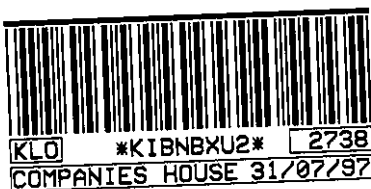


S.G. WARBURG & COMPANY plc

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER, 1996



DIRECTORS' REPORT

The directors submit the report and accounts of the Company for the year ended 31st December, 1996.

ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The Company acts as an investment holding company.

RESULTS AND DIVIDEND

The profit of the Company for the year, after taxation, amounted to £34,957,156. The directors do not recommend the payment of a dividend for the year ended 31st December, 1996 and the credit balance on the profit and loss account of £423,912,029 is to be carried forward.

DIRECTORS

Messrs. J.V. Ozanne and N.R. Stocks served as directors of the Company throughout the year. During the year Mrs. S.A. James was appointed a director, Mr. A.D. Williams was appointed an alternate director and Sir David Scholey resigned.

As at 31st December, 1996, Messrs. Ozanne and Stocks were directors of another company of which the Company is a wholly-owned subsidiary. The interests of the remaining directors in the shares of the Company, its ultimate parent company or other subsidiaries thereof were as follows:-

Swiss Bank Corporation		SBC Warburg Finance Company Limited **	
Bearer Shares	Registered Shares	Non-voting 'B' Shares	
CHF 100*	CHF 50*		
1st January, 1996 (or subsequent date of appointment)	31st December, 1996	1st January, 1996 (or subsequent date of appointment)	31st December, 1996
S.A. James	- 199	-	29

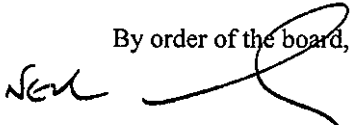
\* During the year, the share capital of Swiss Bank Corporation was harmonised by the creation of unitary registered shares with a par value of CHF 50. This was achieved by converting bearer shares with a par value of CHF 100 in a 2 for 1 split.

\*\* SBC Warburg Finance Company Limited is a wholly-owned subsidiary of Swiss Bank Corporation, previously known as IFD Co. Mrs. James' interest in SBC Warburg Finance Company Limited arises out of her participation in the SBC Equity Ownership Plan. Subject to certain conditions, on or after the third anniversary of allotment of the SBC Warburg Finance Company Limited shares, they will be exchanged for a number of SBC shares of equivalent aggregate value at that time.

AUDITORS

The auditors, Ernst & Young, offer themselves for reappointment in accordance with section 385 of the Companies Act 1985, and a resolution proposing their reappointment will be submitted at the annual general meeting.

29<sup>th</sup> July  
1, Finsbury Avenue,  
London, EC2M 2PP  
, 1997

By order of the board,  
  
N.R. STOCKS  
Secretary

## DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

### S.G. WARBURG & COMPANY plc

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on the following page, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the loss for the financial year.

The directors consider that in preparing the accounts the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF

S.G. WARBURG & COMPANY plc

We have audited the accounts on pages 4 to 9, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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

**BASIS OF OPINION**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**OPINION**

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31st December, 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young*

ERNST & YOUNG  
Chartered accountants  
Registered auditor

London

*29 July*

, 1997

S.G. WARBURG & COMPANY plc

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1996


		Year ended 31st December, 1996 £	9 months to 31st December 1995 £
	Note		
Income from shares in group undertakings		33,941,329	611,712
Interest receivable and similar income	4	95,733,246	84,087,541
Interest payable to group undertakings		(85,684,432)	(72,426,472)
Profit on sale of investments		-	406,448,498
Other income		376,676	-
Exchange (loss)/ gain		(3,877,388)	648,220
Administrative expenses		(1,630)	(17,538,103)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		40,487,801	401,831,396
Taxation on profit on ordinary activities	5	(5,530,645)	(3,144,344)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		34,957,156	398,687,052
Balance brought forward		388,954,873	267,821
		<hr/>	<hr/>
		423,912,029	398,954,873
Dividends	6	-	(10,000,000)
		<hr/>	<hr/>
Balance carried forward		423,912,029	388,954,873
		<hr/>	<hr/>

There were no recognised gains or losses other than profit on ordinary activities after taxation.

S.G. WARBURG & COMPANY plc

BALANCE SHEET AS AT 31ST DECEMBER, 1996

	Note	31st December, 1996 £	31st December, 1995 £
FIXED ASSETS			
Investment in group undertakings	7	790,000,000	790,000,000
CURRENT ASSETS			
Debtors	8	1,283,598,225	1,710,368,784
Cash at bank	9	159,244,575	16,825,681
CREDITORS: amounts falling due within one year	10	(1,343,524,061)	(1,627,066,791)
NET CURRENT ASSETS		99,318,739	100,127,674
TOTAL ASSETS LESS CURRENT LIABILITIES		889,318,739	890,127,674
CREDITORS: amounts falling due after more than one year	11	(67,391,203)	(103,157,294)
		821,927,536	786,970,380
CAPITAL AND RESERVES			
Called up share capital	13	398,015,507	398,015,507
Profit and loss account		423,912,029	388,954,873
Shareholders' funds	14	821,927,536	786,970,380

  
J.V. Ozanne

29 July, 1997

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1996

1. Accounting policies

- (a) The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.
- (b) Dividends from group undertakings are included at the cash amount received or receivable.
- (c) Provision is made for current taxation in full and for deferred taxation in respect of timing differences to the extent that it is expected to crystallise in the foreseeable future. Deferred taxation asset balances are recognised only to the extent that they are considered to be recoverable.
- (d) Fixed asset investments are carried at cost less provision if, in the opinion of the directors, there has been a permanent diminution in value.
- (e) Cash flow - The Directors have decided on early adoption of the revised FRS1. Accordingly, since the company is more than 90% owned and is included in consolidated accounts which are publicly available, no cash flow statement has been prepared.
- (f) Assets and liabilities in foreign currencies have been translated at the approximate rates ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction.

