Company number: 3769030

GOLDMAN SACHS GROUP HOLDINGS (U.K.)

(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

29 November 2002

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

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 52 week period ended 29 November 2002.

1. Principal activities

The company is a holding company to a group that provides a wide range of financial services to clients located worldwide and which undertakes proprietary trading. 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 5.

On 30 November 2001, the company acquired certain shareholdings owned by its immediate parent company, Goldmans Sachs (U.K.) L.L.C.. The shareholdings that were acquired mainly comprised ordinary and preference share interests in Goldman Sachs Holdings (U.K.) and its subsidiary undertakings. The current period therefore reflects the first results for these subsidiary undertakings included in the group.

On 28 March 2002, the company acquired certain shareholdings owned by its immediate parent company, Goldman Sachs (U.K.) L.L.C., in exchange for an issue of ordinary shares in the company. The shareholdings acquired comprised ordinary and preference share interests in Goldman Sachs International Bank ('GSIB'). As a result of the acquisition, the company now owns 100% of the issued share capital of GSIB. Details of the acquisition are provided in note 14.

During the period, the trading activities of SLK Global Markets Limited, an introducing broker to its parent undertaking, and some of the trading activities of Hull Trading UK Limited, a financial securities and derivatives dealer, were transferred at net asset value into the group (see note 5). Both companies are fellow subsidiary undertakings outside the UK group.

During the period, the accounting policy in respect of deferred tax was changed, to reflect the adoption of FRS19. This resulted in the recognition of a deferred tax asset and a prior period adjustment of $447,318,000 (see note 28).

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 of Goldman Sachs (U.K.) L.L.C. agreed to waive the receipt of a final preference dividend in respect of the period (53 week period ended 30 November 2001: US$ 36,920,000). The directors did not declare and pay an interim ordinary dividend in respect of the period (53 week period ended 30 November 2001: US$ 14,803,000). The directors do not recommend the payment of a final ordinary dividend in respect of the period (53 week period ended 30 November 2001: US$Nil).

4. Exchange rate

The US dollar/sterling exchange rate at the balance sheet date was 1.5557 (30 November 2001: 1.4240). The average rate for the period was 1.4951 (53 week period ended 30 November 2001: 1.4422).

REPORT OF THE DIRECTORS

5. Post balance sheet event

On 5 February 2003, the company issued 92,483,292 ordinary shares of US$1 each to its immediate parent company as consideration for the acquisition of shares in Goldman Sachs International Bank (see note 31).

6. Employment of disabled persons

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers within the group. Training, career development and promotion of disabled persons is, to the extent possible, identical to that of other employees who are not disabled.

7. Employee involvement

It is group policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs or future prospects. Employees share in performance based incentive schemes.

8. Directors

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

Name	Appointed	Resigned
P. D. Sutherland		1 October 2002
P.C. Deighton		15 January 2003
S. Hunt		
S. Davies		
P Mulvihill	24 January 2003	

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

9. 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) 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.

REPORT OF THE DIRECTORS

10. Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

BY ORDER OF THE BOARD

D. J. GROUNSELL
Secretary

4 March, 2003

Report of the independent auditors to the members of GOLDMAN SACHS GROUP HOLDINGS (U.K.) (unlimited company)

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 Companies Act 1985. 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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 29 November 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London 4 March 2003

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

PROFIT AND LOSS ACCOUNT
for the 52 week period ended 29 November 2002

	Note	The Group 52 week period ended 29 November 2002 US$'000	As Restated The Group 53 week period ended 30 November 2001 US$'000
Trading profit	1(g)	2,901,390	791
Administrative expenses		(1,995,377)	(817)
OPERATING PROFIT / (LOSS)	5	906,013	(26)
Share of operating profit in joint venture		55,229	-
Other interest receivable and similar income	6	5,219	8,228
Income from other fixed asset investments		-	43,343
Loss on redemption of shares in group undertakings		-	(372)
Interest payable and similar charges	7	(301,692)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		664,769	51,173
Tax on profit on ordinary activities	10	(128,371)	(2,213)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		536,398	48,960
Dividends paid - interim ordinary (equity)	27	-	(14,803)
- preference (non equity)	27	-	(36,920)
RETAINED PROFIT / (LOSS) FOR THE PERIOD	25	536,398	(2,763)

The trading profit and operating profit / (loss) of the group is derived from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit / (loss) for the period as stated above and their historical cost equivalents except as explained in note 1(d).

The notes on pages 8 to 30 form part of these financial statements.
Auditors' report - page 4.

RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS
for the 52 week period ended 29 November 2002

	The Group	
	52 week period ended 29 November 2002 US$'000	**As Restated 53 week period ended 30 November 2001 US$'000**
Profit for the period	536,398	48,960
Dividends - on equity shares	-	(14,803)
- on non-equity shares	-	(36,920)
	536,398	(2,763)
Prior year adjustment (see note 28)	-	447,318
Exchange gain on consolidation	26,855	-
Gain on revaluation of fixed asset investment	-	91
Shares not yet issued as consideration for acquisitions (see note 26)	124,386	-
Shares issued as consideration for acquisitions	-	1,734,538
Net increase in shareholders' funds	687,639	2,179,184
Opening shareholders' funds	2,892,185	713,001
Closing shareholders' funds	3,579,824	2,892,185

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 week period ended 29 November 2002

	The Group	
	52 week period ended 29 November 2002 US$'000	**As Restated 53 week period ended 30 November 2001 US$'000**
Profit for the financial period	536,398	48,960
Gain on revaluation of fixed asset investment	-	91
Exchange gain on consolidation	26,855	-
Total recognised gains for the financial period	563,253	49,051
Prior year adjustment (see note 28)	447,318	
Total recognised gains since last annual report	1,010,571	

The notes on pages 8 to 30 form part of these financial statements.
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GOLDMAN SACHS GROUP HOLDINGS (U.K.)
(unlimited company)

