

GOLDMAN SACHS (ECHO) HOLDINGS
(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

24 November 2000



GOLDMAN SACHS (ECHO) HOLDINGS

(unlimited company)

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 52 week period ended 24 November 2000. During the prior year the group's accounting reference date was changed to the 30th April in connection with the initial public offering on the New York Stock Exchange of the ultimate parent undertaking. Later in 1999 the group's accounting reference date was restored to 30th November each year to ensure that it was coterminous with The Goldman Sachs Group, Inc. Consequently, the prior year comparative figures stated in these accounts are for a 30 week period.

1. Principal activities

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\$36,920,000 (1999: US\$15,896,111).

4. Exchange rate

The US dollar/sterling exchange rate at the balance sheet date was 1.4000 (1999: 1.6072). The average rate for the period was 1.5256 (1999: 1.6156).

5. 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

Paul Deighton
Susan J Hunt
Roger A Liddell
Peter Sutherland

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

GOLDMAN SACHS (ECHO) HOLDINGS
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REPORT OF THE DIRECTORS

6. Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company 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, modified as explained in note 1(d), have been followed, and the financial statements have been prepared on a going concern basis. The directors are responsible for keeping proper accounting records, and for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD



D. J. GROUNSELL
Secretary

16 February 2001

**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.

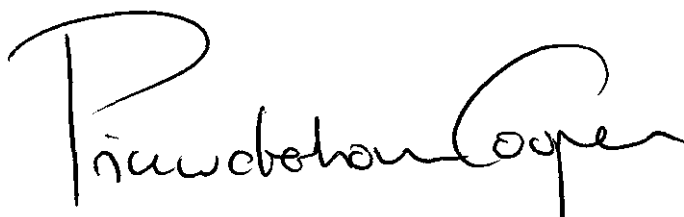
Basis of opinion

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 24 November 2000 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', is written across the page.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

10 April 2001

GOLDMAN SACHS (ECHO) HOLDINGS
(unlimited company)

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

		The Group 52 week period ended 24 November 2000 US\$'000	The Group 21 week period ended 26 November 1999 US\$'000
	Note		
Turnover	1c	18,759	6,423
Cost of sales		(18,267)	(6,099)
GROSS PROFIT		492	324
Administration expenses		(733)	(1,144)
OPERATING LOSS	4	(241)	(820)
Income from minority interests in group undertakings		37,559	36,139
Other interest receivable and similar income	5	12,182	4,250
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		49,500	39,569
Tax on profit on ordinary activities	8	(4,172)	(585)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		45,328	38,984
Dividends paid and payable	16	(36,920)	(15,896)
RETAINED PROFIT FOR THE PERIOD	17	8,408	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
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RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' FUNDS
for the 52 week period ended 24 November 2000

	52 week period ended 24 November 2000 US\$'000	21 week period ended 26 November 1999 US\$'000
Profit for the period	45,328	38,984
Issue of ordinary share capital	-	206,160
Issue of preference share capital	-	475,345
Dividends paid	(36,920)	(15,896)
Net increase in shareholders' funds	8,408	704,593
Opening shareholders' fund	704,593	-
Closing shareholders' funds	713,001	704,593

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

GOLDMAN SACHS (ECHO) HOLDINGS
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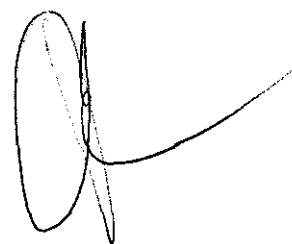
BALANCE SHEETS
as at 24 November 2000

