

Company No: 1874486

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CASE PURPOSES

S.G. WARBURG GROUP plc

Half-Year Report

For the six months ended 30 June 2005



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Interim Statement

Principal activities

The Group, comprising the Company and its subsidiaries, carries on investment activities including the *provision of finance to a number of companies within the UBS AG Group.*

Significant events during the period

During the period, the Company repurchased an aggregate principal amount of £104.7m of the outstanding 9% Perpetual Subordinated Loan Notes issued by the Company for an aggregate cash consideration (including accrued interest) of £152.3m. The Notes purchased were subsequently cancelled on 5 May 2005. An aggregate principal amount of £8.3m of these Loan Notes remains in issue and listed on the London Stock Exchange.

On 30 June 2005, S.G. Securities U.K. Limited redeemed at par and subsequently cancelled its one special redeemable £1 share, which was held by the Company. At the balance sheet date, the Group held no interest in S.G. Securities U.K. Limited.

Dividends

Dividends on the 7 5/8 per cent Cumulative Preference shares paid on 31 March 2005 amounted to £0.4m (period to 30 June 2004: £0.4m; year to 31 December 2004: £0.8m). The Directors do not at the date hereof intend to declare an ordinary dividend for the six months ended 30 June 2005 (period to 30 June 2004: £nil; year to 31 December 2004: £12.2m).

Independent Review Report to S.G. Warburg Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005, which comprises the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related Notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 2, the next financial statements of the group will be prepared in accordance with those International Financial Reporting Standards ('IFRS') adopted for use by the European Union. The accounting policies are consistent with those that the directors intend to use in the next financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRS adopted for use by the European Union. This is because, the IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 December 2005 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Ernst & Young LLP
London
28 September 2005



S.G. WARBURG GROUP plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Six months ended 30 June 2005 £m	Six months ended 30 June 2004 £m	Year ended 31 December 2004 £m
Interest income	31.9	28.5	62.2
Interest expense	(15.7)	(14.8)	(31.3)
Net interest income	16.2	13.7	30.9
Other operating income	0.1	0.3	6.8
Gains less losses from investment securities	-	-	3.1
Administrative expenses	(0.1)	-	(0.6)
Operating profit	16.2	14.0	40.2
Loss on repurchase of debt	(45.6)	-	-
(Loss) / profit before income taxation	(29.4)	14.0	40.2
Income tax credit / (expense)	8.6	(4.2)	(11.3)
(Loss) / profit for the period after taxation	(20.8)	9.8	28.9
Attributable to:			
Equity holders of the parent	(20.9)	9.5	20.8
Minority Interests	0.1	0.3	8.1
	(20.8)	9.8	28.9
Earnings per share for (loss)/ profit attributable to the equity holders of the parent during the year (expressed in pence per share):			
– basic and diluted	(8.90)	4.05	8.86

S.G. WARBURG GROUP plc

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2005

	30 June 2005 £m	30 June 2004 £m	31 December 2004 £m
ASSETS			
Non-current assets			
Investment securities available for sale	-	0.1	6.4
Property, plant and equipment	-	0.1	-
	-	0.2	6.4
Current assets			
Cash	-	1.0	1.0
Amounts owed by Group undertakings	1,294.8	1,641.0	1,685.3
Other assets	-	-	3.2
	1,294.8	1,642.0	1,689.5
Total assets	1,294.8	1,642.2	1,695.9
LIABILITIES			
Non-current liabilities			
Debt securities in issue	8.3	113.0	113.0
Preference shares	10.9	10.9	10.9
	19.2	123.9	123.9
Current liabilities			
Amounts owed to Group undertakings	492.6	475.1	517.9
Other liabilities	0.6	2.1	1.5
Current income tax liabilities	3.8	7.4	14.6
	497.0	484.6	534.0
Total liabilities	516.2	608.5	657.9
EQUITY			
Capital and reserves attributable to the equity holders of the parent			
Share capital	58.6	58.6	58.6
Share premium	291.1	291.1	291.1
Capital redemption reserve	64.9	64.9	64.9
Other reserves	84.9	84.9	84.9
Retained earnings	279.1	300.9	300.0
	778.6	800.4	799.5
Minority interest	-	233.3	238.5
Total equity	778.6	1,033.7	1,038.0
Total equity and liabilities	1,294.8	1,642.2	1,695.9

Approved by the Board of Directors on 28 September 2005 and signed on their behalf by:



Richard W J Hardie, Director

S.G. WARBURG GROUP plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2005

	Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Other Reserves £m	Retained Earnings £m	Minority Interest £m	Total £m
At 1 January 2004	58.6	291.1	64.9	84.9	291.4	232.9	1,023.8
Profit for the period	-	-	-	-	9.5	0.4	9.9
At 30 June 2004	58.6	291.1	64.9	84.9	300.9	233.3	1,033.7
Profit for the period	-	-	-	-	11.3	7.5	18.8
Dividend on ordinary shares	-	-	-	-	(12.2)	(2.3)	(14.5)
At 31 December 2004	58.6	291.1	64.9	84.9	300.0	238.5	1,038.0
(Loss) / Profit for the period	-	-	-	-	(20.9)	0.1	(20.8)
Reduction in minority interest on loss of control of subsidiary	-	-	-	-	-	(238.6)	(238.6)
At 30 June 2005	58.6	291.1	64.9	84.9	279.1	0	778.6

