

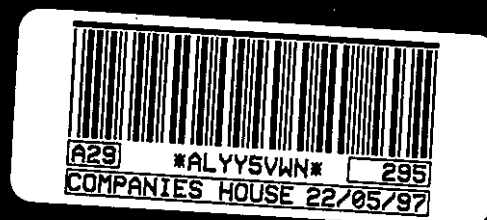
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Steel Burrill Jones Group plc is an insurance and reinsurance broking and consulting group with two principal business streams:

UK retail which comprises insurance and risk management services, employee benefits and employment advisory and administration services, principally aimed at corporate bodies and affinity groups in the UK;

London and international insurance market broking and administration services which handle specialist risks from corporations, partnerships, insurers and from international intermediaries.

It is our intention to develop these businesses by providing excellent service to our clients whilst concentrating on those areas where profit growth can be obtained.



Chairman's statement

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Chief Executive's review

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In 1996 insurance market conditions continued to be characterised by over capacity in underwriting with resultant low pricing. Whilst there has been some talk by insurers about a tougher approach to rating, there is no evidence that this is taking place. At the same time, there continues to be further new entrants into the insurance and reinsurance underwriting markets, providing extra capacity and ensuring continued market pricing softness.

SBJ's UK retail business, whilst not immune from the vagaries of soft markets, is increasingly conducted on a fee basis and was able to increase its income during the year reflecting new business, increased services for fees and new initiatives taken.

Our London market business income is, however, affected by insurance pricing with most transactions being commission based. With this background and with the effect of the loss of the Meacock Samuelson & Devitt team in 1995 our London market income was bound to reduce, as we foreshadowed at the half year and also in our prior year report and accounts.

Two other important aspects provide background to this review. Firstly, the successful completion of Lloyd's Reconstruction and Renewal now provides a more positive basis for promoting London market insurance and reinsurance to international agents, producers and clients. We are delighted with the success of the initiatives at Lloyd's and appreciative of the massive amount of hard work which went into getting the final result. Clearly, there is a cost to SBJ through its share of the overall broker settlement and our profits in 1996 have reduced by some £362,000 reflecting our first year's contribution.

The second important point is the increasing polarisation of our business as an intermediary. A handful of global players have emerged in conjunction

with a larger number of specialist competitors.

As a specialist, SBJ concentrates on relatively few lines of business and 1996 has been a year with a number of substantial new business wins against much larger competitors in our defined client and product areas.

Looking ahead The group's retail activities continue to grow and now represent over 60% of the group's turnover. The majority of this is fee based and allows the group to earn a return directly related to the professional services it provides. 1996 saw the benefits of new marketing initiatives and the year provided further evidence of SBJ's ability to compete successfully for retail business in our chosen areas of business. We intend to continue this process in the year ahead.

In the London and international insurance markets, recent consolidation within the major brokers will, we believe, work to our benefit; we are actively cultivating the many opportunities arising from this consolidation both in terms of recruitment of new insurance professionals and additions to our client list. The rating environment, however, is continuing to work against us. Overall, we expect to see growth in our non-marine business but a decline in our marine and reinsurance businesses primarily due to softness in insurance pricing and competitive pressure.

Our business units are broadly in step with one another by size, by approach and by culture. This we will use to our advantage in cross-referral of clients and potential clients and the promotion of each business's services and products.

The prospects for the immediate future will continue to be demanding but we are encouraged by the increasing opportunities presented by consolidation in our industry.

1996 results The group's retail businesses again performed well but this achievement was offset by the results of SBJ's London market operations in 1996 which were hit by the full year effect of the contraction of the group's non-marine reinsurance activities in 1995 and the harsh trading conditions which prevailed throughout the period. The group generated a profit before tax of £2.21 million, 61% below 1995's result of £5.71 million. Brokerage and fees of £39.94 million reduced by 8% from £43.19 million.

Expenses of £41.86 million fell by 2% from £42.82 million and contained a charge of £362,000 in respect of the group's full year contribution to Lloyd's Reconstruction and Renewal. As forecast, investment income declined by 23% from £5.46 million in 1995 to £4.22 million, reflecting the reduction in the levels of fiduciary funds and the effect of lower prevailing interest rates on those balances. Included within investment income was a profit of £377,000 following the realisation of an unquoted investment.

Basic earnings per share amounted to 3.62p compared with 7.67p in 1995. Fully diluted earnings per share, taking account of the effect of outstanding deferred consideration, amounted to 3.09p compared with 5.84p in 1995. Owing to the release of tax provisions no longer required, the tax charge for 1996 was exceptionally low. Calculating earnings per share on a more typical tax charge of 38%, taking account of disallowable expenditure, would give rise to basic and diluted earnings per share of 2.53p and 2.15p respectively. IIMR earnings per share, adjusting for the profit on disposal of fixed asset investments, were 2.87p. No adjustment for IIMR earnings per share was required in 1995.

Dividend The board is recommending a final dividend of 0.75p per share which, if approved at the Annual General Meeting to be held on 20 May 1997, will be paid on 22 May 1997 to those shareholders on the register at the close of business on 11 April 1997. Together with the interim dividend of 0.75p, the total dividend for 1996 will amount to 1.5p. 1995's total dividend amounted to 4.5p.

Directors and staff As I reported to you previously, Oliver Stocken retired as non-executive director at the Annual General Meeting on 22 May last year. In addition to myself the board continues to have two further non-executive directors in Mike Blackburn and John Wynn.

1996 was a further year of pressure and market change, the effects of which directly impact all who work in the group. Our markets are not easy environments and I am personally highly appreciative of the hard work and achievement from all those who work at SBJ. On your behalf, I would like to thank them.

Future prospects The market environment will remain hostile during 1997 with insurance rates declining in most markets in which we operate. Our London market business will be adversely affected by these conditions but recruitment and consequent additional income should mitigate this.

Our retail business, whilst not immune from insurance market pricing pressures, should show further good growth.

Our strategy is built on three points:

- To remain independent and in the process boost our business. Our UK retail business will continue to benefit from maintenance of existing client relationships by our senior staff and the securing of new clients through the same process of continuity; our London market business should begin to attract further support from overseas independent brokers and producers.
- To continue to decouple our revenues from the insurance market pricing cycle by increasingly transacting our business for fees – the basis on which professional services are required by many clients.
- To grow our revenue both through recruitment and through group teamwork, which should result in greater cross-referrals between our operations.

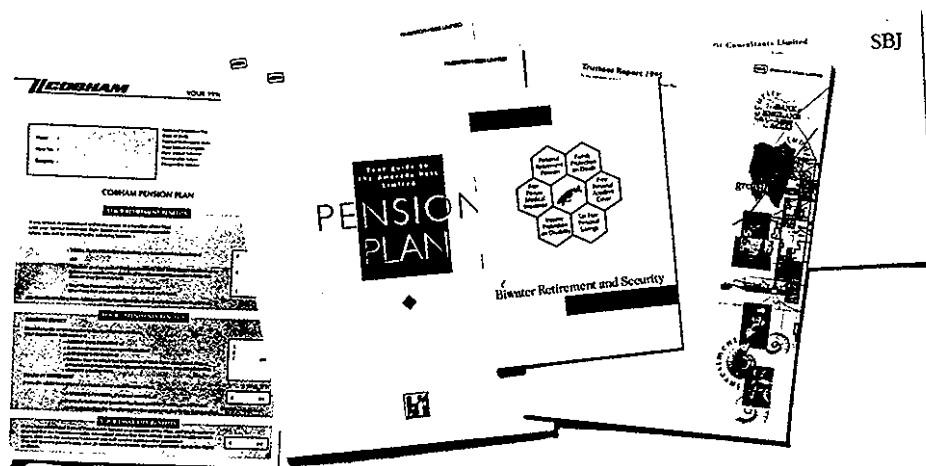
Overall we are working hard in 1997 to lay the foundations for a resumption in growth at the earliest opportunity.



