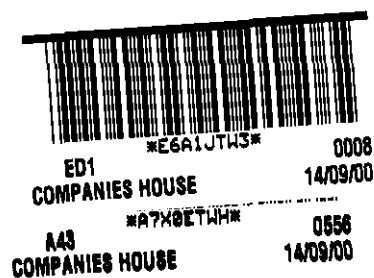


GOLDMAN SACHS (ECHO) HOLDINGS
(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

26 November 1999



GOLDMAN SACHS (ECHO) HOLDINGS

(unlimited company)

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 21 week period ended 26 November 1999.

1. Principal activities

GS (Echo) Holdings was incorporated on 7 May 1999.

The company is a holding company within a group of related undertakings which provides a wide range of financial services to clients located worldwide. The group also undertakes commodities trading in oil and shipping operations. 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 group was satisfactory and do not anticipate any significant changes in its activities in the forthcoming period.

3. Dividends

The directors have declared and paid a final preference dividend of US\$15,896,111.

4. Exchange rate

The US dollar/sterling exchange rate at the balance sheet date was 1.6072. The average rate for the period was 1.6156.

5. Year 2000

We have not quantified the cost to the company of the year 2000 initiative as a group-wide approach was adopted. Through this initiative, Goldman Sachs sought to address the potential hardware, software and other computer and technology issues and related concerns associated with the transition to Year 2000 and to confirm that its service providers did the same. As a result of those efforts, Goldman Sachs has not experienced any material disruptions in its operations in connection with, or following, the transition to the Year 2000.

6. Directors

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

Name	Appointed
Paul Deighton	7 May 1999
Susan J Hunt	21 June 1999
Roger A Liddell	21 June 1999
Peter Sutherland	7 May 1999

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

GOLDMAN SACHS (ECHO) HOLDINGS
(unlimited company)

REPORT OF THE DIRECTORS

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 note 1(d) 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

A handwritten signature in black ink, appearing to be 'D. J. Grounsell', with a long horizontal line extending to the right.

D. J. GROUNSELL
Secretary

**Report of the auditors to the members of
GOLDMAN SACHS (ECHO) HOLDINGS**

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on page 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 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 as at 26 November 1999 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London 4 February 2000

GOLDMAN SACHS (ECHO) HOLDINGS

(unlimited company)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the 21 week period ended 26 November 1999

	Note	The Group 21 week period ended 26 November 1999 US\$'000
Turnover	1c	6,423
Cost of sales		(6,099)
GROSS PROFIT		324
Administration expenses		(254)
Exceptional administration expenses	4	(890)
OPERATING LOSS	4	(820)
Income from participating interests		36,139
Other interest receivable and similar income	5	4,250
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		39,569
Tax on profit on ordinary activities	8	(585)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		38,984
Dividends paid and payable	16	(15,896)
RETAINED PROFIT FOR THE PERIOD	17	23,088

The turnover and operating loss of the group for the period are derived from continuing operations.

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

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

The notes on pages 7 to 13 form part of these financial statements.
Auditors' report - page 3.

GOLDMAN SACHS (ECHO) HOLDINGS
(unlimited company)

RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' FUNDS
for the 21 week period ended 26 November 1999

	21 week period ended 26 November 1999 US\$'000
Profit for the period	38,984
Issue of ordinary share capital	206,160
Issue of preference share capital	475,345
Dividends paid	(15,896)
Net increase in shareholders' funds	704,593
Opening shareholders' fund	-
Closing shareholders' funds	704,593

The notes on pages 7 to 13 form part of these financial statements.
Auditors' report - page 3.

GOLDMAN SACHS (ECHO) HOLDINGS
(unlimited company)

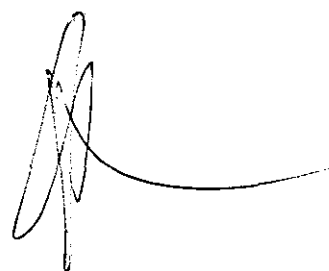
BALANCE SHEETS
as at 26 November 1999

	Note	The Group 1999 US\$'000	The Company 1999 US\$'000
INTANGIBLE FIXED ASSETS			
Goodwill	10	2,311	-
TANGIBLE FIXED ASSETS			
Investments:			
Shares in subsidiary undertakings	11(a)	-	197,463
Participating Interests: Shares in group undertakings	11(b)	499,891	484,011
		499,891	681,474
CURRENT ASSETS			
Stocks		9,063	-
Debtors	12	207,826	19,229
Cash at bank and in hand		114	-
		217,003	19,229
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(14,005)	(170)
NET CURRENT ASSETS		202,998	19,059
TOTAL ASSETS LESS CURRENT LIABILITIES		705,200	700,533
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	(607)	-
		<u>704,593</u>	<u>700,533</u>
CAPITAL AND RESERVES			
Called up share capital	15	6,615	6,615
Share premium account	17	674,890	674,890
Profit and loss account	17	23,088	19,028
TOTAL SHAREHOLDERS' FUNDS		704,593	700,533
Equity shareholders funds		229,248	225,188
Non-equity (preferred) shareholders funds		475,345	475,345
		<u>704,593</u>	<u>700,533</u>