BALANCE SHEETS
as at 29 November 2002

	Note	The Group 29 November 2002 US$'000	The Group As Restated 30 November 2001 US$'000	The Company 29 November 2002 US$'000	The Company 30 November 2001 US$'000
FIXED ASSETS					
Intangible assets	12	508	550	-	-
Tangible fixed assets	13	1,230	1,756	-	-
Investments:					
Shares in subsidiary undertakings	14(a)	-	-	2,658,419	2,415,170
Other investments other than loans	14(b)	1,590	1,617	-	-
Investments in joint ventures:					
Share of gross assets	14(c)	1,313,227	1,357,862	-	-
Share of gross liabilities	14(c)	(277,438)	(377,344)	-	-
		1,035,789	980,518	-	-
		1,039,117	984,441	2,658,419	2,415,170
CURRENT ASSETS					
Trading inventory	15	39,085,740	31,530,396	-	-
Securities purchased under agreements to resell	16	28,497,189	35,075,574	-	-
Debtors	17	85,444,542	76,525,000	2,399	9,079
Cash at bank and in hand	18	3,979,004	3,097,693	-	-
		157,006,475	146,228,663	2,399	9,079
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Trading inventory sold but not yet purchased		(32,717,126)	(24,466,089)	-	-
Securities sold under agreements to repurchase	19	(33,657,285)	(40,498,728)	-	-
Other creditors	20	(83,375,691)	(73,571,055)	(140)	(196)
		(149,750,102)	(138,535,872)	(140)	(196)
NET CURRENT ASSETS		7,256,373	7,692,791	2,259	8,883
TOTAL ASSETS LESS CURRENT LIABILITIES		8,295,490	8,677,232	2,660,678	2,424,053
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	21	(4,715,666)	(5,785,047)	-	-
NET ASSETS		3,579,824	2,892,185	2,660,678	2,424,053
CAPITAL AND RESERVES					
Called up share capital	24	21,377	21,377	21,377	21,377
Share premium account	25	1,373,271	1,373,271	1,373,271	1,373,271
Share capital not yet issued	26	124,386	-	124,386	-
Merger reserve	25	1,021,395	1,021,395	1,021,395	1,021,395
Profit and loss account	25	1,039,395	476,142	120,249	8,010
TOTAL SHAREHOLDERS' FUNDS		3,579,824	2,892,185	2,660,678	2,424,053
Equity shareholders' funds		3,104,479	2,416,840	2,185,333	1,948,708
Non-equity (preferred) shareholders' funds		475,345	475,345	475,345	475,345
TOTAL SHAREHOLDERS' FUNDS		3,579,824	2,892,185	2,660,678	2,424,053

Approved by the Board of Directors on 4 March, 2003

Director

The notes on pages 8 to 30 form part of these financial statements.
Auditors' report - page 4.

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

1. *ACCOUNTING POLICIES*

(a) **Accounting convention:** The financial statements have been prepared under the historical cost convention, modified as explained in note 1(d) below, the accounting policies set out below and in accordance with applicable Accounting Standards in the United Kingdom and pronouncements of the Urgent Issues Task Force (UITF).

The group has adopted the requirements of FRS19 'Deferred Tax' in accordance with the timetable specified in the standard. The adoption of this new standard represents a change in accounting policy (see note 1(l) below) and the comparative figures have been restated accordingly. The impact of this change is set out in note 28.

The group has changed its accounting policy in respect of the classification of turnover and cost of sales to reflect the policy adopted by the remainder of the group. The change in policy results in a reclassification of turnover of US$15,687,000 (2001: US$16,158,000) and cost of sales of US$14,914,000 (2001: US$ 15,367,000) to trading profit.

(b) **Consolidation:** The consolidated financial statements include the company and all of its subsidiaries since their date of acquisition. In accounting for subsidiaries the group consolidates fully their assets, liabilities and results for the year and shows separately the interest of minority shareholders therein. All inter-company balances and transactions are eliminated from the consolidated accounts. Acquisition accounting is used to consolidate new subsidiaries.

(c) **Goodwill:** Goodwill may arise on the acquisition of subsidiary and associated undertakings and joint ventures. It represents the excess of the fair value of the purchase price over the fair value of the separable 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 life of 20 years.

(d) **Trading inventory:** Trading inventory includes all securities, physical inventory and derivatives held for trading purposes. Trading inventory is valued, and stated in the balance sheet, at fair value. Fair value is based generally on listed market prices or broker dealer quotations. To the extent that prices are not readily available, or if liquidating the firm's position is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realised under current market conditions, assuming an orderly liquidation over a reasonable period of time.

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, which states that profits on a revaluation be credited to a revaluation reserve. 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 is not practicable, and moreover would be misleading, to quantify the effect of non-compliance with the Act.

As the trading inventory represents the trading portfolio of the group, the directors are of the opinion that it would not be appropriate to classify them as current asset investments, or to provide an analysis of such securities between those listed and unlisted.

Subsidiary undertakings which are held on a temporary basis for resale as part of the trading business of the group are included within trading inventory and are recorded at fair value.

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

1. *ACCOUNTING POLICIES (CONTINUED)*

(e) **Tangible fixed assets:** Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives at the following annual rates:

	%
Fixtures, fittings & equipment	20
Motor vehicles	20

Leasehold improvements are depreciated over the remaining life of the lease when the asset is brought into use.

(f) **Fixed asset investments:**

(i) Shares in group undertakings, which are intended to be held on a continuing basis in the group's activities, are stated at cost less provision for any impairment.

(ii) Equipment leasing partnerships are stated at the group's share of the net assets of the partnerships.

(iii) Investments in exchange memberships are stated at cost less provision for any impairment.

(iv) Debentures are stated at cost less provision for any impairment and amortised over their useful economic life.

(v) Interests in joint ventures are accounted for by the gross equity method and are shown as the group's share of their gross assets and liabilities. The group's share of the results of a joint venture is included in the consolidated profit and loss account.

(g) **Trading profits:** The operating results for the period include all profits and losses arising from the trading operations of the group. Trading operations include a number of activities including the purchase and sale of securities, derivatives and commodities, which are accounted for on a trade date basis. Trading operations also include fees earned in relation to managing investments, which are recognised in the profit and loss on an accruals basis to match continuing services. Revenues arising on loan origination and secondary dealing in senior bank loans are accounted for on a trade date basis. Corporate finance and advisory fee income is recognised when the work is substantially complete, the relevant parties are contractually bound and the final fee can be estimated with a reasonable degree of accuracy.

(h) **Income recognition:** Interest income is recognised on an accruals basis. Income from fixed asset investments is included in the profit and loss account when dividends are received.

(i) **Repurchase and resale agreements:** Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralised financing transactions as they meet the requirements defined in FRS 5 and are carried at the amount at which the securities were sold or acquired including the accrued interest as specified in the respective agreements.