Clive Richards Chairman

Business review

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(above) Experts in the provision and administration of employee benefits

SBJ Benefit Consultants provides high quality advisory, actuarial and administrative services in the field of employee benefits, primarily for corporate bodies in the UK and their executives. The company operates from offices in Birmingham, Bristol, Leatherhead, London, Reading and Stockport with 109 staff. During the year all offices performed well and increased their income. Overall, income increased in 1996 by 16% through good growth in new business and the demands arising from changes in pensions legislation, which show few signs of abating. The company will continue with its policy of focusing on continuity of client relationships, recruitment of further professionals and organic growth. This, in conjunction with closer working with other group companies, should lead to further progress.

(right) Providing immediate advice on employment and health and safety matters

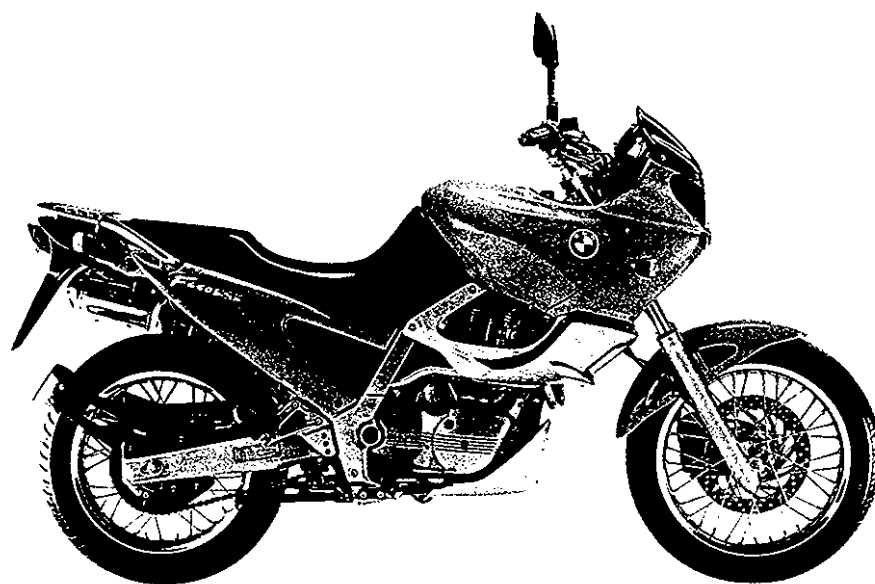
SBJ Employment and Safety Services is based in Coventry. Whilst its 52 professional staff deal primarily with small and medium sized businesses, 1996 has seen the company make significant inroads into larger clients. Services include advice on employment contractual, and health and safety matters. The company is well equipped to handle industrial tribunal claims made against organisations who lack in-house expertise to handle such matters themselves. In 1996, a high rate of growth in income was maintained at 27%.



George Boden Chief Executive



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(above) Packaged insurance products for affinity groups and specialist sectors

Operating out of its offices in Stratford, East London, Devitt Insurance Services has achieved growth in income of 2% at a time when insurance rates have continued to soften. This increase through growth in case numbers handled is no mean achievement. Devitt Insurance Services markets personal lines insurance products for affinity groups and other specialist sectors, providing membership benefits for those groups and value for money throughout. In particular, it handles the insurance of motor cycles, cars, caravans as well as household, travel and leisure related insurance products. Looking ahead, Devitt Insurance Services will continue its emphasis on affinity group marketing and on specialist products to avoid the worst ravages of competition between direct writers and other providers of standard products.

SBJ Stephenson provides competitive value



Specialising in corporate risk management and insurance purchasing

SBJ Stephenson operates out of Birmingham, Bristol, Gravesend, New Malden, London and Stockport. Its 178 staff aim to deliver extremely competitive value in insurance purchasing coupled with clear thinking in risk analysis and in risk management design and application. Full services are provided to public and private companies, charitable and non-profit making organisations, and trade associations throughout the UK. In addition, major corporations, both public and private, are increasingly turning to specialists such as SBJ Stephenson to provide competitively priced niche products and services to their risk management units. During a year of further pricing weakness, SBJ Stephenson did well to increase its income by 2%, reflecting good growth in new business and increased services for fees. Through further marketing initiatives and the commitment and service delivered by its professionals, SBJ Stephenson looks to further growth in 1997.

business review

Exxon Valdez oil spillage



In 1989 the tanker Exxon Valdez was damaged off the coast of Alaska causing the largest known environmental liability loss to hit the London Insurance Market. Claims on this loss have been affecting the market ever since but the final direct settlement was agreed only at the beginning of 1997 at a cost of \$480m.

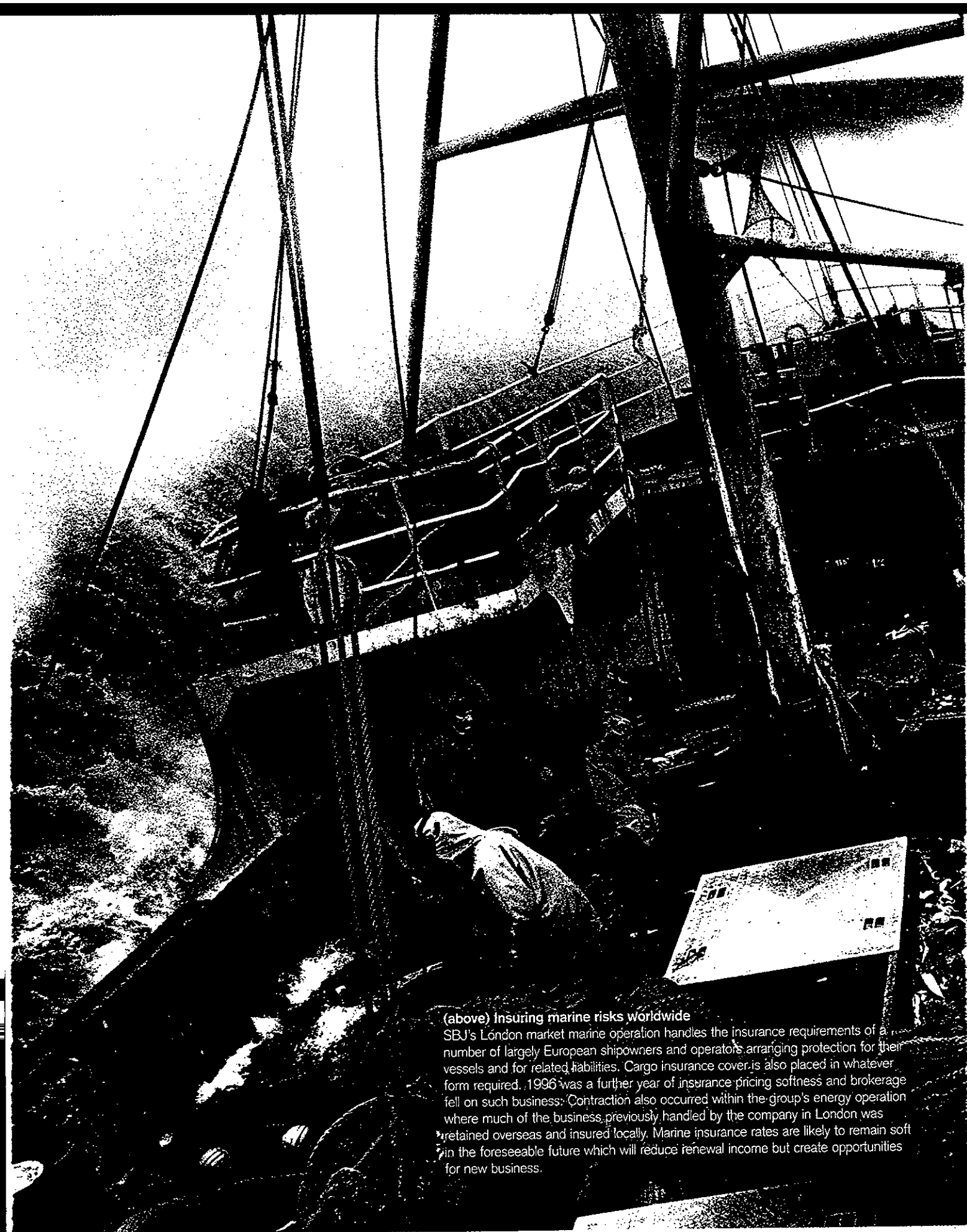
Helix UK deals with in excess of 100 insurers and reinsurers affected by this loss. The ability to handle collections efficiently is an integral part of the service offered by Helix to its clients. With certain insurers having a direct exposure of more than \$10m to this settlement alone, speed of service is of fundamental importance in effecting claims collections from reinsurance markets.