2. None (9 months ended 31st December, 1995 none) of the directors who served during the year received any emoluments for services to the Company.

	Year ended 31st December, 1996 £	9 months to 31st December, 1995 £
3. Auditors' remuneration		
Audit fee	600	600
	<hr/>	<hr/>

Auditors' remuneration for non-audit services in respect of the Company and its subsidiary undertakings amounted to £nil (9 months ended 31st December, 1995 £nil).

	Year ended 31st December, 1996 £	9 months to 31st December, 1995 £
4. Interest receivable and similar income		
Other group undertakings	95,733,246	57,025,110
Marketable investments	-	6,528,325
Other	-	20,534,106
	<hr/>	<hr/>
	95,733,246	84,087,541
	<hr/>	<hr/>

S.G. WARBURG & COMPANY plc

NOTES TO THE ACCOUNTS continued

	Year ended 31st December, 1996 £	9 months to 31st December, 1995 £
5. Taxation on profit on ordinary activities		
Corporation tax at 33% / (Group relief receivable)	1,228,328	(463,326)
Deferred taxation	(3,160,911)	3,607,670
Adjustment relating to prior years	7,463,228	-
	<hr/> 5,530,645 <hr/>	<hr/> 3,144,344 <hr/>
6. Dividends		
Final	-	10,000,000
	<hr/>	<hr/>
7. Investment in group undertakings		
The investment in group undertakings represents the Company's investment in cumulative redeemable preference shares of SBC International Ltd, a company registered in England.		
	31st December, 1996 £	31st December, 1995 £
8. Debtors		
Amount due from parent undertakings	817,666,835	1,046,920,895
Amount due from other group undertakings	465,918,940	640,415,831
Group relief receivable	-	22,420,346
Dividends receivable	12,450	611,712
	<hr/> 1,283,598,225 <hr/>	<hr/> 1,710,368,784 <hr/>
Included in amounts due from other group undertakings are amounts totalling £7,000,000 (9 months ended 31st December, 1995 £7,000,000) which are interest free subordinated loans which are repayable within one year.		
	31st December, 1996 £	31st December, 1995 £
9. Cash at bank		
Bank balance with S.G. Warburg & Co. Ltd., a fellow subsidiary undertaking	159,244,575	16,825,681
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S.G. WARBURG & COMPANY plc

NOTES TO THE ACCOUNTS continued

	31st December, 1996 £	31st December, 1995 £
10. Creditors: amounts falling due within one year		
Amounts due to parent undertaking	123,059,750	81,459,053
Amounts due to other group undertakings	1,218,109,512	1,534,706,472
Sundry creditors	19,576	901,266
Corporation tax	2,335,223	-
Dividend payable	-	10,000,000
	<hr/>	<hr/>
	1,343,524,061	1,627,066,791
	<hr/>	<hr/>
11. Creditors: amounts falling due after more than one year		
Amounts due to other group undertakings	66,221,210	98,826,390
Deferred taxation	1,169,993	4,330,904
	<hr/>	<hr/>
	67,391,203	103,157,294
	<hr/>	<hr/>
The deferred taxation relates to short term timing differences.		
Deferred taxation:		
Balance at 1st January, 1996	4,330,904	723,234
Charge for the Year	(3,160,911)	3,607,670
	<hr/>	<hr/>
Balance at 31st December, 1996	1,169,993	4,330,904
	<hr/>	<hr/>
12. Segmental information		
The directors consider that profit before taxation arises from one class of business which is conducted mainly in the U.K.		
	31st December, 1996 £	31st December, 1995 £
13. Called up equity share capital		
Authorised Ordinary Shares of £1 each	400,000,000	400,000,000
	<hr/>	<hr/>
Allotted and fully paid Ordinary Shares of £1 each	398,015,507	398,015,507
	<hr/>	<hr/>

S.G. WARBURG & COMPANY plc

NOTES TO THE ACCOUNTS continued

	31st December, 1996 £	31st December, 1995 £
14. Movement on shareholders' funds		
Balance brought forward	786,970,380	384,550,328
Profit on ordinary activities after taxation	34,957,156	398,687,052
Issue of ordinary shares	-	13,733,000
Dividend paid	-	(10,000,000)
	<hr/>	<hr/>
Balance carried forward	821,927,536	786,970,380
	<hr/>	<hr/>

15. Ultimate parent company

The Company is a wholly owned subsidiary of S.G. Warburg Group plc, a company incorporated and registered in England, whose ultimate parent company is Swiss Bank Corporation, a company incorporated in Switzerland. S.G. Warburg Group plc has included the Company in group accounts, copies of which may be obtained from Swiss Bank House, 1 High Timber Street, London, EC4V 3SB. Copies of the accounts of Swiss Bank Corporation may be obtained from Swiss Bank House, 1 High Timber Street, London, EC4V 3SB.

The Company has taken advantage of the exemption in FRS 8 from disclosing further details of transactions with fellow subsidiary undertakings.