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

(k) **Netting:** Amounts due from/to clients in respect of unsettled trading transactions are stated at the gross amounts unless the offset requirements of FRS 5 are met, in which case such balances are stated on a net basis. Amounts due from/to counterparties in respect of derivative transactions are only offset where a legally binding netting agreement exists.

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

1. ACCOUNTING POLICIES (CONTINUED)

(l) **Deferred taxation:** Full provision is made for deferred taxation in respect of all differences in timing between the accounting and tax treatments of income and expenses. The timing differences are recognised as deferred tax liabilities or assets, measured at expected future tax rates. An asset is not recognised if the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted. This represents a change in accounting policy from the prior period.

(m) **Foreign currencies:** Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into US dollars at rates of exchange ruling on the date the transaction occurred. Gains and losses on exchange are recognised in operating profit. The profit and loss accounts of subsidiaries with non-US dollar functional currencies are translated into US dollars at average rates of exchange for the period.

(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 group measures the market value of the securities borrowed and loaned against the collateral on a daily basis and obtains or provides additional collateral as appropriate.

(o) **Pension cost:** The group participates in a hybrid pension plan for the benefit of certain employees. This comprises:

(i) A defined benefit scheme, for which the costs are charged to the profit and loss account on the basis of the contribution rate determined by the actuary. Variations from regular cost are allocated over the remaining service lives of current employees within the scheme.

(ii) A defined contribution scheme, for which the costs of providing the expected retirement benefits to relevant employees are charged to the profit and loss account in the period to which they are incurred.

(p) **Long term loan notes:** Long term loan notes issued are initially recorded at the proceeds received after deducting issue costs. Finance costs, including discounts allowed on issue, are recognised at a constant rate on the carrying amount of debt in accordance with the provisions of FRS 4. All finance costs are charged to the profit and loss account.

2. CASHFLOW STATEMENT

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

3. SEGMENTAL REPORTING

All trading profit arises from financial services provided to clients and proprietary trading in financial instruments. The directors manage the group's activities as a single business and accordingly no segmental analysis has been provided.

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

4. *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, foreign exchange, commodities and other financial instruments, and fees and commissions earned. Related expenses include trading interest payable less trading interest and dividends receivable.

5. *OPERATING PROFIT / (LOSS)*

		The Group	
		52 week period ended 29 November 2002 US$'000	53 week period ended 30 November 2001 US$'000
Operating profit/(loss) is stated after charging:			
Depreciation of tangible fixed assets		630	-
Amortisation of fixed asset investments		36	-
Auditors' remuneration - audit services		2,350	124
Auditors' remuneration - non audit services		1,461	-
Management fees charged by group undertakings		908,088	1,379
Amortisation of goodwill		42	119
Trading interest payable:	- group undertakings	766,477	-
	- other	2,483,639	-
Operating lease rentals		84,656	-
And after crediting:			
Management fees charged to group undertakings		11,270	894
Trading interest receivable:	- group undertakings	759,444	-
	- other	2,842,388	-
Exceptional management fee credited in respect of restricted stock units		64,697	-
Profit on disposal of fixed assets		14	-

The exceptional management fee relates to restricted stock units awarded to employees following the initial public offering of The Goldman Sachs Group, Inc. on the New York Stock Exchange on 7 May 1999. The fee for the period comprises the amortisation of the costs of the awards and the adjustment to reflect the market value of the units at the balance sheet date.

During the period, the trading activities of SLK Global Markets Limited and some of the trading activities of Hull Trading UK Limited (fellow subsidiary undertakings outside the UK group) were transferred to Goldman Sachs International, a subsidiary undertaking. These transfers did not have a material impact on the activities, results, or balance sheet of the group and consequently no disclosure has been included of the impact of these businesses on the profit and loss account of the group for the period.

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

6. *OTHER INTEREST RECEIVABLE AND SIMILAR INCOME*

Other interest receivable and similar income comprises:

	The Group	
	52 week period ended 29 November 2002 US$'000	53 week period ended 30 November 2001 US$'000
Interest on overnight deposits	772	-
Interest on loans to parent and group undertakings	1,678	8,228
Interest on loans to banks and customers	1,249	-
Other interest receivable	1,520	-
	5,219	**8,228**

7. *INTEREST PAYABLE AND SIMILAR CHARGES*

	The Group	
	52 week period ended 29 November 2002 US$'000	53 week period ended 30 November 2001 US$'000
Interest on loans from parent and group undertakings	132,211	-
Interest on other loans repayable within five years	21,524	-
Interest on deposits from banks and customers	2,892	-
Amortisation of discount payable on zero coupon note (see note 21)	145,045	-
Other interest payable	20	-
	301,692	**-**

8. *DIRECTORS' EMOLUMENTS*

	The Group	
	52 week period ended 29 November 2002 US$'000	53 week period ended 30 November 2001 US$'000
Aggregate emoluments	1,260	5
Company pension contributions to money purchase schemes	321	2
	1,581	**7**

	US$'000	US$'000
Highest paid director:		
Aggregate emoluments and benefits	1,045	3
Company pension contributions to money purchase schemes	213	-
Defined benefit schemes:		
Accrued pension at end of period	9	-

8. *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. Certain directors of the company also received options over shares in the ultimate parent company which is registered outside the United Kingdom. All directors are members of the defined contribution scheme and three directors are members of the defined pension scheme.

Two directors have been granted shares in respect of a long term incentive scheme.

9. *STAFF COSTS*

Until the group reorganisation on 30 November 2001, all staff were employed by a fellow group subsidiary and a management charge was paid to that company for their services (see note 5), as a result no comparative figures are disclosed.

The average number of employees of the group including directors, is analysed below:

	52 week period ended 29 November 2002 Number
Trading, sales, advisory, research and asset management	2,053
Support, finance, operations and technology	1,474
	3,527

The employment costs incurred by the group, including those relating to directors, were:

	52 week period ended 29 November 2002 US$'000
Aggregate gross wages and salaries	694,658
Employer's national insurance contributions	61,973
Pension costs	29,679
Total direct costs of employment	**786,310**

Pension schemes

Following the group reorganisation on 30 November 2001, the following pension schemes now form part of the group. The information provided below in relation to the prior period is relevant to the balance sheet of the group at 30 November 2001.