Effective and efficient claims administration

Helix UK Limited commenced management and collection responsibility for managing the operations on 1 January 1996. Formed with the purpose of capitalising on the group's considerable expertise in claims services, Helix had a successful first year in generating income for the group. Helix has 39 brokers and technicians, who have also taken on

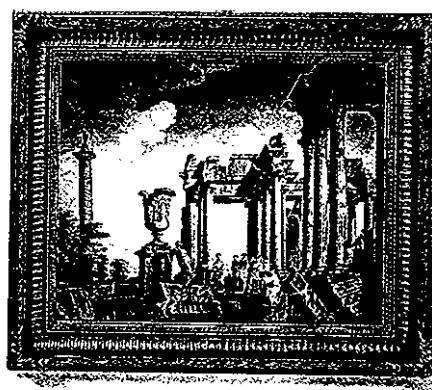
claims run-off of the group's reinsurance and energy related business. This new focus ensures that the processing of claims arising from business placed in insurance and reinsurance markets many years previously is handled in an efficient and cost effective manner.





(above) Insuring marine risks worldwide

SBJ's London market marine operation handles the insurance requirements of a number of largely European shipowners and operators, arranging protection for their vessels and for related liabilities. Cargo insurance cover is also placed in whatever form required. 1996 was a further year of insurance pricing softness and brokerage fell on such business. Contraction also occurred within the group's energy operation where much of the business, previously handled by the company in London was retained overseas and insured locally. Marine insurance rates are likely to remain soft in the foreseeable future which will reduce renewal income but create opportunities for new business.



(above) Specialists in non-marine insurance

The group's non-marine insurance operations performed well in competitive markets. Nelson Steavenson Bloodstock, the leading London bloodstock broker, increased its revenues through the addition of new business. SBJ Speciality, dealing with international jewellers and fine art, bullion, specie and other high value property risks, maintained its position despite fierce competition. The international wholesale property/casualty account handled by SBJ International expanded significantly. The financial institutions business handled by the group, however, contracted following withdrawal from certain Latin American accounts. 1996 was a year of growth against a background of soft markets for SBJ Professional Risks which deals with a wide range of professional indemnity exposures in industry and commerce.

(left) Reinsurance protection for the market

Following the recruitment of new expertise, SBJ's reinsurance capability and objectives have been readdressed following several years of contraction. The ability to offer marine and non-marine reinsurance products to our clients is well balanced by the group's specialist capability in TLO (total loss only) reinsurance protection. Recent recruitment was not able to affect significantly 1996's results, where brokerage declined substantially over the previous year, following the departure of the greater part of the group's original non-marine reinsurance team. However, income from our TLO operation held up well given the softness of the market.

Finance Director's review

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Result for the year 1996's profit before tax amounted to £2.21 million. Within that figure was a profit on sale of £377,000 relating to an unquoted investment.

Owing to the availability of capital losses brought forward from earlier periods, no tax was incurred on this profit on sale and as a result, together with the release of provisions for taxation in earlier periods no longer required amounting to £641,000, the effective tax rate for 1996 was 11%. In an insurance broking business, after taking account of disallowable expenditure, an effective tax charge of between 35% and 40% usually arises. A tax charge within this band is likely to apply to the company in future years.

The cost of the group's total dividend for the year of 1.5p amounted to £824,000. Deducting this from the profit for the financial year of £1.96 million gave rise to retained earnings of £1.14 million which have been taken to reserves (1995: £1.48 million).

Treasury The group continues to earn an important part of its revenues in currencies other than sterling. Whilst European currencies are becoming increasingly important to the group, the relative proportion of US dollar denominated income continues to decline. In 1996, 20% of the group's income was transacted in US dollars, down from 29% a year ago.

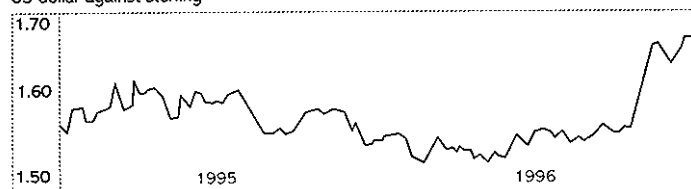
During the year the US dollar exchange rate averaged \$1.57 compared with \$1.58 in 1995. In 1996, the group sold its US dollar income at an average rate of \$1.57 compared with a rate of \$1.54 achieved in 1995.

At the balance sheet date, the group has sold forward US\$10.0 million, comprising the greater part of its expected dollar income for 1997, at an average rate of \$1.57 to the pound.

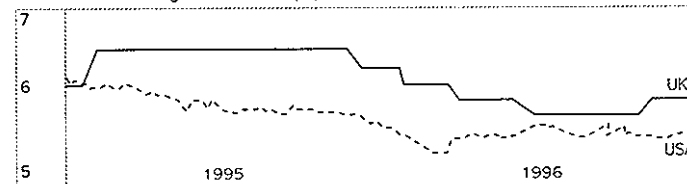
In respect of its exposure to exchange rates and interest rates, the group has a formal policy for their management which is designed to reduce risk and manage volatility. This continues to be implemented by the treasury committee which reports to the board.

Capital structure The group's capital structure during the year did not change. The company continues to provide for the future issue of shares which comprise the estimated deferred consideration to be paid for the acquisition of Intermar Limited, acquired in January 1995. No such reserve existed in respect of the liability for deferred consideration to the 'B' shareholders of SBJ Speciality who sold their shares to the group in April 1996. Consideration for these shares amounted to £2.87 million and resulted in a goodwill write-off of a corresponding amount.

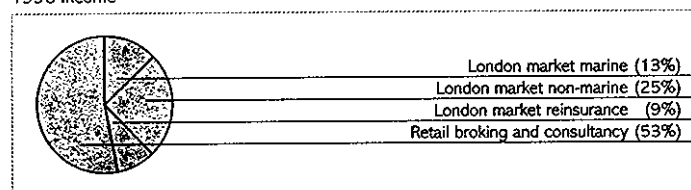
US dollar against sterling



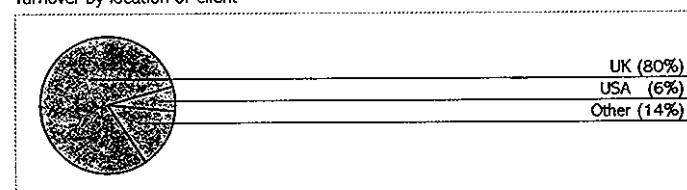
US dollar and sterling interest rates (%)



1996 income



Turnover by location of client



Substantial shareholdings At 5 March 1997 the only shareholders with an interest of 3% or more in the company's issued share capital and which had been notified to the company were:

	%
PDFM Limited	20.2
PC Nelson	6.4

Philip Nelson is chairman of Nelson Steavenson Bloodstock Limited, the group's bloodstock insurance broker.

