

S.G. WARBURG GROUP PLC

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002**

Company registration number 1874486



S.G. WARBURG GROUP PLC

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S.G. WARBURG GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their report and financial statements for the year ended 31 December 2002.

Results and Dividends

The group profit for the year, after taxation and minority interests, amounted to £20,987,000 (2001 – profit £44,973,000).

The directors consider the state of the group's affairs to be satisfactory.

Dividends on the 7 5/8 per cent cumulative preference shares amounted to £834,000 (2001: £834,000) net of tax credit. The directors recommended and paid an interim dividend on ordinary shares of £423,861,000 (2001: nil) during the year.

Principal Activity and Review of the Business

The group, comprising the company and its subsidiaries, predominantly carries on investment activities, including the provision of finance to a number of companies within the UBS AG group.

Directors and Their Interests in shares of the company

The directors who held office during the year were as follows:

R Hardie Chairman (Appointed 20 September 2002)
N Anderson
J Ozanne
P Price
S Ryan
S James

According to the register of directors' interests, the interests in the shares of the company, its ultimate holding company and other subsidiaries thereof as at 31 December 2002 of those persons who were directors in 2002 were as follows:

	<i>UBS AG Registered shares CHF 2.8 1 January 2002 or at date of appointment</i>	<i>UBS AG Registered shares CHF 0.8 31 December 2002</i>
R Hardie (appointed during the year)	394	394
N Anderson	1,432	2,370
J Ozanne	2,228	3,310
P Price	-	-
S Ryan	1,339	3,292
S James	-	2,161

On 8 July 2002, the par value of shares in UBS AG was reduced by CHF 2.00.

Included in the directors' interests are shares awarded under the Share Save scheme. These shares are UBS AG Registered shares held in trust for 3 years, on which dividends are paid each time they are declared.

S.G. WARBURG GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

Directors and Their Interests in shares of the company (continued)

The warrants awarded by UBS AG through its Equity Investment Plan (EIP) can be exercised for cash or physical settlement. The options awarded by UBS AG through its deferred plans, give the directors the right to purchase UBS AG ordinary shares. The interests of the directors are as follows:

		<i>Exercise price</i>	<i>At 1 January 2002 (or date of appointment)</i>	<i>Granted during the year</i>	<i>Exercised during the year</i>	<i>Lapsed during the year</i>	<i>At 31 December 2002</i>
R Hardie	E	77.75	-	10,293	-	-	10,293
N Anderson	E	77.75	-	3,500	-	-	3,500
	F	78.10	-	774	-	-	774
	G	81.725	-	140	-	-	140
	H	70.425	-	170	-	-	170
	I	74.75	-	162	-	-	162
			-	4,746	-	-	4,746
J Ozanne	A	78.50	1,958	-	1,958	-	-
	B	56.67	12,000	-	-	-	12,000
	C	79.00	8,334	-	-	-	8,334
	D	66.67	30,000	-	-	-	30,000
	F	78.1	-	601	-	-	601
	E	77.75	-	13,155	-	-	13,155
			52,292	13,756	1,958	-	64,090
S Ryan	E	77.75	-	3,722	-	-	3,722
	F	78.10	-	2,115	-	-	2,115
			-	5,837	-	-	5,837
S James	A	78.50	12,005	-	12,005	-	-

The details of the options, together with their expiry dates, are as follows:

	Length of option	Expiry	Strike price	Date awarded
A	4 years	31 March 2002	78.50	March 1998
B	6 years	30 June 2004	56.67	June 1998
C	6 years	26 February 2005	79.00	March 1999
D	6 years	30 June 2006	66.67	June 2000
E	10 years	31 January 2012	77.75	January 2002
F	10 years	28 February 2012	78.10	February 2002
G	10 years	31 May 2012	81.725	May 2002
H	10 years	30 August 2012	70.425	August 2002
I	10 years	29 November 2012	74.75	November 2002

S.G. WARBURG GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

Statement of Directors' Responsibilities in Respect of the Financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 which 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the members at the Annual General Meeting.

By order of the board



P E Hare
Secretary
23 June 2003

Registered office:
1 Finsbury Avenue
London
EC2M 2PP

S.G. WARBURG GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF S.G. WARBURG GROUP PLC

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of 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 auditor's 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

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the group 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 United Kingdom 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 group's circumstances, consistently applied and adequately disclosed.