The group operates an open pension plan with a hybrid structure, having both defined benefit and defined contribution sections. The most recent formal valuation of the Plan was carried out by the scheme actuary as at 1 December 2001 using the projected unit funding method. The financial assumptions underlying the funding of the Plan which had the most significant effect on the pension cost are set out below:

9. *STAFF COSTS (CONTINUED)*

	% per annum
Investment return	6.5
Rate of increase in salaries	4.5
Rate of increase in pensions (post-30 November 1996 accrual)	2.5
Rate of price inflation	2.5

At the date of the valuation, the total market value of the assets of the defined benefit section of the Plan was US$141.4 million (£90.9 million), which represented some 127% of the value of benefits accrued by members at that date, after allowing for assumed future increases in earnings and on the basis that the Plan continues. However, under the terms of the Plan Trust Deed, the Plan is required to fund benefits accrued prior to 1 December 1996 on an insurance company buy-out basis.

On this basis, the accrued Plan liabilities would have exceeded the market value of the accumulated assets by US$8.4 million (£5.4 million). In view of this shortfall, the group has agreed to maintain an increased contribution rate of 13.6% of limited qualifying salaries for two years, reverting to 5.7% of limited qualifying salaries with effect from 1 December 2003, plus the cost of life insurance premiums.

SSAP 24

For the purposes of compliance with SSAP24, calculations as at 1 December 2001 were carried out by the scheme actuary to assess the pension costs relating to the defined benefit section of the Plan. The regular cost on the assumptions summarised above is 5.7% of limited qualifying salaries, plus the cost of life assurance premiums which are met by the group. However, because of the excess of assets over liabilities on an ongoing basis as detailed above, a variation to regular cost arises. The financial effect of this variation is being spread over a period of 10 years, representing the average future service life of employees. A prepayment of US$47.4 million (30 November 2001: US$13.9 million) arose under the SSAP24 valuation of the Plan. For the defined contribution section of the Plan, the pension cost is equal to the contributions paid by the group of US$19.3 million (£12.4 million) in respect of the year ending 29 November 2002.

FRS 17

The disclosures for the defined benefit section of the scheme required under the transitional arrangements within FRS17 'Retirement Benefits' have been calculated by qualified independent actuaries, based on the most recent full actuarial valuation at 1 December 2001 updated to 29 November 2002. The asset and liability figures shown below for the purposes of FRS17 have been calculated as a proportion of the total Plan assets and liabilities, based on the group's proportion of the active membership as advised at the start and end of the year.
The financial assumptions used for FRS 17 purposes were:

	29 November 2002 % per annum	30 November 2001 % per annum
Discount rate	5.8	5.5
Rate of increase in salaries	4.5	4.5
Rate of increase in pensions (post-30 November 1996 accrual)	2.5	2.5
Rate of price inflation	2.5	2.5

9. *STAFF COSTS (CONTINUED)*

The assets in the Plan attributable to the group and the expected rates of return were:

	29 November 2002		30 November 2001	
	Expected rate of return % pa	**Market value US$m**	**Expected rate of return % pa**	**Market value US$m**
UK Equities	8.5	96.0	8.0	67.2
Overseas Equities	8.5	33.6	8.0	23.1
UK Fixed interest	4.5	13.4	4.7	10.4
Other	7.2	14.4	7.7	5.2
Total		157.4		105.9

The following amounts at 29 November 2002 and 30 November 2001 were measured in accordance with the requirements of FRS17:

	29 November 2002 US$m	30 November 2001 US$m
Total market value of plan assets	157.4	105.9
Present value of plan liabilities	(163.2)	(109.9)
Deficit in the plan	(5.8)	(4.0)
Related deferred tax asset	1.7	1.2
Net pension liability	(4.1)	(2.8)

If the above amounts had been recognised in the accounts, the group's net assets and profit and loss account reserve at 29 November 2002 and 30 November 2001, would be as follows:

	29 November 2002 US$m	As Restated 30 November 2001 US$m
Net assets excluding pension liability	3,579.8	2,892.0
Pension liability	(4.1)	(2.8)
Net assets including pension liability	3,575.7	2,889.2
Profit and loss account reserve excluding pension liability	1,039.4	476.1
Pension reserve	(4.1)	(2.8)
Profit and loss account reserve	1,035.3	473.3

For the purpose of the above dislosure, the effect of the write off to the profit and loss account of the pension prepayment of US$47.4 million (30 November 2001: US$13.9 million) and related deferred tax liability of US$14.2 million (30 November 2001: US$4.2 million) carried by the group under SSAP24, is not included.

9. *STAFF COSTS (CONTINUED)*

The following amounts would have been recognised in the financial statements in the period ended 29 November 2002 under the requirements of FRS17:

	52 week period ended 29 November 2002 US$m
Analysis of amounts charged to operating profit:	
Current service cost	22.3
Total charged to operating profit	22.3
Analysis of the amount credited to other finance income:	
Interest on pension plan liabilities	6.3
Expected return on assets in the pension plan	(9.9)
Net credit to other finance income	(3.6)
Total P&L charge before deduction for tax	18.7
Analysis of amounts recognised in Statement of Total Recognised Gains and Losses:	
Loss on assets	12.9
Experience loss on liabilities	27.6
Gain on changes of assumptions (financial and demographic)	(13.7)
Total loss recognised in Statement of Total Recognised Gains and Losses before adjustment for tax	26.8
Movement in deficit during the period:	
Deficit in scheme at 30 November 2001	(4.0)
Current service cost	(22.3)
Contributions	43.7
Other finance income	3.6
Actuarial loss	(26.8)
Deficit in scheme at 29 November 2002	(5.8)

A history of experience gains and losses to 29 November 2002 is as follows:

Loss on plan assets:	
Amount	US$12.9m
% of plan assets at 29 November 2002	8.2%
Experience loss on plan liabilities:	
Amount	US$27.6m
% of plan liabilities at 29 November 2002	16.9%
Total actuarial loss recognised in Statement of Total Recognised Gains and Losses:	
Amount	US$26.8m
% of plan liabilities at 29 November 2002	16.4%

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the period:

Current tax	**52 week period ended 29 November 2002 US$'000**	**53 week period ended 30 November 2001 US$'000**
UK corporation tax at 30% - current period	25,654	2,497
UK corporation tax - prior year	2,870	(284)
Prior period adjustment in respect of group relief	(35,620)	-
Overseas taxation	(5,954)	
Total current tax (see note 10(b))	**(13,050)**	**2,213**
Deferred Tax		
Provisions and other timing differences (see note 23)	141,421	-
	141,421	-
Tax on profit on ordinary activities	**128,371**	**2,213**

In the prior period, a subsidiary undertaking acquired on 30 November 2001 recorded group relief payable of US$35,620,000 in relation to the surrender of the benefit of tax losses from fellow group undertakings. Following a review of the group relief arrangements it has been determined that no payment would be made. Accordingly, the amount has been written back to the group as part of the current period tax charge. The benefit in relation to the tax losses was recognised in the subsidiary undertaking's profit and loss account prior to acquisition.