Assets and liquidity At 31 December 1996 the group's net assets amounted to £5.48 million, down from £6.17 million in 1995. Note 27 sets out the components of the decrease, the principal component of which was the net goodwill write-off of £3.11 million.

The group's own cash resources reduced from £9.62 million to £6.56 million. This decrease was substantially attributable to the cash component of acquisitions which for the year amounted to £2.35 million.

The group continues to lease certain of its capital assets and at the year end, long term lease commitments amounted to £1.68 million, a marginal decrease over 1995. Other than this, the group continues to have no borrowings.

Accounting policies The provisions of paragraph 29 of FRS 5, insofar as they apply to insurance brokers, were required to be adopted during the year. This has had the effect of increasing insurance debtors and creditors disclosed in the balance sheet including a restatement of the corresponding figures for 1995. This change has had no effect on either the group's net assets or its cash flow but is more indicative of the substantial value of transactions, both premiums and claims, processed across the group.

Reporting requirements After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have determined that the going concern basis is appropriate for the preparation of the accounts.

Christopher Birrell

Christopher Birrell Finance Director



Directors and advisers

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1 Clive Richards, aged 59, is non-executive chairman. He joined the board in 1983. He is a chartered accountant and was formerly group finance director of N.M. Rothschild & Sons Limited, having been managing partner of Wedd Durlacher. He is a non-executive director of Dalkeith Holdings plc and Minerva plc. He is chairman of the group's remuneration committee and a member of the audit and treasury committees.

2 George Boden, aged 50, is deputy chairman and chief executive. He joined the group and the board in 1988 and was appointed chief executive the same year. He is chairman of the group's management committee and a member of the group's treasury committee.

3 Bill Barratt, aged 54, is responsible for the group's retail insurance broking operations. He joined the group and the board in 1988. He is a member of the group's management committee.

4 Christopher Birrell, aged 43, is finance director. He is a chartered accountant and trained at Price Waterhouse. He joined the group in 1985 and was appointed finance director in 1993. He is a member of the group's management committee and is chairman of the treasury committee.

5 Mike Blackburn, aged 66, was appointed a non-executive director in 1992. He is a chartered accountant and a former chairman of Touche Ross & Co and is a non-executive director of a number of other companies. He is chairman of the audit committee and a member of the group's remuneration committee.

6 Jim Clark, aged 48, is responsible for SBJ's London and international market broking operations. He joined the group in 1990 and became a director in 1995. He is a member of the group's management committee.

7 Peter Gray, aged 50, is responsible for the group's employee benefits operations. He joined the group in 1985 and was appointed a director in 1991. He is a member of the group's management committee.

8 John Wynn, aged 64, joined the group and the board in 1988. He retired from executive duties in 1993 and is now a non-executive director. He is a member of the group's audit and remuneration committees.





Secretary and Registered office

Simon Cole
2 Minster Court
Mincing Lane
London EC3R 7FT

Company registration number
1660078

Auditors

Deloitte & Touche
Chartered Accountants
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Principal bankers

The Royal Bank of Scotland plc
5-10 Great Tower Street
London EC3P 3HX

Barclays Bank PLC
54 Lombard Street
London EC3V 9EX

Principal solicitors

Simmons & Simmons
21 Wilson Street
London EC2M 2TX

Stockbrokers

Kleinwort Benson Securities Limited
PO Box 560
20 Fenchurch Street
London EC3P 3DB

Registrars and transfer office

The Royal Bank of Scotland plc
Registrar's Department
PO Box 435, Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

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The directors are responsible for the group's system of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the group's system is designed to provide reasonable assurance that it is operating satisfactorily and that exceptional issues are identified on a timely basis and dealt with appropriately. The group's system of internal control operates within a framework comprising five headings:

- Financial reporting – the group's comprehensive budgeting system is the basis for monthly reviews of each operation's performance. At the half-year, the group's expectations are updated as a forecast for the year as a whole.
- Integrity of personnel – the fiduciary nature of the group's businesses demands the utmost integrity from its staff. Compliance with the group's own procedures includes compliance with the requirements of the IBRC, IMRO and Lloyd's.
- Operating unit controls – the group's operations have procedures and controls to manage the risks facing their businesses and to ensure that such processes are efficient and effective. Subsidiary boards review internal control within their own operations and report annually to the group management committee. The group's internal audit department independently assesses group operations on a rotational basis. Within the scope of providing an opinion on the group's results the external auditors also report on internal control issues on an annual basis.
- Financial speciality reporting – certain group functions are managed centrally and are subject to separate review. They include the group's treasury and insurance market security functions as well as the management of insurance and legal issues.
- Investment appraisal – the group has established procedures for the approval of capital expenditure and for the acquisition of businesses.

On behalf of the board, the audit committee has reviewed the operation and effectiveness of the group's framework for internal control for 1996.

The audit committee is chaired by Mike Blackburn and also comprises Clive Richards and John Wynn. George Boden in his capacity as chief executive, Christopher Birrell in his capacity as finance director and Deloitte & Touche in their capacity as auditors attend meetings of the committee. The written terms of reference for the committee include any matters relating to the appointment, resignation or dismissal of the external auditors and their fees, discussion with the auditors on the nature and scope of the audit, review of the half yearly and annual financial statements, and the review of any management matters raised by the auditors or arising from the group's internal audit department.

The constitution and terms of reference of the remuneration committee are referred to in that committee's report.

The management committee is chaired by George Boden and also comprises Bill Barratt, Christopher Birrell, Jim Clark, Peter Gray and Duncan Vinten, who is responsible for much of the group's administration. Within the strategy, objectives and budgets approved by the board, the committee is responsible for the management of the group and operates within written parameters. Certain matters are reserved for decision by the board itself.

The company was in compliance with the Code of Best Practice throughout 1996.

Report of the remuneration committee

for the year ended 31 December 1996

Remuneration committee The remuneration committee is chaired by Clive Richards and also comprises Mike Blackburn and John Wynn. George Boden attends meetings of the committee in his capacity as chief executive but is excluded from discussion on his own remuneration. The committee's duties include determining the remuneration of the executive directors and of the company secretary. The committee is also charged with agreeing the terms of service contracts and, if necessary, the terms of severance of executive directors and the company secretary. The committee makes recommendations to the board regarding the group's policy in relation to salary, performance-related remuneration, share option schemes and other benefits.

Policy on executive directors' remuneration Executive remuneration packages are designed to attract, motivate and retain directors of the calibre needed to maintain and develop the company's position in its chosen fields. The performance measurement of the executive directors and the determination of their annual remuneration package is undertaken by the committee. No director plays a part in any discussion of his own remuneration.

There are four main elements of the remuneration package for executive directors and senior management:

- basic annual salary
- annual bonus payments
- income-related bonus incentives
- share option and phantom option incentives

The remuneration of the non-executive directors is determined by a committee of the board comprising executive directors only, which was established on 19 March 1996.

Basic salary Individual basic salary is reviewed by the remuneration committee each year and when an executive director changes position or responsibility.

Annual bonus payments The committee believe that any incentive payment awarded, whether to directors of the company or to other directors and employees, should be aligned with the interests of the company's shareholders. The committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid to an executive director. Payments of annual bonus are discretionary and account is taken of performance relative to a personal plan, the financial performance of the group as a whole and the relative success of the different parts of the business for which the executive directors are responsible.

Income-related bonus incentives An income-related bonus incentive scheme for the years 1996 to 1998 inclusive applies to certain senior executives of subsidiary companies. Bonuses under the scheme will be payable in cash conditional on achieving specified targets for that part of the business for which a participant has responsibility. Payment is conditional

upon the participant not having given notice of termination of employment. In general terms the bonus accrues annually subject to satisfying the specified targets for each year to which the scheme applies.

Share option and phantom option incentives The committee is responsible for supervising and granting options under the company's option schemes.