S.G. WARBURG GROUP plc

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENED 30 JUNE 2005

	Six months ended 30 June 2005 £m	Six months ended 30 June 2004 £m	Year ended 31 December 2004 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received	31.9	28.5	62.2
Interest paid	(15.7)	(14.8)	(31.3)
Cash flows from operating profits before changes in operating assets and liabilities	16.2	13.7	30.9
Changes in operating assets and liabilities:			
– net increase in loans and advances	(3.4)	(28.3)	(42.1)
– net decrease/(increase) in other assets	-	(0.1)	(2.8)
– net (decrease)/increase in other liabilities	(0.5)	0.2	(0.6)
Net cash from operating activities	12.3	(14.5)	(14.6)
CASH FLOWS FROM INVESTING ACTIVITIES			
Reduction in cash attributable to minority interest (see note (a))	(1.1)	-	-
Proceeds from sale of property and equipment	-	-	0.1
Net cash used in investing activities	(1.1)	-	0.1
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowed funds and debt securities	152.3	-	-
Repayments of borrowed funds and debt securities	(152.3)	-	-
Equity dividends paid	(12.2)	-	-
Net cash from financing activities	(12.2)	-	-
Net decrease in cash	(1.0)	(14.5)	(14.5)
Cash at beginning of period/year	1.0	15.5	15.5
Cash at end of period/year	-	1.0	1.0

Note (a)

Reduction in cash attributable to minority interest

On 30 June 2005 S.G. Securities U.K. Limited redeemed at par and cancelled its one special redeemable share previously held by S.G. Warburg Group plc. The consideration of £1 represents the net asset value amounts included in those consolidated accounts in respect of the S.G. Securities U.K. Limited group of companies.

	£m
Decrease in loans and advances	230.2
Decrease in other assets	3.2
Decrease in other liabilities	(0.2)
Decrease in fixed asset investments	6.4
Decrease in corporation tax liability	(2.1)
Decrease in cash at bank and in hand	1.1
Net Assets	238.6
Reduction in Minority Interests	(238.6)
Consideration received	-

S.G. WARBURG GROUP plc

NOTES TO THE HALF YEAR REPORT

1. General Information

The financial information included in this Half-Year Report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The financial statements for the year ended 31 December 2004 prepared under UK GAAP, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

2. Summary of Significant Accounting Policies

- **Basis of Preparation**

These interim financial statements have been prepared, for the first time, on a basis consistent with the Company's anticipated 2005 IFRS accounting policies. The most significant of the IFRS accounting policies are set out below.

The reconciling adjustments from UK GAAP to IFRS are set out in Note 4. The Group has elected to take the following exemptions as permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards':

- i) IFRS 3 'Business combinations' – not to apply IFRS 3 to business combinations prior to the date of transition to IFRS;
- ii) IFRS 1 'First-time Adoption of International Financial Reporting Standards' - Designation of previously recognised financial instruments, which permits a financial instrument to be designated on the date of transition to IFRS as a financial asset or financial liability at fair value through profit or loss or as available for sale.

The Company has elected to provide comparative information to comply with IAS 32 and IAS 39, with the main adjustment being the reclassification of £10.9m preference shares from Equity to Non-Current liabilities.

- **Consolidation**

The Interim Financial Statements comprise those of the parent company S.G. Warburg Group plc and its subsidiaries. The effects of intra-group transactions are eliminated in preparing the Interim Financial Statements. Subsidiaries directly or indirectly controlled by the Group are consolidated. Subsidiaries divested are consolidated up to the date of disposal. Equity and net income attributable to minority interests are shown separately in the balance sheet and income statement.

- **Cash**

Cash in the balance sheet comprises cash at bank.

- **Financial Instruments**

- i) **Investments**

All investments are initially recognised at cost, being the fair value of the consideration given. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. If any investments are in unquoted equity instruments they will be measured at cost if their fair value cannot be measured reliably. Gains and losses on investments held for trading are recognised in income. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or is otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

S.G. WARBURG GROUP plc

NOTES TO THE HALF YEAR REPORT

ii) Financial Liabilities

All loans and borrowings including debt securities are recognised at cost, being the fair value of the consideration received.

Preference shares, which carry a mandatory coupon, are classified as financial liabilities and are presented within non-current liabilities. The dividends on these preference shares are charged in the income statement as an interest expense.

iii) Financial Assets

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. They arise when the Group finances borrowings within the UBS AG Group.

