
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	17	(2,203,765)	(2,591,847)	-	-
		1,091,141	1,013,547	592,322	631,972
CAPITAL AND RESERVES					
Called up share capital	20	148,682	148,682	148,682	148,682
Share premium account	21	434,214	434,214	434,214	434,214
Special capital reserve	21	(41,314)	-	(41,314)	-
Profit and loss account	21	157,704	(53,989)	50,740	49,076
TOTAL SHAREHOLDERS' FUNDS		699,286	528,907	592,322	631,972
Surplus of equity shareholders' funds		301,858	90,165	194,894	193,230
Non-equity (preferred) shareholders' funds		397,428	438,742	397,428	438,742
TOTAL SHAREHOLDERS' FUNDS		699,286	528,907	592,322	631,972
MINORITY INTERESTS	23	391,855	484,640	-	-
		1,091,141	1,013,547	592,322	631,972

Approved by the Board of Directors on

9 March 1998

Director

The notes on pages 7 to 19 form part of these financial statements.
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GOLDMAN SACHS HOLDINGS (U.K.)
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NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 1997

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 28 November 1997. The results of subsidiaries disposed of during the year 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:

	1997 %	1996 %
Fixtures, fittings & equipment	10 to 33 1/3	10 to 33 1/3
Motor vehicles	25	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) **Valuation of 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. Included within the repurchase and resale agreements are amounts of US\$2.6 billion (1996: US\$2.9 billion) and US\$5.5 billion (1996: US\$2.4 billion) respectively which relate to fellow subsidiary undertakings.

GOLDMAN SACHS HOLDINGS (U.K.)
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NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 1997

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 currencies other than US dollars 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 year 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 and group measures the market value of the securities borrowed and loaned against the collateral on a daily basis and obtains additional collateral as appropriate.

2. CASHFLOW STATEMENT

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

3. 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.

4. SEGMENTAL REPORTING

All trading profit arises from financial services provided to clients and proprietary trading in financial instruments, 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.

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NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 1997

5. OPERATING PROFIT

	The Group	
	1997	1996
	US\$'000	US\$'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	25,369	27,206
Management fees charged by fellow subsidiary undertakings	569,744	422,144
Auditors' remuneration : - audit services	2,428	1,445
- other	930	980
(company: Audit services US\$ 35,000, 1996: US\$ 32,000)		
Operating lease rentals	23,038	21,797
Trading interest payable: - group undertakings	1,438,115	1,120,749
- other	2,353,439	2,003,913
and after crediting:		
Management fees charged to fellow subsidiary undertakings	20,533	11,509
Trading interest receivable: - group undertakings	1,193,386	1,089,735
- other	2,842,072	2,250,825
Profit on sale of tangible fixed assets	488	441

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Other interest receivable and similar income comprises:

	The Group	
	1997	1996
	US\$'000	US\$'000
Receivable from fellow subsidiary undertakings	30,041	26,033
Other interest	3,324	5,619
	33,365	31,652

7. INTEREST PAYABLE AND SIMILAR CHARGES

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

The interest comprises:

	The Group	
	1997	1996
	US\$'000	US\$'000
On loans repayable within five years:		
Payable to fellow subsidiary undertakings	16,648	15,724
Payable to parent undertakings	162,815	158,066
Other interest	106,782	86,287
	286,245	260,077
On loans repayable after five years:		
Payable to fellow subsidiary undertakings	-	252
Payable to parent undertakings	9,281	8,715
	9,281	8,967
	295,526	269,044

GOLDMAN SACHS HOLDINGS (U.K.)
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NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 1997

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The company and the group have no employees (1996: 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 (1996: US\$ Nil). All of the directors are limited 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.