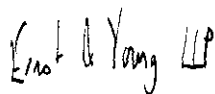
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

S.G. WARBURG GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF S.G. WARBURG GROUP PLC

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

23 June 2003

S.G. WARBURG GROUP PLC

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £000	2001 £000
Turnover	2	2,697	-
Interest receivable	5	48,941	72,124
Interest payable	6	(11,748)	(12,101)
Other operating income		14	722
Administrative expenses		<u>(3,066)</u>	<u>(2,216)</u>
Profit on ordinary activities before taxation		36,838	58,529
Taxation	7	<u>(12,984)</u>	<u>(1,019)</u>
Profit on ordinary activities after taxation		23,854	57,510
Minority interests – equity		<u>(2,867)</u>	<u>(12,537)</u>
Profit for the year attributable to members of the parent company		20,987	44,973
Dividends			
Ordinary dividend on equity shares	8	(423,861)	-
Preference dividends on non-equity shares	8	(834)	(834)
		<u> </u>	<u> </u>
Retained (loss)/profit transferred to reserves		(403,708)	44,139
Earnings per ordinary share (basic and diluted)		<u>8.59p</u>	<u>19.04p</u>

The company has no recognised gains or losses for 2002 or 2001 other than the results for the year as set out above.

All the activities of the company are classed as continuing.

The notes on pages 9 to 16 form part of these accounts

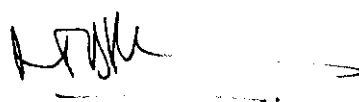
S.G. WARBURG GROUP PLC

GROUP BALANCE SHEET AS AT 31 DECEMBER 2002

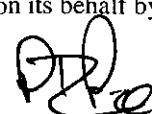
	Notes	2002 £000	2001 £000
Fixed assets			
Tangible assets	10	78	76
Investments	11	<u>9,402</u>	<u>9,763</u>
		9,480	9,839
Current assets			
Debtors	12	1,671,201	1,624,772
Current asset investments	13	1,017	1,232
Cash at bank and in hand		<u>3,489</u>	<u>13,784</u>
		1,675,707	1,639,788
Creditors: amounts falling due within one year	14	(541,828)	(97,582)
Net current assets		<u>1,133,879</u>	<u>1,542,206</u>
Total assets less current liabilities		1,143,359	1,552,045
Creditors: amounts falling due after more than one year	15	(113,000)	(113,000)
Total assets less current liabilities		<u>1,030,359</u>	<u>1,439,045</u>
Capital and reserves			
Share capital	16	69,580	69,580
Share premium account	17	291,125	291,125
Other reserves	17	149,874	149,874
Profit and loss account	17	<u>293,251</u>	<u>696,959</u>
Shareholders' funds		803,830	1,207,538
Minority interests		226,529	231,507
Total capital resources		<u>1,030,359</u>	<u>1,439,045</u>
Analysis of shareholders' funds			
Equity interests		792,895	1,196,603
Non-equity interests		<u>10,935</u>	<u>10,935</u>
		803,830	1,207,538

These accounts were approved by the Board on 23 June 2003 and signed on its behalf by:

N Anderson
Director



P Price
Director




The notes on pages 9 to 16 form part of these accounts


S.G. WARBURG GROUP PLC

BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 £000	2001 £000
Fixed assets			
Shares in group undertakings	11	186,807	186,807
Current assets			
Debtors	12	1,264,249	1,119,844
Creditors: amounts falling due within one year	14	(523,618)	(78,777)
Net current assets		<u>740,631</u>	<u>1,041,067</u>
Total assets less current liabilities		927,438	1,227,874
Creditors: amounts falling more than one year	15	(113,000)	(113,000)
		<u>814,438</u>	<u>1,114,874</u>
Capital and reserves			
Share capital	16	69,580	69,580
Share premium account	17	291,125	291,125
Other reserves	17	114,867	114,867
Profit and loss account	17	338,866	639,302
Equity shareholders' funds		<u>814,438</u>	<u>1,114,874</u>
Analysis of shareholders' funds			
Equity interests		803,503	1,103,939
Non-equity interests		<u>10,935</u>	<u>10,935</u>
		<u>814,438</u>	<u>1,114,874</u>

These accounts were approved by the Board on 23 June 2003 and signed on its behalf by:


N Anderson
Director


P Price
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The notes on pages 9 to 16 form part of these accounts

S.G. WARBURG GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002

1. Accounting policies

Basis of accounting

The group accounts consolidate the accounts of S.G. Warburg Group plc and all its subsidiary undertakings drawn up to 31 December each year. The accounts are prepared under the historical cost convention, modified by the revaluation of certain investments, and in accordance with applicable accounting standards. As permitted by s230 of the Act, no profit and loss account is presented for the company itself. Details of the principal subsidiary undertakings are given on page 17.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Change of accounting policy

In 2001, the current asset investment was marked to market value. The directors consider that, in view of the company's current operations, it is more appropriate to value it at the lower of cost and net realisable value in line with the requirements of Schedule 4 of the Companies Act 1985.

No prior period adjustment has been made. The mark to market adjustment in the 2001 accounts has been written off to the Profit and Loss Account in 2002.

Tangible fixed assets

Expenditure on tangible fixed assets is capitalised and depreciated by equal monthly instalments over their expected useful economic lives.

