

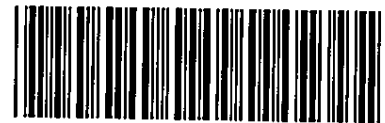
S.G. WARBURG & COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended

31 DECEMBER 2007

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S.G. Warburg & Company Limited

Report and Financial Statements for the year ended 31 December 2007

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S.G. WARBURG & COMPANY LIMITED

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Sean E Ryan (Chairman)

Matthew I Burbedge
Anna M I Haemmerli
Alastair S Holmes
John Quarmby
Andrew D Williams

SECRETARY

John S Mitchell-Hewson, FCIS

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

1 Finsbury Avenue
LONDON EC2M 2PP

AUDITORS

Ernst & Young LLP
Registered Auditor
1 More London Place
LONDON SE1 2AF

S.G. WARBURG & COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors present their Report together with the audited financial statements ('Accounts') of the Company for the year ended 31 December 2007 ('the year') which have been prepared in accordance with the provisions of the Companies Act 1985

Principal Activities and Business Review

The principal activities of the Company continued to be those of an investment holding company

During the year, on 24 September 2007, the company firstly purchased the respective issued share capitals of UBS Reorganisation 2007-05 Ltd (formerly Potter Warburg U K Ltd) (Co No 1801463) and UBS Reorganisation 2007-06 Ltd (formerly S G W Finance Ltd) (Co No 117573) from UBS Reorganisation 2007-01 plc (formerly S G Warburg Group plc) for the respective aggregate considerations of £27,056,099 and £134,487,200 and secondly purchased 234,582,516 ordinary shares of 25 pence each, fully paid, in the issued share capital of UBS Reorganisation 2007-01 plc from S G Warburg Holdings Ltd for an aggregate consideration of £849,096,796

On 19 November 2007 the Company sold its interests in 10,934,796 7 5/8% cumulative preference shares of £1 each, fully paid then owned by it in UBS Reorganisation 2007-01 plc to UBS UK Holding Limited for an aggregate consideration of £11,044,791

Principal Risks and Uncertainties

Risks associated with the business continue to be managed according to UBS AG guidelines. As an indirect wholly-owned subsidiary of UBS AG the Company operates in line with UBS AG Group policies, including environmental and ethical standards

Key Performance Indicators

Given the limited scope and nature of the business, and that the Company is an indirect wholly-owned subsidiary of UBS AG, the Directors are of the opinion that key performance indicators or other forms of performance measurement are not necessary in providing an understanding of the development, performance or position of the Company and its business for the purposes of Section 234ZZB of the Companies Act 1985. The parent company maintains an oversight of the Company's performance under the UBS Investment Bank business and governance management structures

Future Developments

The Directors have no plans or intentions, at this time, to further develop the activities of the Company

Results and Dividends

The loss, after taxation and dividends, of the Company for the year amounted to £5,452,000 (2006 £948,000) which when added to the retained profits brought forward resulted in accumulated retained profits carried forward of £461,106,000 (2006 £466,558,000)

The state of affairs of the Company as at the year end was otherwise as shown in the accompanying Balance Sheet

No dividend was paid during the year (2006 £22,000,000). The Directors do not propose the declaration of any interim or final dividends in respect of the year

S.G. WARBURG & COMPANY LIMITED

REPORT OF THE DIRECTORS

Directors

The names of the current Directors are shown on page 2. During the year there were two appointments to, and two departures from, the Board. Mr Urs R Plüss and Mr Richard C Blundell respectively resigned as Directors of the Company on 24 September 2007 and 31 October 2007. Ms Anna M I Haemmerli was appointed as Director of the Company on 24 September 2007 and Mr John Quarmby was appointed as Director of the Company on 1 November 2007, respectively.

Since the year, there has been one appointment to, and one departure from, the Board. M Alastair S Holmes was appointed as a Director of the Company on 16 September 2008 and Ms Sally A James resigned as a Director of the Company on 17 September 2008.