- **Plant, property and equipment**

Assets are stated at cost less depreciation calculated on the straight-line basis to write off the assets over their estimated useful lives as follows:

Motor vehicles	5 years
Plant and equipment	3 to 10 years

3. Explanatory Notes

- **Segmental Analysis**

The Group's activities constitute investment in subsidiaries and provision of finance for subsidiaries within the UBS AG Group. All material activities of the Group are within the UK and subject to the same risks and returns. Accordingly, the Group has not produced any segmental analysis.

- **Repurchase of debt**

During the period, the Company recorded a loss of £45.6m upon the repurchase of an aggregate principal amount of £104.7m of the outstanding 9% Perpetual Subordinated Loan Notes issued by the Company and governed by a Trust Deed dated 4 February 1994 by Private Treaty from SBCI IB Limited, a fellow subsidiary of UBS AG, for aggregate cash consideration of £152.3m. The Notes purchased were subsequently cancelled on 5 May 2005.

- **Dividends**

The Company paid a dividend of £0.4m on cumulative preference shares (30 June 2004: £0.4m; 31 December 2004: £0.8m). In accordance with IFRS, these dividends have been reclassified as interest. The Group has not paid an equity dividend during the six months to 30 June 2005 (period to 30 June 2004: nil; year to 31 December 2004: £12.2m).

- **Changes in composition of the entity**

On 30 June 2005, S.G. Securities U.K. Limited redeemed at par and cancelled its one special redeemable £1 share from SG Warburg Group plc. The one special redeemable £1 share had been previously issued by S.G. Securities U.K. Limited and allotted for cash to S.G. Warburg Group plc. As holder of this redeemable share, the Group had 50.1% of the voting rights at general meetings, but no right to dividends or participation in a distribution of assets on liquidation. At the balance sheet date, the Group held no interest in S.G. Securities U.K. Limited.

At the date of redemption, S.G. Securities U.K. Limited Group had assets of £251.5m and liabilities of £12.9m. Its profit before and after taxation for the six months ending 30 June 2005 was £0.1m.

- **Contingent Assets or contingent liabilities**

There were no contingent assets or liabilities at the balance sheet date.

4. Transition from UK GAAP to IFRS

- Profit and loss

Under IFRS, preference share dividends are included as an interest cost. Under UK GAAP, preference share dividends were treated as a distribution. This has resulted in a change to the previously reported profit after taxation figures under UK GAAP.

The preference share dividend of £0.4m has therefore been included as an interest cost in the profit and loss account for the six month period to 30 June 2005 (six month period to 30 June 2004: £0.4m; year to 31 December 2004: £0.8m).

Under UK GAAP, for the 6 month period to 30 June 2005, the loss after taxation would have been £20.4m (6 month period to 30 June 2004 profit of £10.2m; year to 31 December 2004 profit of £29.7m) compared to the loss after taxation under IFRS for the 6 month period to 30 June 2005 of £20.8m (six month period to 30 June 2004 profit of £9.8m; year to 31 December 2004 profit of £28.9m).

There has been no net effect on the Group's retained earnings reserve.

- Equity

Under UK GAAP, share capital comprised ordinary share capital of £58,645,694 and preference share capital of £10,934,796. The preference shares have been separately disclosed as a financial liability on the face of the balance sheet in accordance with IFRS.

Reconciliation of equity disclosed at 31 December 2003

	Equity Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Other Reserves £m	Retained Earnings £m	Total £m
Equity under UK GAAP	69.5	291.1	64.9	84.9	291.4	801.8
Reclassification of preference shares to non-current liability	(10.9)	-	-	-	-	(10.9)
Equity under IFRS	58.6	291.1	64.9	84.9	291.4	790.9

Reconciliation of equity disclosed at 30 June 2004

	Equity Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Other Reserves £m	Retained Earnings £m	Total £m
Equity under UK GAAP	69.5	291.1	64.9	84.9	300.9	811.3
Reclassification of preference shares to non-current liability	(10.9)	-	-	-	-	(10.9)
Equity under IFRS	58.6	291.1	64.9	84.9	300.9	800.4

NOTES TO THE HALF YEAR REPORT

Reconciliation of equity disclosed at 31 December 2004

	Equity Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Other Reserves £m	Retained Earnings £m	Total £m
Equity under UK GAAP	69.5	291.1	64.9	84.9	300.0	810.4
Reclassification of preference shares to non-current liability	(10.9)	-	-	-	-	(10.9)
Equity under IFRS	58.6	291.1	64.9	84.9	300.0	799.5

- Cash flow statement

Under UK GAAP, the Group elected to utilise the exemption in paragraph 5(a) of Financial Reporting Standard No 1 (Revised 1996) 'Cash flow Statement' from preparing a cash flow statement, since the Group is a wholly owned subsidiary. The Group, therefore, presents its cash flow statement for each of the periods for the first time in this financial information, which has been prepared under IFRS accounting policies. The preference share dividend of £0.4m has been included within interest payable in the consolidated cash flow statement for the period to 30 June 2005 (period to 30 June 2004: £0.4m; year to 31 December 2004: £0.8m). This reclassification has had no effect on the net cash flow of the group.