	Note	The Group 2000 US\$'000	The Group 1999 US\$'000	The Company 2000 US\$'000	The Company 1999 US\$'000
INTANGIBLE FIXED ASSETS					
Goodwill	10	2,193	2,311		-
TANGIBLE FIXED ASSETS					
Investments:					
Shares in subsidiary undertakings	11(a)	-	-	197,463	197,463
Other investments other than loans	11(b)	500,587	499,891	484,707	484,011
		500,587	499,891	682,170	681,474
CURRENT ASSETS					
Stocks		-	9,063		-
Debtors	12	217,483	207,826	17,473	19,229
Cash at bank and in hand		88	114	-	-
		217,571	217,003	17,473	19,229
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	13	(7,077)	(14,005)	(170)	(170)
NET CURRENT ASSETS					
		210,494	202,998	17,303	19,059
TOTAL ASSETS LESS CURRENT LIABILITIES					
		713,274	705,200	699,473	700,533
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	14	(273)	(607)	-	-
		<u>713,001</u>	<u>704,593</u>	<u>699,473</u>	<u>700,533</u>
CAPITAL AND RESERVES					
Called up share capital	15	6,615	6,615	6,615	6,615
Share premium account	17	674,890	674,890	674,890	674,890
Profit and loss account	17	31,496	23,088	17,968	19,028
TOTAL SHAREHOLDERS' FUNDS					
		<u>713,001</u>	<u>704,593</u>	<u>699,473</u>	<u>700,533</u>
Equity shareholders' funds		237,656	229,248	224,128	225,188
Non-equity (preferred) shareholders' funds		475,345	475,345	475,345	475,345
		<u>713,001</u>	<u>704,593</u>	<u>699,473</u>	<u>700,533</u>

Approved by the Board of Directors on

16th February 2001

Director



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

GOLDMAN SACHS (ECHO) HOLDINGS

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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 24 November 2000. 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 capitalized and amortised over their estimated useful lives up to a maximum of 20 years.
- (c) **Turnover:** Turnover relates to the group'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 and other fixed asset investments 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.

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3. SEGMENTAL REPORTING

All turnover and gross profit arises from oil trading and related shipping operations. The directors manage the company's activities as a single business and accordingly no segmental analysis has been provided.

4. OPERATING LOSS

	The Group	
	52 week period ended 24 November 2000 US\$'000	21 week period ended 26 November 1999 US\$'000
Operating loss is stated after charging:		
Auditors' remuneration - audit services	22	9
Management fees charged by fellow subsidiary undertakings	1,697	1,649
Amortisation of goodwill	118	49
and after crediting		
Management fees charged to fellow subsidiary undertakings	948	395

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Other interest receivable and similar income comprises:

	The Group	
	52 week period ended 24 November 2000 US\$'000	21 week period ended 26 November 1999 US\$'000
Receivable from fellow subsidiary undertakings	11,914	4,250
Other income	268	-
	12,182	4,250

6. STAFF COSTS

The group has no employees (1999: 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 services provided (personnel and other) to the group are included in the management fee charged by fellow subsidiary undertakings.

7. DIRECTORS' EMOLUMENTS

	52 week period ended 24 November 2000 US\$'000	21 week period ended 26 November 1999 US\$'000
Aggregate emoluments	6	-

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7. DIRECTORS' EMOLUMENTS (CONTINUED)

In accordance with the Companies Act 1985, the directors' emoluments above represent the proportion of total emoluments paid or payable in respect of qualifying services only. Directors also receive emoluments for non qualifying services, which are not required to be disclosed. All directors are members of the defined contribution and three directors are members of the defined benefit pension schemes. The emoluments of the directors are paid by fellow group undertakings.

No provision (1999: Nil) has been made for qualifying services in respect of a long term incentive scheme for directors. When the shares are awarded under the scheme, the appropriate amounts will be disclosed in directors' emoluments at that time.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	The Group	
	52 week period ended 24 November 2000 US\$'000	21 week period ended 26 November 1999 US\$'000
The taxation charge for the period comprises :		
Group relief (receivable from)/payable to fellow subsidiary undertakings	-	269
UK corporation tax at 30% (1999: 30%) - current period	4,118	315
- prior period	54	1
	4,172	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.

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

A potential deferred tax asset of US\$221,117 (1999: US\$278,000) arising from timing differences on exceptional administrative expenses has not been recognised.

9. COMPANY PROFIT FOR THE PERIOD

Of the group's profit for the period, a profit of US\$35,859,000 (1999 profit: US\$34,925,173) 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.