The grant of options under the Steel Burill Jones 1994 Executive Share Option Scheme is discretionary. The committee apportions options to each of the divisions within the group by reference to profit contribution. Subject to this overall apportionment, the committee grants options to individuals within each division having regard to the recommendation of the divisional chief executive.

The grant of options under the Steel Burill Jones Group plc Savings-Related Share Option Scheme is not discretionary. Eligible employees are invited to apply for options under this scheme when overall limits on the number of options which can be granted and the option price makes this practicable.

Since May 1994, all options granted under the Steel Burill Jones Group 1984 Share Option Scheme and Steel Burill Jones 1994 Executive Share Option Scheme will become exercisable under normal circumstances only subject to the achievement of performance conditions determined by the committee at the time the options were granted. This is intended to encourage the involvement of employees in the group's performance. Options were granted in April 1996 under the Steel Burill Jones 1994 Executive Share Option Scheme. Those options are exercisable over half of the shares only if the earnings per share of the company increase over a three year period by an amount at least equivalent to growth in the retail price index plus 6% for the same period. The exercise of options over the remainder of the shares is subject to achievement of performance standards over a five year period relating to growth in the company's earnings per share and share price by comparison with other companies in the insurance broking sector.

In certain cases, phantom options have been granted to executive directors and senior management in place of options under the company's executive share option schemes. Under the terms of these phantom options, a cash amount may be paid to the participant equivalent to the gain in the company's share price between the date of exercise by the participant and the date of grant. Exercise of the option is subject to the same performance conditions as apply to the company's executive share option schemes.

Details of directors' options and phantom share options are provided on pages 21 and 22.

Details of outstanding options over the company's shares under the above schemes are contained in Notes 22, 23 and 24 on pages 38 and 39.

Employee benefit trust Under the terms of the deed establishing the Steel Burill Jones Group Employee Benefit Trust the trustee is empowered to

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purchase up to 5% of the issued shares of the company. Under the terms of the SBJ 1992 Executive Share Option Scheme the trustee may grant options over shares in the company, exercisable at a price equivalent to market value as at the date of grant, to executive directors and employees of the group. Any such options will be exercisable under normal circumstances between five and ten years after the date of grant. As at 5 March 1997 the trustee had not purchased any shares of the company nor had any options been granted.

Directors' pension arrangements Executive directors are members of various pension schemes. Their widows and dependants are eligible for widows and dependants' pensions and the payment of a lump sum in the event of death in service. All of the pension schemes of which executive directors are beneficiaries and to which the group contributes are operated on a defined contribution basis. Accordingly, the liability of the group in respect of these schemes is limited to a percentage of each executive director's salary. The level of contribution to which an executive director is entitled is determined by factors such as the age of the beneficiary and ranges from 15% to 25% of pensionable remuneration. No other payments

to directors are pensionable. There have been no changes in the terms of executive directors' pension entitlements during the year. There are no unfunded pension promises or similar arrangements for directors.

Directors' contracts Executive directors, with the exception of Jim Clark who has a rolling contract terminable at 24 months' notice served by either party, have rolling contracts expiring at 12 months' notice. Jim Clark's notice period exceeds 12 months in order to protect the group's investment in SBJ Speciality Limited, the company of which he previously acted as chief executive and which he helped to found in 1990.

In accordance with the articles of association of the company, Christopher Birrell and John Wynn retire by rotation and, being eligible, offer themselves for re-election as directors. The unexpired term of Christopher Birrell's service contract is referred to above.

John Wynn does not have a service contract and the terms of his engagement as non-executive director provide for a term of appointment expiring at the annual general meeting of the company to be held in 1998, subject to termination at an earlier date by either party giving three months' notice.

Directors' remuneration	Basic salary/fees £	Annual bonuses £	Benefits in kind £	Total 1996 £	Total 1995 £	Pension contributions 1996 £	Pension contributions 1995 £
Executive directors – salaries							
Bill Barratt	132,500	–	13,425	145,925	227,180	76,647	23,187
Christopher Birrell	100,000	12,450	10,987	123,437	128,908	15,000	15,000
George Boden (highest paid director)	167,500	–	16,050	183,550	218,208	62,980	41,875
Jim Clark	130,000	–	414	130,414	21,726	37,225	3,354
Peter Gray	110,000	–	11,737	121,737	124,429	47,828	15,803
Non-executive directors – fees							
Mike Blackburn	25,000	–	–	25,000	25,000	–	–
Clive Richards (chairman)	–	–	–	–	–	–	–
Oliver Stocken	6,250	–	–	6,250	12,500	–	–
John Wynn	25,000	–	–	25,000	25,000	–	–
Total	696,250	12,450	52,613	761,313	782,951	239,680	99,219

Oliver Stocken served as a director until his retirement on 22 May 1996.

Barclays de Zoete Wedd Services Limited also received a fee of £4,897 in respect of the services provided to the company by Oliver Stocken in his capacity as a non-executive director.

Clive Richards was interested in a contract between the company and Tarrakam Limited by which his services as non-executive chairman are made available to the company. For such services Tarrakam Limited received £100,000 (1995: £100,000).

The numbers of directors who received remuneration (excluding pension contributions) fell in the following ranges:

	1996 Number	1995 Number		1996 Number	1995 Number
£nil – £5,000	1	1	£115,001 – £120,000	–	1
£5,001 – £10,000	1	–	£120,001 – £125,000	2	1
£10,001 – £15,000	–	1	£125,001 – £130,000	–	1
£20,001 – £25,000	2	3	£130,001 – £135,000	1	–
£50,001 – £55,000	–	1	£140,001 – £145,000	–	1
£90,001 – £95,000	–	1	£145,001 – £150,000	1	–
£95,001 – £100,000	–	1	£180,001 – £185,000	1	–
£105,001 – £110,000	–	1	£215,001 – £220,000	–	1

Directors' interests in contracts Jim Clark and his wife were interested, as holders of a total of 300 'B' shares in SBJ Speciality Limited, in an agreement for the purchase by the company of all of the 'B' shares in SBJ Speciality. Details of this transaction are set out in note 28 on page 40. As part of this transaction, Jim Clark and his wife were also issued with £270,000 of floating rate unsecured loan notes in the company which were redeemed on 7 October 1996.

Except as described above, none of the directors had a material interest in any contract which was of significance in relation to the business or assets of the group.

Directors' interests in shares The interests of the directors of the company as at 31 December 1996 in the share capital of the company according to the register of directors' interests are listed below. The interests are beneficial unless otherwise indicated.

Director	Fully paid ordinary shares of 10p each	
	31 Dec 1996	1 Jan 1996
Bill Barratt	45,345	45,345
Christopher Birrell	8,821	8,821
Mike Blackburn	10,000	10,000
George Boden	416,280	241,810
Jim Clark	597,098	7,812
Peter Gray	63,633	63,633
non-beneficial	100	100
Clive Richards	867,500	867,500
John Wynn	275,887	275,887
non-beneficial	5,000	10,000

As referred to above, Jim Clark was interested in 300 'B' ordinary shares of 10p each in SBJ Speciality Limited between 1 January 1996 and 4 April 1996. No other director held any interest in any other group company.

There have been no changes to directors' interests in the group's share capital between 1 January 1997 and 5 March 1997.

Directors' share options and phantom options The weighted average price of directors' options granted under the group's executive and savings-related share option schemes together with details of phantom options are shown below. All options had exercise prices greater than the year end middle market share price of 30.5p. The register of directors' interests maintained by the company contains full details of directors' shareholdings and options to subscribe for shares.