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge for the year comprises:

	The Group	
	1997	1996
	US\$'000	US\$'000
Group relief receivable	(7,978)	(2,245)
UK corporation tax at 31.66% (1996: 33%) - current year	65,092	22,559
UK corporation tax at 33% - prior year	(4,898)	1,324
Overseas taxation	4,307	2,855
Tax on Franked Investment Income	(4,110)	16,688
Miscellaneous taxation	56	-
	52,469	41,181

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

A potential deferred tax asset of US\$22.8 million (1996: US\$22.9 million) has not been recognised. In addition, the effective rate of corporation tax has been reduced in the current year by utilising losses brought forward from prior years and advance corporation tax previously written off.

10. COMPANY LOSS FOR THE YEAR

Of the group's profit for the year, a profit of US\$36,474,000 (1996 profit: US\$95,146,000) 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.)
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NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 1997

11. TANGIBLE FIXED ASSETS

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

	Leasehold Improvements US\$'000	Fixtures, fittings and equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
COST				
At 29 November 1996	102,377	126,977	5,823	235,177
Exchange movements	641	991	52	1,684
Additions	9,617	25,514	1,850	36,981
Disposals	(99)	(5,892)	(1,668)	(7,659)
At 28 November 1997	112,536	147,590	6,057	266,183
DEPRECIATION				
At 29 November 1996	20,938	98,331	2,060	121,329
Exchange movements	213	708	19	940
Charge for the year	5,058	18,974	1,337	25,369
Disposals	(3)	(5,847)	(1,191)	(7,041)
At 28 November 1997	26,206	112,166	2,225	140,597
NET BOOK VALUE				
At 28 November 1997	86,330	35,424	3,834	125,586
At 29 November 1996	81,439	28,646	3,763	113,848

12. FIXED ASSET INVESTMENTS

(a) Shares in subsidiary undertakings at cost

The movement for the year comprises:

	The Company US\$'000
At 29 November 1996	1,039,839
Subscription for shares in subsidiary undertakings	27,405
Redemption of shares in subsidiary undertakings	(46,712)
At 28 November 1997	1,020,532

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NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 1997

12. FIXED ASSET INVESTMENTS (CONTINUED)

The directors consider that the carrying value of investments in subsidiary undertakings is their book value.

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

Name of company and activity	%	No.	Class	Nominal
Goldman Sachs Asset Management International (fund manager)	99 1	988,000 4,385,966	Ordinary shares Preference shares	US\$ 1 US\$ 0.01
Goldman Sachs Equity Securities (U.K.) (equity trader)	99 94	51,000,000 3,408,021	Ordinary shares Preference shares	£ 1 £ 0.01
Goldman Sachs Government Securities (U.K.) (dormant, formerly UK gilts trader)	50	2	Ordinary shares	£ 1
Goldman Sachs Immobilier (French real estate adviser)	99	50,000	Ordinary shares	£ 1
Goldman Sachs International (securities dealer)	98 62	111,770,698 860,620,148	Ordinary shares Preference shares	US\$ 1 US\$ 0.01
J. Aron & Company (U.K.) (commodity dealer)	99 99 99	1,500 1,500,000 50,000,000	Ordinary shares Deferred shares Preference shares	£ 0.01 £ 1 US\$ 1
J. Aron & Company (Bullion) (precious metals dealer)	98	21,063,832	Ordinary shares	US\$ 1
Goldman Sachs Futures (dormant)	99	100	Ordinary shares	US\$ 1
Goldman Sachs International Finance (foreign exchange dealer)	100 94 94	45,923,916 81,521,742 42,608,696	Ordinary shares Preference shares Preference shares	US\$ 1 US\$ 1 US\$ 0.01
Goldman Sachs Property Management (property manager)	99 99	10,000 43,434,344	Ordinary shares Preference shares	£ 1 £ 1
Goldman Sachs Holdings (dormant) (Note 19)	100	4,404,400	Ordinary shares	US\$1
Goldman Sachs Overseas Holdings (dormant) (Note 19)	100	4,404,400	Ordinary shares	US\$1

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

The effective ownership as at 29 November 1996 is as above except for:

Goldman Sachs Government Securities (UK)	99 10	2,000,000 55,789,474	Ordinary shares Preference shares	£ 1 £0.01
J. Aron & Company (Bullion)	94	21,063,832	Ordinary shares	US\$1
Goldman Sachs International Finance	94	45,923,916	Ordinary shares	US\$1
Goldman Sachs Holdings	Nil	4,404,400	Ordinary shares	US\$1
Goldman Sachs Overseas Holdings	Nil	4,404,400	Ordinary shares	US\$1

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NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 1997

12. FIXED ASSET INVESTMENTS (CONTINUED)

(b) Other investments other than loans

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

	The Group		The Company	
	1997	1996	1997	1996
	US\$'000	US\$'000	US\$'000	US\$'000
Exchange memberships	1,786	1,794	-	-
Other	97	97	-	-
	1,883	1,891	-	-

13. DEBTORS

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

	The Group		The Company	
	1997	1996	1997	1996
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts due from brokers/dealers and customers	8,570,001	7,067,633	-	-
Deposits with money brokers as collateral for stock borrowed	1,572,281	1,280,770	-	-
Amounts due from parent and fellow subsidiary undertakings	15,469,763	16,942,156	6,003	10,423
Group relief receivable from fellow subsidiary undertakings	1,338	2,245	6,342	8,669
Corporation tax recoverable	3,376	14,315	-	-
Other debtors	39,933	30,383	-	-
Prepayments and accrued income	18,711	9,008	-	-
	25,675,403	25,346,510	12,345	19,092

14. CURRENT ASSET INVESTMENTS

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

	The Group		The Company	
	1997	1996	1997	1996
	US\$'000	US\$'000	US\$'000	US\$'000
US Treasury Bills	23,773	42,632	-	-

US Treasury Bills have a market value of US\$24 million at the year end (1996: market value of US\$43 million).

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NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 1997

15. CASH AT BANK

US\$0.6 million of the group's cash at bank (1996: US\$0.5 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.

16. OTHER CREDITORS

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

	The Group		The Company	
	1997	1996	1997	1996
	US\$'000	US\$'000	US\$'000	US\$'000
Promissory notes issued	376,298	189,052	-	-
Bank loans and overdrafts	345,717	166,876	-	-
Short-term subordinated loans (see Note 18)	150,000	-	-	-
Amounts due to brokers/dealers and customers	6,759,691	6,713,126	-	-
Loans from money brokers and institutions	5,236,066	2,894,224	-	-
Loans from third parties	1,662,878	1,883,588	-	-
Amounts due to parent and fellow subsidiary undertakings	15,428,012	15,192,423	3,917	331
Loans from fellow subsidiary undertakings	231,047	231,047	231,047	231,047
Loans from parent undertakings	485,549	401,128	205,547	195,547
Corporation tax payable	60,155	23,230	-	-
Other creditors and accruals	139,864	84,628	49	39
	30,875,277	27,779,322	440,560	426,964

Of the other creditors falling due within one year US\$ 5.2 billion (1996: US\$ 2.9 billion) is secured by marketable securities.

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

	The Group		The Company	
	1997	1996	1997	1996
	US\$'000	US\$'000	US\$'000	US\$'000
Long-term subordinated loans (see Note 18)	2,029,720	2,206,211	-	-
Loans from ultimate parent undertaking	60,768	60,538	-	-
Other loans	113,277	325,098	-	-
	2,203,765	2,591,847	-	-

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.

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18. SUBORDINATED LOANS

	The Group		The Company	
	1997	1996	1997	1996
	US\$'000	US\$'000	US\$'000	US\$'000
Repayable as follows:				
In one year or less	150,000	-	-	-
Between one and two years	1,544,720	1,121,211	-	-
Between two and five years	355,000	355,000	-	-
Over five years	130,000	130,000	-	-
	2,179,720	2,206,211	-	-

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.

19. ACQUISITIONS

On 31 October 1997, the company acquired the entire share capital of Goldman Sachs Holdings ("GSH") and Goldman Sachs Overseas Holdings ("GSOH") for a total cash consideration of US\$8,860,000 and US\$8,948,000 respectively.