No service contracts have subsisted between the Company and any of its Directors during the year and no such contracts have come into being since the year.

Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each accounting reference period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to

- select suitable and appropriate accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

Each of the Directors at the date of approval of this Report and Financial Statements has confirmed that

- as far as he/she is aware, there was no relevant audit information of which the auditors were unaware, and,
- he/she has taken all the steps necessary as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditors have been made aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

S.G. WARBURG & COMPANY LIMITED

REPORT OF THE DIRECTORS

Employees

The Company has no employees of its own (2006 nil) UBS AG group has made, and continues to make, available a number of its employees to be engaged either on a full-time or part-time basis in the performance of certain functions or operations in connection with the Company's continuing business

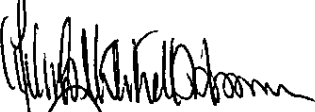
Charitable Donations and Political Contributions

There were no charitable donations nor any contributions for political purposes made by the Company during the year (2006 nil)

Auditors

Ernst & Young LLP, Registered Auditor, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting in accordance with the provisions of Section 385 of the Companies Act 1985

Approved by the Board of Directors on 23 October 2008 and signed on their behalf by



John S Mitchell-Hewson
Secretary

1 Finsbury Avenue, London EC2M 2PP

S.G. WARBURG & COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF S.G. WARBURG & COMPANY LIMITED

We have audited the Company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

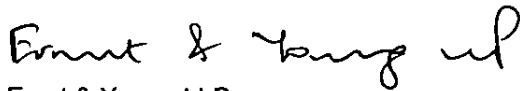
S.G. WARBURG & COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF S.G. WARBURG & COMPANY LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Ernst & Young LLP
Registered auditor
London
28 October 2008

S.G WARBURG & COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
Income from fixed asset investment		374,444	37,017
Foreign exchange loss		<u>(2)</u>	<u>-</u>
Operating profit		374,442	37,017
Impairment of financial investment		-	(7,529)
Gain on sale of fixed asset investment		-	1,757
Impairment of fixed asset investments	7	(378,977)	(10,049)
Interest receivable and similar income	4	871	243
Interest payable and similar charges	5	<u>(1,788)</u>	<u>(387)</u>
(Loss)/profit on ordinary activities before taxation		(5,452)	21,052
Taxation	6	<u>-</u>	<u>-</u>
(Loss)/profit on ordinary activities after taxation		(5,452)	21,052
Dividends		<u>-</u>	<u>(22,000)</u>
Retained Loss transferred to reserves		<u>(5,452)</u>	<u>(948)</u>

There were no recognised gains or losses other than the results for the respective years as shown above

All of the activities of the Company are classed as continuing

S.G. WARBURG & COMPANY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Investments	7	552,444	542,942
Current assets			
Debtors	8	315,923	329,395
Financial investment	9	-	10,935
		315,923	340,330
Creditors: amounts falling due within one year	10	(9,245)	(18,698)
Net current assets		306,678	321,632
Total assets less current liabilities		<u>859,122</u>	<u>864,574</u>
Capital and reserves			
Called up share capital	12	398,016	398,016
Profit and loss account	13	461,106	466,558
Equity shareholders' funds		<u>859,122</u>	<u>864,574</u>

These financial statements were approved by the Board on 23 October 2008 and are signed on their behalf by



Matthew I Burbidge
Director

The notes on pages 10 to 15 form part of these financial statements

S.G. WARBURG & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. ACCOUNTING POLICIES

Basis of preparation and change in accounting policy

The Company's financial statements for the year ended 31 December 2007 were approved by the Board of Directors on 23 October 2008 and the balance sheet was signed on the Board's behalf by Matthew I Burbedge

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Cash flow statement

The Company, a wholly owned subsidiary undertaking, has elected to utilise the exemption available in Financial Reporting Standard ('FRS') 1, 'Cash Flow Statements (revised 1996)', and not produce a cash flow statement