Directors' options	31 Dec 1996	1 Jan 1996	Weighted average option price
Bill Barratt	99,659	99,659	167p
Christopher Birrell	86,677	86,677	173p
Mike Blackburn	–	–	–
George Boden	130,597	130,597	197p
Jim Clark	4,537	4,537	112p
Peter Gray	55,650	55,650	132p
Clive Richards	–	–	–
John Wynn	–	–	–

No options were granted to the directors or were exercised by them. No directors' options lapsed during the year. There have been no changes to directors' options over the group's share capital between 1 January 1997 and 5 March 1997.

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Directors' phantom options

	31 Dec 1996	1 Jan 1996	Exercise price	Exercise period
Bill Barratt	15,750	15,750	102p	25.4.98-25.4.05
Christopher Birrell	31,250	31,250	119p	20.7.97-20.7.04
	10,500	10,500	102p	25.4.98-25.4.05
George Boden	63,500	63,500	102p	25.4.98-25.4.05

Employment policies The success of the group depends on the skills and motivation of its employees. The board is committed to maintaining employment policies which help individual members of staff develop their talents and their personal contribution to the success of the business. It is the group's policy to keep all employees regularly informed of the group's performance and of all matters which may affect them, including financial and economic factors affecting the company's performance.

It is also the group's policy to provide continuity of employment where feasible and to protect the financial interests of employees in the event that they are unable to continue to work. The group endeavours to offer the same employment opportunities to disabled persons as it does to others and its employment policies are consistent with the need to provide equal opportunity to all its employees.

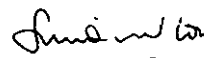
A committee under the chairmanship of Peter Gray and comprising representatives from each of the group's offices meets regularly to discuss health and safety issues.

Insurance The group has purchased, and maintained throughout the year, insurance for directors and officers against liabilities arising from their duties within the group. The insurance is intended to indemnify directors, officers and the group against the cost of defending proceedings not involving fraudulent or deliberate criminal acts.

Reporting requirements The company complied throughout 1996 with Section A of the Best Practice Provisions regarding directors' remuneration annexed to the Listing Rules of the London Stock Exchange. In framing its remuneration policy, the committee has given full consideration to Section B of these best practice provisions which relates to remuneration policy, service contracts and compensation.

Approved by the remuneration committee
and signed on its behalf

Simon Cole Secretary
20 March 1997



Statement of directors' responsibilities

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The following statement, which should be read in conjunction with that of the auditors set out on page 25, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors with regard to 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 the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing these financial statements, the directors consider that:

- suitable accounting policies have been selected and then consistently applied.
- judgements and estimates that are reasonable and prudent have been made.
- applicable accounting standards have been followed.
- the going concern basis is appropriate.

The directors have responsibility for keeping proper accounting records which disclose with reasonable accuracy the financial position of the group and which enable them to ensure that the financial statements comply with the Companies Act 1985 and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board
and signed on its behalf

Simon Cole
Simon Cole Secretary
20 March 1997

Directors' report Certain additional information required by Section 234 of the Companies Act 1985 to be contained in this directors' report is set out in Notes 9 to 12, 17, 28 and 39 on pages 33 to 36, 40, 41 and 45. Pages 2 to 22 of the annual report and accounts, together with the information disclosed in the above notes, comprise the directors' report for the purposes of the Companies Act 1985.

A resolution for the reappointment of Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the board
and signed on its behalf

Simon Cole
Simon Cole Secretary
20 March 1997


Review report to Steel Burrill Jones Group plc by Deloitte & Touche on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 18 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(J) and 12.43(V). We have also reviewed the statement of compliance with Section A of the Best Practice Provisions on remuneration committees and the report of the remuneration committee to the shareholders set out respectively on pages 19 to 22 to the extent that they provide the disclosures specified by the Listing Rules.

Basis of opinion We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the company's system of internal financial control, its corporate governance procedures, the appropriateness of the bases used in determining directors' remuneration or on the ability of the company to continue in operational existence.

Opinion With respect to the directors' statement on internal financial control on page 18 and on going concern on page 15, in our opinion, the directors have provided the disclosure required by the Listing Rules referred to above. Such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company and examination of relevant documents, in our opinion the directors' statement on Corporate Governance on page 18 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43(J). Also on this basis, in our opinion the directors' statement of compliance with Section A of the Best Practice Provisions on remuneration committees and the report of the remuneration committee appropriately provide the disclosures specified by the Listing Rules and are not inconsistent with the information of which we have become aware from our audit work on the financial statements.


Deloitte & Touche
Chartered Accountants and Registered Auditors
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR
20 March 1997

Auditors' report

to the members of Steel Burrill Jones Group plc

We have audited the financial statements on pages 26 to 46 which have been prepared under the accounting policies set out on pages 26 and 27 and the detailed information disclosed in respect of directors' remuneration, share options and long term incentive schemes set out in the report to shareholders by the remuneration committee on pages 19 to 22.

Respective responsibilities of directors and auditors As described on page 24 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 circumstances of the company and the group, 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 31 December 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

20 March 1997

Accounting policies

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

Basis of consolidation The consolidated financial statements incorporate the financial statements of the company and its subsidiaries and include the results of subsidiaries acquired during the year from the relevant dates of acquisition.

The difference between the cost of acquisition of subsidiaries and the fair value of the net tangible assets acquired, being the goodwill arising on consolidation, is written off directly to reserves as it arises.

In the consolidated financial statements, shares in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the group's share of pre tax profits and losses and attributable taxation of associated undertakings based on the financial statements for the financial year. In the consolidated balance sheet, the investment in associated undertakings is shown as the group's share of the net assets, excluding goodwill, of the associated undertakings.

Turnover Net retained brokerage is generally credited when the client is debited, or at the inception date of the policy, whichever is the later. Where premiums are due in instalments, brokerage is deferred to the due date of such instalments. In relation to business where the group has an obligation to service future claims, provision has been made for the cost of such activity.

Commissions for the provision of advice on pensions, other employee benefits and personal financial planning services are credited when received. Consultancy fees for such advice are credited on the accruals basis.

Cash flow statement The group has already adopted the provisions of the revised Financial Reporting Standard relating to cash flow statements (FRS 1 as revised). 1995's comparatives have been restated to reflect this change.

Tangible fixed assets Tangible fixed assets are stated at cost less accumulated depreciation. Short leasehold land and buildings are amortised on a straight line basis over the period of the lease or ten years, whichever is the shorter. Fixtures, equipment and vehicles are depreciated on a straight line basis over their estimated useful lives, at rates varying from 20% to 33% per annum. Leased fixtures, equipment and vehicles are depreciated on a straight line basis over the primary period of the lease.

Taxation Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Foreign currencies Foreign currency transactions are translated into sterling at the rates of exchange ruling at the end of the month in which the transaction occurred. Exchange differences are taken to the profit and loss account.

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date.

Gains and losses arising from foreign exchange transactions relating to the hedging of income are included in turnover. Contracts for the forward sale of foreign currency are accounted for on maturity.

Insurance debtors and creditors Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers and as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding these relationships with clients and insurers; debtors, cash, investments and creditors arising from insurance broking transactions are recorded as assets and liabilities in the balance sheet of the broker in view of the investment income capable of being earned from the cash flows derived from these transactions.

With effect from the year under review, debit and credit balances arising from insurance broking transactions are required to be and have been reported as separate assets and liabilities unless there is a definite legal basis to permit the offset of such balances with a particular counterparty. Previously, debit and credit balances with a counterparty had been reported net, reflecting the basis of settlement with that party. As disclosed in Notes 14 and 16, the adoption of paragraph 29 of FRS 5 governing the disclosure of such transactions in the balance sheet has had the effect of substantially inflating the gross assets and liabilities of the group. It has had no effect on the result for the current or previous financial year, or on its cash flows.

Subsidiaries Investments in subsidiaries are stated in the balance sheet of the company at cost, less provisions for any permanent diminution in value.

Investments Current asset investments are stated at the lower of cost and market value. Fixed asset investments are stated at cost, less provisions for any permanent diminution in value.