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10. GOODWILL

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

	The Group 24 November 2000 US\$'000
Goodwill at 26 November 1999	2,311
Amortisation for the period	118
Goodwill at 24 November 2000	<u>2,193</u>

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.

11. FIXED ASSET INVESTMENTS

(a) Shares in subsidiary undertakings at cost

The movement for the period comprises:

	The Company 2000 US\$'000
Shares in subsidiary undertakings:	
At 26 November 1999 and 24 November 2000	<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) Other Investments Other Than Loans

	The Group US\$'000	The Company US\$'000
Shares in group undertakings		
At 26 November 1999	499,891	484,011
Addition - dividend in specie	696	696
At 24 November 2001	<u>500,587</u>	<u>484,707</u>

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11. FIXED ASSET INVESTMENTS (CONTINUED)

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
Goldman Sachs Property Management (property manager)	.97%	43,434,344	Preference	£1
	1.99%	10,000	Ordinary	£1

All the above companies are registered in England and Wales.

At 24 November 2000 the aggregate capital and reserves of Goldman Sachs Holdings (UK) were US\$591,913,000 (1999: US\$594,102,000) and its profit for the year was US\$103,645,000 (1999 profit: US\$51,964,000).

During the current financial period the Group acquired a .97% interest in the A Preference Share Capital and a .99% interest in the ordinary share capital of Goldman Sachs Property Management.

12. DEBTORS

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

	The Group 2000 US\$'000	The Group 1999 US\$'000	The Company 2000 US\$'000	The Company 1999 US\$'000
Loans to fellow subsidiary undertakings	175,019	164,103	-	-
Amounts due from parent and fellow subsidiary undertakings	42,050	42,884	17,422	19,178
Group relief receivable from fellow subsidiary undertakings	51	51	51	51
Other debtors and prepayments	363	788	-	-
	217,483	207,826	17,473	19,229

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 2000 US\$'000	The Group 1999 US\$'000	The Company 2000 US\$'000	The Company 1999 US\$'000
Amounts due to parent and fellow subsidiary undertakings	1,458	10,509	170	170
Corporation tax payable	597	1,408	-	-
Group relief payable	4,129	1,746	-	-
Other creditors and accruals	39	45	-	-
Accrual for management charges payable to parent and fellow subsidiary undertakings	854	297	-	-
	7,077	14,005	170	170

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

	The Group 2000 US\$'000	The Group 1999 US\$'000	The Company 2000 US\$'000	The Company 1999 US\$'000
Accrual for management charges payable to parent and fellow subsidiary undertakings	273	607	-	-

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

15. SHARE CAPITAL

The Company			
	No.	2000 US\$'000	1999 US\$'000
<u>Authorised</u>			
Ordinary shares of US\$ 0.01 each	200,000,000	2,000	2,000
Preference shares of US\$ 0.01 each	461,500,000	4,615	4,615
<u>Allotted, called up and fully paid</u>			
Ordinary shares of US\$ 0.01 each	200,000,000	2,000	2,000
Preference shares of US\$ 0.01 each	461,500,000	4,615	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 52 week period ended 24 November 2000 US\$'000	The Company 21 week period ended 26 November 1999 US\$'000
Dividends paid on non equity preference shares	36,920	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
At 26 November 1999	674,890	23,088	674,890	19,028
Retained profit/(loss) for the period		8,408		(1,060)
At 24 November 2000	674,890	31,496	674,890	17,968

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18. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

There are no commitments and contingent liabilities at the year end (1999: nil).

19. POST BALANCE SHEET EVENT

Subsequent to the period end, the company paid an ordinary dividend in specie of US\$213,341 and a preference dividend in specie of US\$589,960 distributing the company's 199 ordinary and 421,400 preference share holdings in Goldman Sachs Property Management (Note 11).

20. RELATED PARTY DISCLOSURES

Under the terms of FRS8, "Related Party Disclosures", the company is exempt from disclosing transactions with companies 90% or more controlled within the same group, as the consolidated financial statements in which the company is included are publicly available.

21. 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.