Approved by the Board of Directors on

28 January 2000

Director



The notes on pages 7 to 13 form part of these financial statements.
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GOLDMAN SACHS (ECHO) HOLDINGS

(unlimited company)

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, modified as explained in note 1(d) below, 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 its subsidiaries made up to 26 November 1999. The results of the subsidiaries are included in the consolidated profit and loss account from the date of acquisition.
- (b) **Goodwill:** Goodwill arising on the acquisition of subsidiary undertakings represents the excess of the purchase price over the fair value of the net assets acquired. In accordance with Financial Reporting Standard 10: Goodwill and Intangible Assets, acquired goodwill and intangible assets are capitalised and amortised over their estimated useful lives up to a maximum of 20 years.
- (c) **Turnover:** Turnover relates to the company's oil trading and related shipping operations and represents the amount invoiced for vessel charter hire, freight, demurrage and address commission from acting in an agency capacity. Shipping operations are computed to the end of the last completed voyage prior to the balance sheet date. Income and expenses related to voyages in progress at the balance sheet date are carried forward in the balance sheet. Provision is made for any anticipated losses on such voyages.
- (d) **Valuation of stocks:** Stocks 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.
- (e) **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.
- (f) **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 denominated in currencies other than US dollars are converted at either the rate of exchange prevailing at the date of the transaction, or at the average rate for the period. Gains and losses on exchange are recognised in the profit and loss account.
- (g) **Profit recognition:** The operating results for the period include all profits arising from the trading operations of the group. Purchases and sales of commodities are accounted for on a trade date basis.
- (h) **Investment accounting:** Shares in subsidiary undertakings are stated at cost, less provision for any impairment.

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.

GOLDMAN SACHS (ECHO) HOLDINGS
(unlimited company)

3. SEGMENTAL REPORTING

All turnover arises from oil trading and related shipping operations. Although at the ultimate parent level, the group's business is managed as two distinct segments of business, the directors manage the company's activities as a single business and accordingly no segmental analysis has been provided. No analysis of the results by geographical market is provided on the grounds that the company's clients are located worldwide.

4. OPERATING LOSS

	The Group 21 week period ended 26 November 1999 US\$'000
Operating loss is stated after charging:	
Auditors' remuneration - audit services	9
Management fees charged by fellow subsidiary undertakings	759
Exceptional management fee charged in respect of restricted stock units	890
Amortisation of goodwill	49
and after crediting	
Management fees charged to fellow subsidiary undertakings	395

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. This fee represents the initial cost of the awards plus an adjustment to reflect their current value.

The company's audit fee is paid by a fellow Goldman Sachs entity.

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Other interest receivable and similar income comprises:

	The Group 21 week period ended 26 November 1999 US\$'000
Receivable from fellow subsidiary undertakings	4,250

6. STAFF COSTS

The group has no employees. 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 services provided (personnel and other) to the group are included in the management fee charged by fellow subsidiary undertakings.

GOLDMAN SACHS (ECHO) HOLDINGS
(unlimited company)

7. DIRECTORS' EMOLUMENTS

The directors received no emoluments in respect of services as directors of the company.

Certain directors of the company received options over shares in the ultimate parent company which is registered outside the United Kingdom.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge for the period comprises :

Group relief (receivable from)/payable to fellow
subsidiary undertakings
UK corporation tax at 30% (1998: 31%) - current period
- prior period

The Group
21 week period ended
26 November 1999
US\$'000

269

315

1

585

Group relief is (receivable from)/payable to fellow subsidiary undertakings to the extent that current year losses are surrendered to the company under group relief arrangements.

A potential deferred tax asset of US\$278,000 arising from timing differences on exceptional administration expenses has not been recognised.

9. COMPANY PROFIT FOR THE PERIOD

Of the group's profit for the period, a profit of US\$19,028,000 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.