(b) Factors affecting tax (credit) / charge for the period

The current tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	52 week period ended 29 November 2002 US$'000	**53 week period ended 30 November 2001 US$'000**
Profit on ordinary activities before tax	664,769	51,173
Profit on ordinary activities multiplied by standard rate in the UK 30% (2001: 30%)	199,431	15,351
Expenses disallowed for the purposes of tax provision	3,899	-
Accelerated capital allowances and other timing differences	310	-
Timing differences in respect of restricted stock units	(135,805)	(114)
Pension contribution relief in excess of net pension cost charge	(10,064)	-
Overseas taxation	(19,915)	-
Exchange differences	1,727	151
Group relief surrendered for nil consideration	(3,314)	-
Adjustment to tax in respect of prior periods	2,870	(284)
Non taxable income	(16,569)	(12,891)
Prior period adjustment in respect of group relief payable	(35,620)	-
Current tax (credit)/charge for the period	**(13,050)**	**2,213**

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

10. TAX ON PROFIT ON ORDINARY ACTIVITIES(CONTINUED)

The timing difference arising from the restricted stock units (see note 5) comprises the net of the amounts charged to the profit and loss account during the period and those amounts paid to employees during the period.

11. COMPANY PROFIT FOR THE PERIOD

Of the group's profit for the period, a profit of US$112,239,000 (2001 profit: US$41,674,000) 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.

12. INTANGIBLE ASSETS

Intangible assets comprise positive goodwill of $2,360,000 that arose on the acquisition of 100% of the ordinary shares in Goldman Sachs Investments Europe in a previous period. The goodwill was capitalised and is being amortised over 20 years.

Negative goodwill of $1,524,000 arose on the acquisition of Goldman Sachs Holdings (U.K.) on 30 November 2001. This goodwill was capitalised and is being amortised over 20 years.

		The Group	
	Positive Goodwill US$'000	**Negative Goodwill US$'000**	**29 November 2002 Total US$'000**
Goodwill at 30 November 2001	2,074	(1,524)	550
Amortisation for the period	(118)	76	(42)
Goodwill at 29 November 2002	**1,956**	**(1,448)**	**508**

13. TANGIBLE FIXED ASSETS

The movements in tangible fixed assets during the period were as follows:

		The Group		
	Leasehold improvements US$'000	**Fixtures, fittings & equipment US$'000**	**Motor vehicles US$'000**	**Total US$'000**
COST				
At 30 November 2001	2,509	777	130	3,416
Additions	101	3	-	104
Disposals	-	-	(65)	(65)
At 29 November 2002	**2,610**	**780**	**65**	**3,455**
DEPRECIATION				
At 30 November 2001	1,101	448	111	1,660
Charge for period	550	74	6	630
Disposals	-	-	(65)	(65)
At 29 November 2002	**1,651**	**522**	**52**	**2,225**
NET BOOK VALUE				
At 29 November 2002	**959**	**258**	**13**	**1,230**
At 30 November 2001	**1,408**	**329**	**19**	**1,756**

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

14. *FIXED ASSET INVESTMENTS*

(a) Shares in subsidiary undertakings (at cost)

Fixed asset investments, which are unlisted and stated at cost, comprise shareholdings in group undertakings: The movement for the period comprises:

	The Company US$'000
At 30 November 2001	2,415,170
Additions (see note (i))	434,833
Repurchase of capital by issuer (see note (ii))	(150)
Disposals (see note (iii))	(174,860)
Loss on transfer of investments	(16,574)
At 29 November 2002	**2,658,419**

(i) On 8 February 2002, the company paid EUR 200,000 (US$174,220) to acquire 5,000 ordinary shares of EUR 25 each in the first allotment of shares by Goldman Sachs Luxembourg S.a.r.l..

On 12 February 2002, the company paid US$5,000 to acquire 5,000 ordinary shares of US$0.01 each in a further allotment of shares by Goldman Sachs Risk Advisors (Europe) Limited.

On 28 March 2002, the company acquired 6,410,255 ordinary shares of £1 each and 63,917,526 preference shares of £0.01 each in Goldman Sachs International Bank from its immediate parent undertaking for $23,155,657 and $101,231,157 respectively, satisfied by way of an issue of 92,483,292 ordinary shares following the period end (see note 31).

On 12 November 2002, the company acquired 4,528,111 preference shares of US$0.01 each in Goldman Sachs Holdings (U.K.) from a subsidiary undertaking for $3,735,691.

On 12 November 2002, the company acquired 12,200,000 ordinary shares of US$1 each in Goldman Sachs Holdings (U.K.) for $168,030,777. These additional shares were allotted to the company as consideration for the transfer of shares in Goldman Sachs Investments Europe to Goldman Sachs Holdings (U.K.) (see note (iii)).

On 29 November 2002, the company paid US$138,500,000 to acquire 128,837,209 US$0.01 preference shares in a further allotment of shares by Goldman Sachs International.

(ii) On 5 February 2002, J. Aron & Company (Bullion) cancelled 103,495 Ordinary Shares of $1.00 each registered in the name of Goldman Sachs Group Holdings (U.K.) and repaid the amount of $150,123 to Goldman Sachs Group Holdings (U.K.), such sum being the amount paid up on such shares, including share premium.

Goldman Sachs Immobilier was liquidated during the period and as a result repurchased its remaining 2 ordinary shares of £1 each.

(iii) On 24 May 2002, the company transferred 4,891,306 preference shares of US$1 each and 2,556,522 preference shares of US$0.01 in Goldman Sachs International Finance to a subsidiary undertaking for $4,272,406 and $2,556,522 respectively.