The summarised profit and loss account for GSH and GSOH for the period from 1 April 1997, the beginning of the subsidiaries' financial year, to the date of acquisition is as follows:

Profit and loss account

	GSH	GSOH
	7 months ended	7 months ended
	31 October 1997	31 October 1997
	US\$'000	US\$'000
Turnover	-	-
Operating loss	-	-
Gain on disposal of subsidiary undertaking	-	182
Profit on ordinary activities before taxation	-	182
Tax on profit on ordinary activities	-	-
Profit on ordinary activities after taxation	-	182

The companies had no recognised gains and losses other than those included in the profit on ordinary activities after taxation for the period shown above.

The profit on ordinary activities after taxation for the year ended 31 March 1997 was US\$ 240,000 for GSH and US\$ 952,000 for GSOH.

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19. ACQUISITIONS (CONTINUED)

The assets and liabilities of GSH and GSOH acquired are set out below:

	GSH Book and fair value US\$'000	GSOH Book and fair value US\$'000
Current assets		
Debtors	8,868	8,956
Total assets	8,868	8,956
Liabilities		
Creditors	(8)	(8)
Net assets	8,860	8,948
Satisfied by		
Cash	8,860	8,948

20. SHARE CAPITAL

	The Company			
	No.	1997 US\$'000	No.	1996 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
		210,000		210,000
<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	452,811,077	4,528
		148,682		148,682

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

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21. SHARE PREMIUM ACCOUNT AND RESERVES

	The Group			The Company		
	Share premium account US\$'000	Profit and loss account US\$'000	Special Capital Reserve US\$'000	Share premium account US\$'000	Profit and loss account US\$'000	Special Capital Reserve US\$'000
At 29 November 1996	434,214	(53,989)	-	434,214	49,076	-
Transfer of loss on redemption of GSGS to special capital reserve	-	41,314	(41,314)	-	41,314	(41,314)
Retained (loss)/profit for the financial year - the company	-	(39,650)	-	-	(39,650)	-
- subsidiary undertakings	-	199,431	-	-	-	-
Exchange differences	-	10,598	-	-	-	-
At 28 November 1997	434,214	157,704	(41,314)	434,214	50,740	(41,314)

An amount of US\$41,314,000, being the loss arising on redemption of the company's investment in Goldman Sachs Government Securities (U.K.), has been transferred from the profit and loss account reserve to a special capital reserve. On 4 March 1998 the company passed a special resolution, pursuant to Section 135 of the Companies Act 1985, to set the balance on the special capital reserve against the share premium account.

22. DIVIDENDS PAID AND PAYABLE

	The Company	
	1997 US\$'000	1996 US\$'000
Dividends on equity shares:		
Ordinary shares	40,000	28,273
Dividends on non-equity shares:		
Non-cumulative preference shares	36,124	36,485

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23. MINORITY INTERESTS

	1997 US\$'000	The Group 1996 US\$'000
At 29 November 1996	484,640	388,072
Profit and loss account	7,168	8,728
Dividends paid - on equity shares	(664)	(888)
- on non-equity shares	(951)	(1,777)
Shares issued for cash - non-equity	-	1,003
- share premium	-	106,726
Shares redeemed - equity	(384)	(518)
- non-equity	(76,016)	(23,357)
Eliminated on acquisition of shares in subsidiary undertakings	(8,746)	-
Eliminated on redemption of GSGS	(8,614)	-
Exchange differences	(4,578)	6,651
At 28 November 1997	391,855	484,640
Equity minority interests	5,628	16,573
Non-equity minority interests	386,227	468,067
	391,855	484,640

24. FINANCIAL COMMITMENTS AND CONTINGENCIES

- (a) The group's only financial commitments and contingencies outstanding at the year 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:

	1997 US\$'000	1996 US\$'000
Leases terminating after five years	25,741	23,041

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

25. 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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26. *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.