Finance leases Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Operating leases Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

Pension costs Payments to the group's defined contribution pension schemes are charged to the profit and loss account in the period to which they relate.

Consolidated profit and loss account

for the year ended 31 December 1996

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	Notes	1996 £000	1995 £000
Turnover	1	39,939	43,194
Administrative expenses	2	41,865	42,820
Operating (loss)/profit		(1,926)	374
Investment and other income	4	4,222	5,459
Loss from interests in associated undertakings		(84)	(124)
Profit on ordinary activities before taxation		2,212	5,709
Tax on profit on ordinary activities	5	251	1,848
Profit on ordinary activities after taxation		1,961	3,861
Profit attributable to minority shareholders		—	38
Profit for the financial year		1,961	3,823
Dividends	8	824	2,345
Retained profit for the financial year	26	1,137	1,478
Basic earnings per share	7	3.62p	7.67p
Fully diluted earnings per share	7	3.09p	5.84p
IIMR earnings per share	7	2.87p	7.67p

The group has no recognised gains and losses other than the profit for the current and preceding financial years. All activities derive from continuing operations.

Balance sheets

as at 31 December 1996

		Group		Company	
	Notes	1996 £000	1995 £000	1996 £000	1995 £000
Fixed assets					
Tangible assets	9	5,332	6,196	–	–
Investment in subsidiary undertakings	10	–	–	31,863	31,847
Investment in associated undertakings	11	–	–	205	205
Other fixed asset investments	12	27	447	27	438
		5,359	6,643	32,095	32,490
Current assets					
Debtors	14	398,582	392,216	10,401	7,253
Investments	15	–	22,678	–	–
Cash at bank		50,249	39,333	27	37
		448,831	454,227	10,428	7,290
Creditors: amounts falling due within one year	16	446,672	452,066	16,253	14,999
Net current assets/(liabilities)		2,159	2,161	(5,825)	(7,709)
Total assets less current liabilities		7,518	8,804	26,270	24,781
Creditors: amounts falling due after more than one year	18	1,678	1,874	–	–
Provisions for liabilities and charges	19	297	571	–	–
Equity minority interests		64	188	–	–
		5,479	6,171	26,270	24,781
Capital and reserves					
Called up share capital	20	5,500	5,211	5,500	5,211
Reserve for future issue of shares	21	2,300	2,300	2,300	2,300
Share premium account	25	2,869	2,869	2,869	2,869
Merger reserve	26	–	–	9,966	12,146
Profit and loss account	26	2,934	1,797	5,635	2,255
Goodwill write-off reserve	26	(8,124)	(6,006)	–	–
Equity shareholders' funds		5,479	6,171	26,270	24,781

Approved by the board on 20 March 1997
and signed on its behalf

W S C Richards
C R S Birrell




Consolidated cash flow statement

for the year ended 31 December 1996

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	Notes	1996 £000	1996 £000	1995 £000	1995 £000
Operating activities					
Net cash outflow from operating activities	29		(2,643)		(1,289)
Returns on investments and servicing of finance					
Interest received		5,427		4,586	
Interest element of finance lease rental payments		(225)		(202)	
Net cash inflow from returns on investments and servicing of finance			5,202		4,384
Taxation					
UK corporation tax paid			(853)		(2,173)
Capital expenditure					
Payments to acquire tangible fixed assets		(635)		(861)	
Receipts from sale of tangible fixed assets		428		418	
Receipts from sale of fixed asset investments		826		191	
Net cash inflow/(outflow) from capital expenditure			619		(252)
Acquisitions					
Payments to acquire subsidiary undertakings	28	(1,481)		(2,783)	
Redemption of loan note	28	(869)		-	
Payment to acquire interest in associated undertaking	28	-		(208)	
Net cash outflow from acquisitions			(2,350)		(2,991)
Equity dividends paid			(1,975)		(3,662)
Net cash outflow before financing			(2,000)		(5,983)
Financing					
Capital element of finance lease rental payments		(1,064)		(572)	
Net cash outflow from financing			(1,064)		(572)
Decrease in cash in the year	30		(3,064)		(6,555)

Notes to the accounts

1 Analysis of turnover and profit	1996 £000	1995 £000
Turnover by activity:		
Retail insurance broking and consultancy	21,108	19,640
London market: marine	5,270	6,244
non-marine	9,874	9,930
reinsurance	3,654	7,098
Exchange gain	33	282
	39,939	43,194
Turnover by location of client:		
United Kingdom	31,977	33,988
United States of America	2,568	3,836
Other	5,361	5,088
Exchange gain	33	282
	39,939	43,194

The directors have considered the disclosure requirements of Statement of Standard Accounting Practice No. 25 in relation to segmental reporting. In their opinion, the group has one principal class of business, namely insurance and reinsurance broking and consultancy. The directors do not consider that a meaningful analysis of profit or net assets can be made.

2 Administrative expenses	1996 £000	1995 £000
Staff costs, including directors' remuneration:		
Wages and salaries	21,046	21,895
Social security costs	1,873	1,958
Other pension costs	1,990	2,080
	24,909	25,933
Depreciation of owned tangible fixed assets	1,339	1,367
Depreciation of leased tangible fixed assets	641	756
Operating lease rentals on land and buildings	2,168	2,128
Operating lease rentals on fixtures, equipment and vehicles	49	90
Audit fees	160	170
Fees to auditors for non-audit work	69	61
Interest payable on finance leases	225	202
Other trading expenses	12,305	12,113
	41,865	42,820

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	1996 Number	1995 Number
3 Analysis of employees		
The average number of persons employed by the group during the year was as follows:		
Management and administration	252	251
Broking and technical	503	572
Total	755	823

Staff numbers at 31 December 1996 totalled 734 (1995: 799).

	1996 £000	1995 £000
4 Investment and other income		
Interest income	2,994	2,974
Income from listed fixed interest investments	685	2,402
Loss on sale of listed fixed interest investments	—	(80)
Profit on sale of fixed asset investments	404	52
Rent receivable	139	111
	4,222	5,459

	1996 £000	1995 £000
5 Tax on profit on ordinary activities		
United Kingdom corporation tax at 33% (1995: 33%)	1,250	1,592
Adjustments for prior years	(641)	(203)
Deferred taxation (Note 19)	(358)	455
Associated undertakings	—	4
	251	1,848

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

6 Profit for the financial year

Within the profit of £1,961,000 (1995: profit £3,823,000) shown in the consolidated profit and loss account, a profit of £1,028,000 (1995: loss £28,304,000) has been dealt with in the financial statements of Steel Burrill Jones Group plc. Within this profit is a provision of £3,176,000 (1995: £30,886,000) against the original cost of SBJ Regis Low Holdings Limited, acquired by the group in January 1992.

No profit and loss account is presented for Steel Burrill Jones Group plc in accordance with Section 230 of the Companies Act 1985.

7 Earnings per share

Basic earnings per share is calculated by apportioning the profit for the financial year of £1,961,000 (1995: £3,823,000) over the weighted average number of shares in issue during the year of 54,174,887 (1995: 49,845,689).

Fully diluted earnings per share has been calculated by taking account of the effect of deferred consideration payable in respect of certain acquisitions. Details of the deferred consideration required to be paid are set out in Note 36 on page 44. The next two paragraphs illustrate firstly the effect on earnings per share if deferred consideration were to be paid based on the profits of the relevant operations in 1996 and prior, and secondly, the effect if they were to achieve the best estimate of their future profits.

Based upon the profits of the relevant operations in 1996 and prior, it has been estimated that deferred consideration of £2,410,000 will be paid. Based upon a share price of 28p, 8,610,000 shares would be required to be issued. Earnings per share for 1996 calculated on this increase in capital would amount to 3.09p (1995: 5.84p).