On 12 November 2002, the company transferred 150,500,002 ordinary shares of US$1 each in Goldman Sachs Investments Europe to Goldman Sachs Holdings (U.K.), a subsidiary undertaking, for $168,030,777.

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

14. FIXED ASSET INVESTMENTS (CONTINUED)

The principal subsidiaries of the group and the effective ownership interests in the ordinary and preference shares at the period end are listed below:

Name of company and activity	Group interest in shares issued	Of which, owned directly by the Company
Goldman Sachs Asset Management International* (fund manager)	100% Ordinary shares 100% Preference shares	1% Ordinary shares 99% Preference shares
Goldman Sachs Europe * (formerly Goldman Sachs Equity Securities (U.K.)) (agency lending and issuer of warrants)	100% Ordinary shares 100% Preference shares	1% Ordinary shares 6% Preference shares
Goldman Sachs International * (securities dealer)	100% Ordinary shares 100% Preference shares	1% Ordinary shares 44% Preference shares
J. Aron & Company (U.K.) * (commodites dealer)	100% Ordinary shares 100% Deferred shares 100% Preference shares	1% Ordinary shares 1% Deferred shares 1% Preference shares
J. Aron & Company (Bullion) * (formerly a precious metals dealer)	100% Ordinary shares	50% Ordinary shares
Goldman Sachs International Finance * (formerly a foreign exchange dealer)	100% Ordinary shares	0% Ordinary shares
Goldman Sachs Europe Limited * (service company)	100% Ordinary shares	0% Ordinary shares
GS Global Funding (UK) Limited * (investment activity)	100% Ordinary shares	0% Ordinary shares
Goldman Sachs Investments Europe * (formerly a holding company)	100% Ordinary shares	0% Ordinary shares
Fleet Trade & Transport Limited * (commodities trader)	100% Ordinary shares	100% Ordinary shares
Goldman Sachs Holdings (U.K.) * (holding company)	100% Ordinary shares 100% Preference shares	100% Ordinary shares 100% Preference shares
Goldman Sachs Risk Advisors (Europe) Limited* (financial markets advisory services)	100% Ordinary shares	100% Ordinary shares
Goldman Sachs International Bank** (senior bank loan and related activities)	100% Ordinary shares 100% Preference shares	100% Ordinary shares 100% Preference shares
Goldman Sachs Securities (Nominees) Limited* (nominee shareholder)	100% Ordinary shares	0% Ordinary shares

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

14. FIXED ASSET INVESTMENTS (CONTINUED)

Name of company and activity	Group interest in shares issued	Of which, owned directly by the Company
Goldman Sachs Government Securities (U.K.) * (formerly a market maker in gilt-edged securities)	100% Ordinary shares	50% Ordinary shares
Goldman Sachs Luxembourg S.a.r.l.*** (stock lending activities)	100% Ordinary shares	100% Ordinary shares
Restamove Limited** (non-trading)	100% Ordinary shares	0% Ordinary shares

*Subsidiary undertakings of the company also at 30 November 2001.
**Entity acquired on 28 March 2002 from the company's immediate parent, Goldman Sachs (U.K.) L.L.C.
***Entity acquired on 8 February 2002 by subscribing for 100% of the entity's ordinary share capital.

All the above subsidiary undertakings are registered in England and Wales, with the exception of Goldman Sachs Europe Limited, which is incorporated in Jersey, and Goldman Sachs Luxembourg S.a.r.l., which is incorporated in Luxembourg.

(b) Other investments other than loans

The balance at 29 November 2002 and 30 November 2001, comprises:

	The Group	
	29 November 2002 US$'000	30 November 2001 US$'000
Investment in equipment leasing partnership (see note (i))	67	67
Investment in exchange memberships (see note (ii))	1,145	1,136
Shares in group undertakings (see note (iii))	238	238
Debentures (see note (iv))	140	176
	1,590	**1,617**

(i) The group has a US$67,000 investment in an equipment leasing partnership operating in the United Kingdom stated at cost.

(ii) The group also has investments in exchange memberships, which are unlisted and stated at cost.

	The Group	
	29 November 2002 US$'000	30 November 2001 US$'000
Beginning of period	1,136	-
Additions	-	1,136
Exchange differences	9	-
	1,145	**1,136**

Additions represent the cost of exchange memberships acquired as part of the group reorganisation on 30 November 2001.

14. FIXED ASSET INVESTMENTS (CONTINUED)

(iii) The shares in group undertakings represent the following investments:

Name of company and activity	%	Number in issue	Class	Nominal
Goldman Sachs S.G.R. S.p.A	1	4,000	Ordinary	Euro 1,000
Goldman Sachs Funds Management S.A.	1	124,000	Ordinary	Euro 1,000
Goldman Sachs S.I.M. S.p.A.	1	5,000,000	Ordinary	Euro 5,000

(iv) The group holds debentures that are stated at cost and amortised over their useful economic life.

	US$'000
COST	
At 30 November 2001 and 29 November 2002	**201**
AMORTISATION	
At 30 November 2001	25
Charge for period	36
At 29 November 2002	**61**
NET BOOK VALUE	
At 29 November 2002	**140**
At 30 November 2001	176

(c) Investment in Joint Venture

	The Group 2002 US$'000	The Group 2001 US$'000
Share of gross assets	1,313,227	1,357,862
Share of gross liabilities	(277,438)	(377,344)
	1,035,789	**980,518**

GS Global Funding (UK) Limited is a partner in the GS Global Funding Hong Kong Partnership ("the Partnership"). The address of the Partnership's principal place of business is the 68th Floor, Cheung Kong Centre, No 2 Queen's Road Central, Hong Kong. The Partnership identifies and invests in suitable investment opportunities, primarily in the Hong Kong market.

GS Global Funding (UK) Limited owns 98.999% of the capital interests and 0.999% of the income interests in the Partnership. Capital interests carry the right to all profits or losses of a capital nature such as the principal return on investments. Income interests carry the right to all profits and losses of an income nature such as coupons or dividends on investments.

14. *FIXED ASSET INVESTMENTS (CONTINUED)*

(c) **Investment in Joint Venture (continued)**

The group's investment in the Partnership is being accounted for as a joint venture. The group's share of the underlying assets and liabilities of the Partnership has been restated at fair value as at 29 November 2002 and included in the group balance sheet.