Investments

Investments are included at cost less provision if, in the opinion of the Directors, there has been a permanent diminution in value. Profits or losses arising from the disposal of fixed asset investments are treated as part of the result from ordinary activities

Investment income

Investment income comprises distributions which are recognised when the right to receive payment is established

Interest is recognised on an accruals basis

Group Accounts

As a wholly-owned subsidiary of UBS AG, the Company has taken advantage of the exemption from preparing consolidated accounts in S 228A of the Companies Act 1985

2. AUDITORS' REMUNERATION

During the year, fees of £4,000 (2006 £2,827) in connection with the audit of the Company's annual accounts were paid by UBS AG on the Company's behalf. In accordance with their normal practice no recharge will be made to the Company

3. PARTICULARS OF EMPLOYEES AND DIRECTORS

None of the Directors who served during the year received any emoluments for services to the Company (2006 nil)

There were no staff during either year and, accordingly, no salaries were paid (2006 nil)

S.G. WARBURG & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £'000	2006 £'000
Interest from group undertakings	<u>871</u>	<u>243</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
Interest payable on loans from group companies	<u>1,788</u>	<u>387</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Taxation

	2007 £'000	2006 £'000
Current tax		
UK Corporation tax - current	-	-
Total current tax	<u>-</u>	<u>-</u>

Factors affecting tax charge for the period

The current tax charge assessed differs from the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007 £'000	2006 £'000
(Loss)/profit on ordinary activities before tax	<u>(5,452)</u>	<u>21,052</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	(1,636)	6,316
Effects of		
Income/(expenses) not recognised for tax purposes	1,139	(6,432)
Notional transfer pricing adjustment interest receivable/(interest payable)	5,457	(1,484)
Group relief (received)/surrendered without charge	(4,960)	1,600
Total current tax charge	<u>-</u>	<u>-</u>

S.G. WARBURG & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

7. INVESTMENTS

	2007 £'000	2006 £'000
At 1 January	542,942	1,064,305
Acquisitions	1,010,640	-
Disposals	-	(511,314)
Liquidation distribution	(622,161)	
Impairments	(378,977)	(10,049)
At 31 December	<u>552,444</u>	<u>542,942</u>

Subsidiary undertakings of the Company

The principal subsidiary undertakings of the Company at 31 December 2007 were

	<i>Country of incorporation or registration</i>	<i>Holding</i>	<i>Percentage holding</i>	<i>Principal activity</i>
1FA Information (ITC) Ltd	Great Britain	Ordinary shares	100%*	Nominee Services Company
2FA Information Ltd	Great Britain	Ordinary shares	100%*	Nominee Services Company
Apollo Nominees Ltd	Great Britain	Ordinary shares	100%*	Nominee Services Company
British Industrial Corporation Limited	Great Britain	Ordinary shares	100%*	Investment Holding Company
Pan Nominees Limited	Great Britain	Ordinary shares	100%*	Nominee Services Company
S G Nominees Korea Limited	Great Britain	Ordinary shares	100%*	Nominee Services Company
S G Securities U K Limited	Great Britain	Ordinary Shares	100%*	Investment Holding Company
S G Warburg Holdings Ltd	Great Britain	Ordinary shares	100%	Investment Holding Company
S G Warburg & Co (AFS) Ltd	Great Britain	Ordinary shares	100%*	Non-Trading Company
S G Warburg Overseas Ltd	Great Britain	Ordinary shares	100%	Matched Principal on Securities Transactions
UBS Reorganisation 2006- 04 Ltd (in liquidation) (formerly UBS Overseas (U K) Limited)	Great Britain	Ordinary shares	100%	In Members' Voluntary Liquidation
UBS Reorganisation 2007- 01 plc (in liquidation) (formerly SG Warburg Group plc)	Great Britain	Ordinary shares	99.99%	In Members' Voluntary Liquidation
UBS Reorganisation 2007- 05 Ltd (in liquidation) (formerly Potter Warburg U K Ltd)	Great Britain	Ordinary shares	100%	In Members' Voluntary Liquidation