Motor vehicles – 5 years

Plant and equipment – 3 to 10 years

Fixed asset investments

Fixed asset 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 disposals of investments are treated as part of the result from ordinary activities.

Current asset investments

Current asset investments are stated at the cost less a provision for any permanent diminution of value.

Cash flow statement

The directors have taken advantage of the exemption in paragraph 5(a) of Financial Reporting Standard 1 (revised) from preparing a cash flow statement.

2. Turnover

Turnover represents service fees receivable.

3. Auditors' remuneration and administrative costs

Auditors' remuneration is borne by the ultimate parent company. Most administrative costs are borne by another group undertaking. Depreciation and amortisation expenses included under administrative expenses were £28,000 (2001: £99,000).

S.G. WARBURG GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002

4. Directors and employees

None of the directors who served during the year received any emoluments for services to the company (2001: nil). There were no employees during the year (2001: nil).

5. Interest receivable

	2002 £000	2001 £000
Other interest receivable	110	1,047
Interest from group companies	<u>48,831</u>	<u>71,077</u>
	<u>48,941</u>	<u>72,124</u>

6. Interest payable and similar charges

	2002 £000	2001 £000
Interest payable to group companies	10,203	10,196
Interest payable on other loans	<u>1,545</u>	<u>1,905</u>
	<u>11,748</u>	<u>12,101</u>

S.G. WARBURG GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002

7. Taxation

Analysis of charge

	2002 £000	2001 £000
UK corporation tax:		
Current tax on profits for the period	12,796	8,170
Adjustment in respect of previous periods	-	(7,254)
Overseas tax:		
Current tax on profits for the period	42	103
Adjustment in respect of previous periods	146	-
Total current tax	<u>12,984</u>	<u>1,019</u>

Factors affecting tax charge for period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

	2002 £000	2001 £000
Profit on ordinary activities before tax	<u>36,838</u>	<u>58,529</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	11,051	17,559
Effects of:		
Group relief surrendered/received without charge	-	(9,365)
Income/expenses not recognised for tax purposes	1,787	4
Overseas tax paid in excess of 30%	-	75
Adjustment in respect of previous periods	146	(7,254)
Current tax charge for the period	<u>12,984</u>	<u>1,019</u>

8. Dividends and other appropriations

	2002 £000	2001 £000
Equity dividends on ordinary shares:		
Final proposed and paid	423,861	-
Non-equity dividends on preference shares:		
Paid on 7 5/8 per cent cumulative preference shares of £1	834	834
	<u>424,695</u>	<u>834</u>

9. Profit of the company

	£000	£000
Profit after tax of the company dealt with and retained in the group accounts	<u>124,258</u>	<u>35,674</u>

S.G. WARBURG GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002

10. Tangible fixed assets

<i>Group</i>	Plant & Equipment £000	Motor vehicles £000	Total £000
Cost:			
At 1 January 2002	495	138	633
Additions	30	-	30
Disposals	-	(47)	(47)
At 31 December 2002	<u>525</u>	<u>91</u>	<u>616</u>
Depreciation:			
At 1 January 2002	483	74	557
Charge for year	10	18	28
Disposals	-	(47)	(47)
At 31 December 2002	<u>493</u>	<u>45</u>	<u>538</u>
Net book amount:			
At 31 December 2002	<u>32</u>	<u>46</u>	<u>78</u>
At 31 December 2001	<u>12</u>	<u>64</u>	<u>76</u>

11. Investments

	2002 £000	2001 £000
<i>Group</i>		
Fixed asset investments	<u>9,402</u>	<u>9,763</u>
	Unlisted £000	Total £000
Net book value 1 January 2002	9,763	9,763
Revaluation	(361)	(361)
At 31 December 2002	<u>9,402</u>	<u>9,402</u>
<i>Company</i>	Unlisted £000	Total £000
Cost and net book value 1 January 2002 and 31 December 2002	<u>186,807</u>	<u>186,807</u>

S.G. WARBURG GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002

12. Debtors

	GROUP		COMPANY	
	2002	2001	2002	2001
	£000	£000	£000	£000
Amounts owed by group undertakings	1,664,120	1,618,106	1,264,249	1,119,844
Other assets	7,081	6,666	-	-
	<u>1,671,201</u>	<u>1,624,772</u>	<u>1,264,249</u>	<u>1,119,844</u>

13. Current asset investments

	£000
At 1 January 2002	1,232
Foreign exchange movement	(215)
	<u>1,017</u>
At 31 December 2002	

14. Creditors: amounts falling due within one year

	GROUP		COMPANY	
	2002	2001	2002	2001
	£000	£000	£000	£000
Corporation tax	20,928	3,046	15,556	5,370
Other creditors	1,502	1,589	-	-
Accruals and deferred income	655	598	1,129	1,093
Amounts owed to group undertakings	518,743	92,349	506,933	72,314
	<u>541,828</u>	<u>97,582</u>	<u>523,618</u>	<u>78,777</u>