As security for a loan payable by the Partnership to an unrelated third party, the Partnership has granted a mortgage to that party over the principal amount payable under a US$382 million fixed rate bond.

(d) The directors consider that the value of investments in subsidiary undertakings and other investments other than loans is not less than their book value.

15. *TRADING INVENTORY*

Trading inventory comprises financial instruments and investments within the trading activities of the group. At 30 November 2001, included within trading inventory were amounts in respect of shares in subsidiary undertakings that were created solely with a view to resale and which form part of the trading activities of the group.

The details of these former subsidiaries are as follows:

Name of company	%	Number in issue	Class	Nominal
Additional Value Investments 1 Ltd	100	1,010,222	Ordinary shares	£0.01
Additional Value Investments 2 Ltd	100	1,010,318	Ordinary shares	£0.01
Additional Value Investments 3 Ltd	100	1,010,318	Ordinary shares	£0.01
Additional Value Investments 4 Ltd	100	2,200,000	Ordinary shares	£0.01

All of these former subsidiaries are incorporated in the Cayman Islands.

On 15 April 2002, all of the shares in the above subsidiary undertakings were transferred at net asset value to Additional Value 1 Ltd, a private limited company incorporated in the United Kingdom, in exchange for 96 ordinary class A shares of £1 each and 3 ordinary class B shares of £1 each in that company.

On 16 April 2002, the 96 ordinary class A shares of £1 each in Additional Value 1 Ltd were sold at net asset value to a third party.

On 24 April 2002, the company acquired one additional ordinary B share of £1 in Additional Value 1 Ltd.

Following the above transactions, none of the above companies are subsidiary undertakings of the company at the balance sheet date.

16. *SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL*

Included within the resale agreements are amounts of US$9,998,645,000 (30 November 2001:US$3,311,929,000) which relate to group undertakings.

17. *DEBTORS*

	The Group		The Company	
	2002 US$'000	2001 US$'000	2002 US$'000	2001 US$'000
Deposits as collateral for stock borrowed	2,682,314	2,682,079	-	-
Amounts due from brokers/dealers and customers	38,106,133	33,478,095	-	-
Amounts due from parent and group undertakings	43,907,511	39,657,097	2,245	9,034
Group relief receivable from group undertakings	-	-	48	45
Corporation tax recoverable	112,230	17,066	106	-
Deferred tax (see note 23)	305,897	447,318		
Other debtors	223,120	174,483	-	-
Prepayments and accrued income	107,337	68,862	-	-
	85,444,542	**76,525,000**	**2,399**	**9,079**

Of the amount due from parent and group undertakings US$360,812 (2001: US$625,000) is due in more than one year. This relates to restricted stock units awarded to employees following the initial public offering of The Goldman Sachs Group, Inc. on the New York Stock Exchange on 7 May 1999. The charge related to these restricted stock units arising to 30 November 2001 was recognised in the consolidated profit and loss account of Goldman Sachs Holdings (U.K.) prior to acquisition. The remaining debtors are all due within one year of the balance sheet date.

18. *CASH AT BANK AND IN HAND*

Included within cash at bank and in hand is US$3,511,093,061 (2001: US$2,886,556,000) that is held on behalf of clients in segregated accounts.

19. *SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE*

Included within the repurchase agreements are amounts of US$8,535,061,000 (30 November 2001: US$5,123,889,000) which relate to group undertakings.

20. *OTHER CREDITORS*

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

	The Group		The Company	
	2002 US$'000	**2001 US$'000**	**2002 US$'000**	**2001 US$'000**
Promissory notes issued	23,336	208,876	-	-
Bank loans and overdrafts	332,284	172,708	-	-
Loan notes (see note 21)	2,142,358	-	-	-
Loans from money brokers and institutions	32,452,247	24,624,816	-	-
Amounts due to brokers/dealers and customers	31,687,485	29,013,433	-	-
Short term subordinated loan (note 22)	-	210,000	-	-
Amounts due to parent and group undertakings	15,882,355	18,142,317	-	-
Corporation tax payable	26,503	83,511	-	97
Group relief payable	-	34,047	-	-
Other taxes and social security costs	65,553	45,185	-	-
Accrual for management charges payable to parent and group undertakings	362,486	643,808	-	-
Other creditors and accruals	401,084	392,354	140	99
	83,375,691	**73,571,055**	**140**	**196**

Of the other creditors falling due within one year US$32,452 million (30 November 2001: US$24,625 million) is secured by marketable securities.

The accrual for management charges is in respect of restricted stock awards and long term incentive schemes (see note 5).

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

	The Group		The Company	
	2002 US$'000	**2001 US$'000**	**2002 US$'000**	**2001 US$'000**
Long-term subordinated loans (see note 22)	4,109,450	3,005,000	-	-
Long-term loan notes (note a)	-	1,941,732	-	-
Accrual for management charges payable to parent and group undertakings (note b)	564,749	781,460	-	-
Other creditors and accruals	41,467	56,855	-	-
	4,715,666	**5,785,047**	**-**	**-**

(a) The loan notes were issued to a subsidiary undertaking of the ultimate parent company and are stated at the principal amounts of $583 million (£375 million) (30 November 2001: $534 million (£375 million)) and US$1,240 million plus the discount accretion to 29 November 2002. The notes are zero coupon and are due to mature on 15 October 2003 at a value of $723 million (£465 million) and US$1,557 million respectively. However, the group is able to redeem these notes at any time before 15 October 2003 should it choose to do so.

(b) The accrual for management charges is in respect of restricted stock awards and long term incentive schemes (see note 5).

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

22. *SUBORDINATED LOANS*

	The Group		The Company	
	2002	2001	2002	2001
	US$'000	US$'000	US$'000	US$'000
Repayable as follows:				
Less than one year	-	210,000	-	-
	-	210,000	-	-
Between two and five years	3,155,000	2,650,000	-	-
Over five years	954,450	355,000	-	-
	4,109,450	3,005,000	-	-
	4,109,450	**3,215,000**	-	-

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

23. *DEFERRED TAX*

	29 November 2002	As restated 30 November 2001
	US$'000	US$'000
Deferred tax balance comprises:		
Depreciation in excess of capital allowances	752	828
Post-retirement benefits	(14,234)	(4,171)
Other timing differences	319,379	450,661
	305,897	**447,318**
The movements in the deferred tax balance were as follows:		
At 30 November 2001 as previously stated	-	
Prior year adjustment (see note 28)	447,318	
At 30 November 2001 restated	447,318	
Transfer to the profit and loss account for the period	(141,421)	
At 29 November 2002	**305,897**	

Other timing differences include deferred tax in respect of exceptional administrative expenses (see note 5).