10. GOODWILL

Goodwill of \$2,360,000 arose on the acquisition of 100% of the ordinary shares in Goldman Sachs Investments Europe. This goodwill is being capitalised and amortised over 20 years.

Net assets acquired
Consideration paid
Purchased goodwill
Amortisation for the period
Goodwill at 26 November 1999

The Group
26 November 1999
US\$'000

181,420

183,780

2,360

(49)

2,311

The consideration paid represented the book value of net assets acquired on a US GAAP basis which includes Goldman Sachs Investments Europe's 1% share of profits in Goldman Sachs International, which, in contrast, is not recognized in the accounts of the shareholder entity under UK GAAP.

GOLDMAN SACHS (ECHO) HOLDINGS

(unlimited company)

11. FIXED ASSET INVESTMENTS

(a) Shares in subsidiary undertakings at cost

The movement for the period comprises:

	The Company 1999 US\$'000
Subscription for shares in subsidiary undertakings	
At 26 November 1999	<u>197,463</u>

The subsidiaries over which the company exercises control, and the effective ownership in ordinary shares at the period end are listed below.

Name of company	%	Number in issue	Class	Nominal
Goldman Sachs Investments Europe (holding company)	100%	150,500,002	Ordinary shares	\$1.00
Fleet Trade and Transport Ltd. (commodity trader)	100%	10,000,000	Ordinary shares	\$1.00
	100%	2	Ordinary shares	£1.00

The above subsidiary undertakings are registered in England and Wales.

The directors consider that the value of investments in subsidiary undertakings is not less than their book value.

(b) Participating Interests

	The Group 1999 US\$'000	The Company 1999 US\$'000
Subscription for shares in group undertakings		
At 26 November 1999	<u>499,891</u>	<u>484,011</u>

The shares in group undertakings principally comprise the following preference share capital investments:

Name of company	%	Number in issue	Class	Nominal
Goldman Sachs Holdings (UK) (holding company)	97%	452,811,077	Preference	US\$0.01
J Aron and Company (UK) (commodity dealer)	1%	50,000,000	Preference	US\$0.01
Goldman Sachs Equity Securities (UK) (equity trader)	6.18%	3,408,021	Preference	£0.01

All the above companies are registered in England and Wales.

At 26 November 1999 the aggregate capital and reserves of Goldman Sachs Holdings (UK) were US\$ 594,102,000 and its profit for the year was US\$ 15,840,000.

GOLDMAN SACHS (ECHO) HOLDINGS
(unlimited company)

12. DEBTORS

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

	The Group 1999 US\$'000	The Company 1999 US\$'000
Loans to fellow subsidiary undertakings	164,103	-
Amounts due from parent and fellow subsidiary undertakings	42,884	19,178
Group relief receivable from fellow subsidiary undertakings	51	51
Other debtors and prepayments	788	-
	<u>207,826</u>	<u>19,229</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 1999 US\$'000	The Company 1999 US\$'000
Amounts due to parent and fellow subsidiary undertakings	10,509	170
Corporation tax payable	1,408	-
Group relief payable	1,746	-
Other creditors and accruals	45	-
Accrual for management charges payable to parent and fellow subsidiary undertakings	297	-
	<u>14,005</u>	<u>170</u>

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

	The Group 1999 US\$'000	The Company 1999 US\$'000
Accrual for management charges payable to parent and fellow subsidiary undertakings	607	-

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

GOLDMAN SACHS (ECHO) HOLDINGS
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15. SHARE CAPITAL

	The Company	
	No.	1999 US\$'000
<u>Authorised</u>		
Ordinary shares of US\$ 0.01 each	200,000,000	2,000
Preference shares of US\$ 0.01 each	461,500,000	4,615
<u>Allotted, called up and fully paid</u>		
Ordinary shares of US\$ 0.01 each	200,000,000	2,000
Preference shares of US\$ 0.01 each	461,500,000	4,615

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 annum.

16. DIVIDENDS PAID AND PAYABLE

	The Company 1999 US\$'000
Dividends paid on non equity shares	15,896

17. 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
Shares issued	674,890	-	674,890	-
Retained profit/(loss) for the period				
- the company	-	19,028	-	19,028
- subsidiary undertakings	-	4,060	-	-
At 26 November 1999	674,890	23,088	674,890	19,028

18. FINANCIAL COMMITMENTS

The group's only financial commitments outstanding at period end arise in respect of shipping operations in the ordinary course of business.

GOLDMAN SACHS (ECHO) HOLDINGS
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19. *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.

20. *ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS*

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