S.G. WARBURG & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Note (7) continued

UBS Reorganisation 2007-06 Ltd (in liquidation) (formerly S G W Finance Ltd)	Great Britain	Ordinary shares	100%	In Members' Voluntary Liquidation
UBS Securities International Limited	Great Britain	Ordinary shares	100%	Securities and Derivatives Trading
Warburco Nominees Ltd	Great Britain	Ordinary shares	100%*	Nominee Services Company

* Denotes interest held indirectly through a subsidiary or subsidiaries

On 24 September 2007, the Company, purchased the respective issued share capitals of UBS Reorganisation 2007-05 Ltd (formerly Potter Warburg U K Ltd) and UBS Reorganisation 2007-06 Ltd (formerly S G W Finance Limited) from UBS Reorganisation 2007-01 plc for the respective aggregate considerations of £27,056,099 and £134,487,200. The company also purchased UBS Reorganisation 2007-01 plc's (formerly S G Warburg Group plc) share capital for an aggregate consideration of £849,096,796.

On 31 December 2007, the Joint Liquidator of UBS Reorganisation 2007-05 Ltd, UBS Reorganisation 2007-06 Ltd and UBS Reorganisation 2007-01 plc distributed in specie the assets of the company. A distribution of £27,000,000, £134,098,782 and £461,062,054 was received for the respective companies.

The investments in UBS Reorganisation 2007-01 plc, UBS Reorganisation 2007-05 Ltd and UBS Reorganisation 2007-06 Ltd were impaired by £378,532,201, £56,099 and £388,419 respectively, as permanent diminutions in value were deemed to have taken place.

8. DEBTORS

	2007 £'000	2006 £'000
Amounts owed by group undertaking	<u>315,923</u>	<u>329,395</u>

9. FINANCIAL INVESTMENTS

	2007 £'000	2006 £'000
At 1 January	10,935	18,464
Disposal	(10,935)	-
Impairment	-	(7,529)
At 31 December	<u>-</u>	<u>10,935</u>

Financial Investments represent an investment in 7 5/8% cumulative preference shares of UBS Reorganisation 2007-01 plc (formerly S G Warburg Group plc) which was disposed to UBS UK Holding Ltd at carrying value representing cost of £10,934,796 plus accrued interest of £109,995.

S.G. WARBURG & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

10. CREDITORS: Amounts falling due within one year

	2007 £'000	2006 £'000
Overdraft with parent bank	<u>9,245</u>	<u>18,698</u>

11. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption given to subsidiaries in FRS 8, 'Related Party Disclosures', from disclosing related party transactions with other group companies

12. SHARE CAPITAL

Authorised share capital:

	2007 £'000	2006 £'000
400,000,000 ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>

Allotted, called up and fully paid:

	2007 £'000	2006 £'000
398,015,507 ordinary shares of £1 each	<u>398,016</u>	<u>398,016</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2006	398,016	467,506	865,522
Retained profit for the year	-	21,052	21,052
Dividend	-	(22,000)	(22,000)
At 1 January 2007	398,016	466,558	864,574
Retained loss for the year	-	(5,452)	(5,452)
At 31 December 2007	<u>398,016</u>	<u>461,106</u>	<u>859,122</u>

14. CONTINGENT COMMITMENT

The Company is committed to subscribe for 1000 shares in a new majority owned subsidiary of UBS AG that will be incorporated subject to regulatory permissions being obtained

S.G. WARBURG & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

15. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of UBS UK Holding Limited, a company incorporated in Great Britain

UBS AG, a company incorporated with limited liability in Switzerland, is the ultimate parent undertaking and is the parent undertaking of the largest and smallest group for which group financial statements are prepared

Copies of the group financial statements can be obtained from UBS AG, 1 Finsbury Avenue, London, EC2M 2PP