The directors consider that future profits will be available against which the deferred tax asset can be recovered.

24. *SHARE CAPITAL*

At 29 November 2002 and 30 November 2001, share capital comprised:

	The Company			
	29 November 2002		30 November 2001	
	No.	US$'000	No.	US$'000
Authorised				
Ordinary shares of US$ 0.01 each	2,200,000,000	22,000	2,200,000,000	22,000
Preference shares of US$ 0.01 each	800,000,000	8,000	800,000,000	8,000
		30,000		**30,000**
Allotted, called up and fully paid				
Ordinary shares of US$ 0.01 each	1,676,202,553	16,762	1,676,202,553	16,762
Preference shares of US$ 0.01 each	461,500,000	4,615	461,500,000	4,615
		21,377		**21,377**

The preference shares carry limited voting rights and, on a winding-up, the holders have a preferential right to return of capital together with any premium. Preference shares have a fixed non-cumulative dividend payable at a rate of 8 cents per share per annum.

25. *SHARE PREMIUM ACCOUNT AND RESERVES*

	The Group		
	Share premium account US$'000	Profit and loss account US$'000	Merger Reserve US$'000
At 30 November 2001 as previously stated	1,373,271	28,824	1,021,395
Prior year adjustment (note 28)	-	447,318	-
At 30 November 2001 as restated	1,373,271	476,142	1,021,395
Retained profit for the period	-	536,398	-
Exchange gain on consolidation	-	26,855	-
At 29 November 2002	**1,373,271**	**1,039,395**	**1,021,395**

	The Company		
	Share premium account US$'000	Profit and loss account US$'000	Merger Reserve US$'000
At 30 November 2001	1,373,271	8,010	1,021,395
Retained profit for the period	-	112,239	-
At 29 November 2002	**1,373,271**	**120,249**	**1,021,395**

There is no impact arising from the change in policy in the results of the company, as a result, no restatement of the prior period figures has been made.

25. *SHARE PREMIUM ACCOUNT AND RESERVES (CONTINUED)*

As part of the group reorganisation on 30 November 2001, the company took advantage of the relief afforded to it under section 132 of the Companies Act 1985. As a result, share premium of only $698,381,000 was recorded and the remaining difference between the nominal value of the shares and the value at which the new shares were issued of $1,021,395,000 was credited to a non-distributable merger reserve.

26. *SHARE CAPITAL NOT YET ISSUED*

During the period the company acquired the ordinary share capital and preference share capital of Goldman Sachs International Bank from its immediate parent undertaking (see note 14). The consideration for this acquisition was satisfied by way of the issue of a number of ordinary shares following the period end (see note 31).

27. *DIVIDENDS PAID*

	The Company	
	2002	2001
	US$'000	US$'000
Dividends on non-equity shares:		
US$0.01 Non-cumulative preference shares	-	36,920
Dividends on equity shares:		
US$0.01 ordinary shares	-	14,803

The dividend paid on equity shares in 2001 comprised a cash dividend of $14,000,000 and a dividend in specie of $803,000. The dividend in specie consisted of a distribution of the company's 199 ordinary and 421,400 preference share holdings in Goldman Sachs Property Management.

28. *PRIOR YEAR ADJUSTMENT*

During the period, the group changed its policy in respect of deferred taxation. The group has adopted the new financial reporting standard on deferred taxation, FRS19. The group now makes full provision for deferred taxation in respect of all differences in timing between the accounting and tax treatments of income and expenses. The timing differences are recognised as deferred tax liabilities or assets, measured at expected future tax rates. An asset is not recognised if the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted. The comparative figures have been restated to reflect this change in accounting policy.

Deferred tax assets arise in subsidiary undertakings that were acquired by the group on 30 November 2001. As a result there is no effect of the change in accounting policy on the group's loss for the period as previously reported.

There is no impact arising from the change in policy in the results of the company, as a result, no restatement of the prior period figures has been made.

28. *PRIOR YEAR ADJUSTMENT (CONTINUED)*

	The Group 2001 US$'000
Loss for the period as previously reported	(2,763)
Effect of change in accounting policy:	
Change in taxation charge	-
Loss for the financial period	**(2,763)**
Net assets as previously reported at 30 November 2001	2,444,867
Effect of change in accounting policy:	
Change in deferred tax asset (see note 23)	447,318
Net assets as restated at 30 November 2001	**2,892,185**

29. *FINANCIAL COMMITMENTS AND CONTINGENCIES*

(a) The group's financial commitments and contingencies outstanding at the period end primarily arise from letters of credit and forward foreign exchange, swaps, options, financial futures contracts, debt and equity forwards, underwriting commitments entered into in the ordinary course of business and registered charges on certain of the group's assets which have arisen in the ordinary course of business. The group is exempt from the disclosures required by FRS13 as it does not meet the FRS13 definition of a bank or similar institution nor does it have instruments that meet the definition of capital instruments that are publicly listed or traded.

In addition, the group has undrawn loan commitments of US$58,383,000 (30 November 2001: US$53,702,000). These commitments are sub-participated to third party institutions.

(b) The group leases certain buildings on long-term leases. Under these leases, which are subject to renegotiation at various intervals specified in the leases, the group pays all insurance, maintenance and repairs of these properties. The rentals that the group is committed to pay in the next year are as follows:

	2002 US$'000	2001 US$'000
Maturity of lease:		
Less than one year	-	2,380
Between 1 and 2 years	141	-
Between 2 and 5 years	894	138
Over five years	86,003	83,100
	87,038	**85,618**

NOTES TO THE FINANCIAL STATEMENTS - 29 NOVEMBER 2002

30. 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.

31. POST BALANCE SHEET EVENTS

On 5 February 2003, the company issued 92,483,292 ordinary shares of US$0.01 each to its immediate parent company Goldman Sachs (U.K.) L.L.C.. The purpose of this share issue was to settle the consideration for the acquisition of Goldman Sachs International Bank during the period (see note 14).

32. ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS

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