15. Creditors: amounts falling due after more than one year

	GROUP		COMPANY	
	2002	2001	2002	2001
	£000	£000	£000	£000
£113 million 9 per cent perpetual subordinated note	<u>113,000</u>	<u>113,000</u>	<u>113,000</u>	<u>113,000</u>

S.G. WARBURG GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002

16. Share capital

	2002 £000	2001 £000
Authorised		
Equity share capital:		
528,852,816 ordinary shares of 25 pence	132,213	132,213
Non-equity share capital:		
10,400,000 non-voting convertible deferred shares of 25 pence	2,600	2,600
13,186,796 7 5/8 per cent cumulative preference shares of £1	13,187	13,187
	<hr/>	<hr/>
	148,000	148,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
Equity share capital:		
234,582,777 ordinary shares of 25 pence	58,645	58,645
Non-equity share capital:		
10,934,796 7 5/8 per cent cumulative preference shares of £1	10,935	10,935
	<hr/>	<hr/>
	69,580	69,580
	<hr/>	<hr/>

Holders of the cumulative preference shares have no rights to participate in any surplus of assets on a winding up or to vote at General Meetings of the company except in certain limited circumstances.

S.G. WARBURG GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002

17. Reconciliation of movement in shareholders' funds

<i>Group</i>	Share capital	Share premium	Other reserves	Profit and loss account	Total
	£000	£000	£000	£000	£000
At 1 January 2001	69,580	278,263	149,873	652,820	1,150,536
Arising on conversion of shares	-	12,862	-	-	12,862
Foreign currency translation	-	-	1	-	1
Transfer from profit and loss account of the year	-	-	-	44,139	44,139
At 31 December 2001	69,580	291,125	149,874	696,959	1,207,538
Transfer from profit and loss account of the year	-	-	-	(403,708)	(403,708)
At 31 December 2002	<u>69,580</u>	<u>291,125</u>	<u>149,874</u>	<u>293,251</u>	<u>803,830</u>

Other reserves comprise a capital redemption reserve of £64,931,000 and other reserves of £84,943,000.

<i>Company</i>	Share capital	Share premium	Other reserves	Profit and loss account	Total
	£000	£000	£000	£000	£000
At 1 January 2001	69,580	278,263	114,867	604,460	1,067,170
Arising on conversion of shares	-	12,862	-	-	12,862
Profit for the year	-	-	-	34,842	34,842
At 31 December 2001	69,580	291,125	114,867	639,302	1,114,874
Transfer from profit and loss account of the year	-	-	-	(300,436)	(300,436)
At 31 December 2002	<u>69,580</u>	<u>291,125</u>	<u>114,867</u>	<u>338,866</u>	<u>814,438</u>

Other reserves comprise a revaluation reserve of £50,000,000 and a capital redemption reserve of £64,867,000.

S.G. WARBURG GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002

18. Related parties

The company has taken advantage of the exemption given in FRS8 to subsidiaries from disclosing related party transactions with other group companies.

19. Ultimate parent company

UBS AG, a company incorporated in Switzerland, is the ultimate holding company and is the parent undertaking of the largest group for which group financial statements are prepared. The parent undertaking of the smallest group for which group financial statements are prepared is SBCI Investment banking Ltd.

Copies of both sets of group financial statements can be obtained from UBS AG, 100 Liverpool Street, London EC2M 2RH.

S.G. WARBURG GROUP PLC

PRINCIPAL SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS AS AT 31 DECEMBER 2002

The principal subsidiaries of S.G. Warburg Group plc as at 31 December 2002, all of which are unlisted, with the exception of S.G. Warburg Finance BV, are incorporated in England & Wales, wholly owned and carry on investment business (unless otherwise stated) are:

Direct subsidiaries:

S.G. Warburg Finance BV (incorporated in the The Netherlands)

S.G.W. Finance plc

Potter Warburg U.K. Ltd

S.G. Securities U.K. Ltd (formerly S.G. Warburg & Co Ltd)

Indirect subsidiaries held through S.G. Warburg & Co Ltd:

Warburco Nominees Ltd

S.G. Warburg & Co (AFS) Ltd (merchant banking activity)

2FA Information (ITC) Ltd (formerly called 2FA Information Ltd)

The above companies' principal places of operation correspond to the country of incorporation.

On 26 July 1995, one special redeemable £1 share was issued by S.G. Warburg & Co Ltd and allotted for cash to S.G. Warburg Group plc. This redeemable share gives to the holder 50.1% of the voting rights at General Meetings, but confers no right to dividends or participation in a distribution of assets on liquidation.