The estimate of deferred consideration payable based upon the best estimate of future profits of the relevant operations, is £2,370,000. For this to be payable, aggregate profits before tax would be some £98,000 higher than those achieved in 1996. Were the deferred consideration to be satisfied by the issue of shares at 28p, 8,470,000 shares would be required to be issued. Earnings per share, adjusted for the additional profits and shares to be issued, would amount to 3.19p (1995: 5.95p). ILMR earnings per share of 2.87p have been calculated after adjusting the basic earnings per share for the profit on disposal of fixed asset investments of £404,000. No adjustment for ILMR earnings was required to be made in 1995.

8 Dividends	1996 £000	1995 £000
Interim paid 0.75p per share (1995: 1.5p)	412	782
Final proposed 0.75p per share (1995: 3.0p)	412	1,563
Total paid and proposed 1.5p per share (1995: 4.5p)	824	2,345

9 Tangible fixed assets

	Land and buildings short leasehold £000	Fixtures equipment and vehicles £000	Leased fixtures equipment and vehicles £000	Total £000
Cost				
At 1 January 1996	4,029	11,179	3,293	18,501
Additions	74	635	869	1,578
Disposals	(4)	(1,378)	(477)	(1,859)
At 31 December 1996	4,099	10,436	3,685	18,220
Depreciation				
At 1 January 1996	2,374	9,168	763	12,305
Charge for the year	354	985	641	1,980
Disposals	(4)	(1,195)	(198)	(1,397)
At 31 December 1996	2,724	8,958	1,206	12,888
Net book value				
At 31 December 1996	1,375	1,478	2,479	5,332
At 31 December 1995	1,655	2,011	2,530	6,196

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10 Investment in subsidiary undertakings	Investments £000	Loans £000	Total £000
The company			
Cost			
At 1 January 1996	78,448	519	78,967
Net additions	3,192	–	3,192
At 31 December 1996	81,640	519	82,159
Less: provisions for permanent diminution in value			
At 1 January 1996	47,066	54	47,120
Increase in provision in respect of SBJ Regis Low Holdings Limited	3,176	–	3,176
At 31 December 1996	50,242	54	50,296
Net book value			
At 31 December 1996	31,398	465	31,863
At 31 December 1995	31,382	465	31,847

Particulars of the principal subsidiary undertakings are set out on page 46.

11 Investment in associated undertakings	Total £000
The group	
Cost less amounts written off	
At 1 January and 31 December 1996	–
Share of post acquisition retained loss	
At 1 January 1996	–
For the year (Note 19)	(84)
Transfer to provision for liabilities and charges	84
At 31 December 1996	–
Net book value	
At 31 December 1996	–
At 31 December 1995	–
The company	
Cost	
At 1 January and 31 December 1996	205

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
12 Other fixed asset investments				
At 1 January	447	586	438	566
Purchased during the year	2	—	2	—
Disposals	(422)	(139)	(413)	(128)
At 31 December	27	447	27	438

Within the balance of £27,000 (1995: £447,000), £5,000 related to the cost of listed investments.

13 Insurance broking assets and liabilities

The group's Lloyd's broking company has entered into a trust deed under which all insurance broking assets are subject to a floating charge held on trust by the Society of Lloyd's for the benefit of insurance creditors which at 31 December 1996 totalled £362,262,000 (1995: £360,860,000). The charge becomes enforceable only under certain circumstances set out in the deed. The assets subject to this charge totalled £363,157,000 (1995: £361,889,000).

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
14 Debtors		as restated		
Amounts due within one year				
Insurance debtors	392,334	384,671	—	—
Amounts owed by subsidiary undertakings	—	—	7,871	6,077
Amounts owed by associated undertakings	40	39	—	—
Other debtors	4,062	3,162	2,327	698
Prepayments and accrued income	2,043	3,953	100	87
	398,479	391,825	10,298	6,862
Amounts due after more than one year				
ACT recoverable	103	391	103	391
	398,582	392,216	10,401	7,253

As disclosed in the group's accounting policies set out on pages 26 and 27, this is the first year in which insurance debtors and insurance creditors have been accounted for on a gross basis. This has had the effect of increasing insurance debtors and creditors by £167,430,000 (1995: £151,720,000).

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	Group	
	1996 £000	1995 £000
15 Current asset investments		
Unlisted fixed interest investments	—	22,678

	Group		Company	
	1996 £000	1995 £000 as restated	1996 £000	1995 £000
16 Creditors: amounts falling due within one year				
Insurance creditors	436,024	437,059	—	—
Obligations under finance leases	781	703	—	—
Amounts owed to subsidiary undertakings	—	—	14,613	12,104
Corporation tax	882	1,484	—	—
ACT payable	103	391	103	391
Other taxation and social security	846	917	—	—
Other creditors	499	696	571	163
Accruals and deferred income	7,041	8,773	554	439
Deferred consideration (Note 36)	84	480	—	339
Proposed dividend	412	1,563	412	1,563
	446,672	452,066	16,253	14,999

The effect of adopting the disclosure requirements of FRS 5 is set out in Note 14.

17 Payment of creditors

The group follows no specific code when paying its suppliers. However, it is the group's practice to abide by terms of payment agreed with its suppliers from time to time. In respect of insurance transactions, the group follows market terms of settlement subject to the group itself being placed in funds to enable such settlement to be made.

	Group	
	1996 £000	1995 £000
18 Creditors: amounts falling due after more than one year		
Obligations under finance leases		
Between one and two years	963	739
Between two and five years	715	1,135
	1,678	1,874

19 Provisions for liabilities and charges

	1996 £000	Group 1995 £000
Deferred taxation		
At 1 January	369	(86)
Movement during the year	(358)	455
At 31 December	11	369
The balance comprises the effect of timing differences arising on:		
Excess of depreciation over capital allowances	15	(48)
Interest receivable	-	439
Other short term timing differences	(4)	(22)
	11	369

The company had no deferred tax liability at the beginning or end of the year.

Deficit of associated companies

At 1 January	202	-
Provision against deficit on acquisition	-	48
Provision for current year trading loss	84	154
At 31 December	286	202
Total provisions for liabilities and charges	297	571

20 Called up share capital

	Authorised capital £000	Issued capital £000	Ordinary shares of 10p issued and fully paid
At 1 January 1996	6,500	5,211	52,112,598
Issued in year:			
Deferred consideration to the vendors of SBJ Actuaries and Consultants Limited	-	55	551,296
Consideration to the vendors of the 'B' shares in SBJ Speciality Limited	-	197	1,964,286
Deferred consideration to the vendors of SRI Holdings Limited	-	37	368,466
At 31 December 1996	6,500	5,500	54,996,646

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21 Reserve for future issue of shares	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
At 1 January	2,300	–	2,300	–
Movement in year	–	2,300	–	2,300
At 31 December	2,300	2,300	2,300	2,300

The reserve represents an estimate of the liability for the future issue of shares in respect of the acquisition of Intermar Limited.

22 The 1984 Executive Share Option Scheme

At 31 December 1996, options over 1,060,874 (1995: 1,426,512) shares were outstanding under the scheme:

Date of offer	Number of shares	Option price	Exercise period
17 April 1987	10,000	235p	17 April 1992 – 16 April 1997
19 April 1988	40,000	162p	19 April 1993 – 18 April 1998
26 April 1988	139,100	184p	26 April 1993 – 25 April 1998
1 July 1988	183,500	197p	1 July 1993 – 30 June 1998
12 June 1989	32,000	234p	12 June 1994 – 11 June 1999
28 September 1990	13,850	229p	28 September 1995 – 27 September 2000
16 January 1992	30,232	308p	16 January 1997 – 15 January 2002
13 May 1994	612,192	143p	13 May 1999 – 12 May 2004

All of the above options may be exercised three years from the date of grant with the approval of the board of directors.

Between 31 December 1996 and 5 March 1997, options over 40,298 shares lapsed. At 5 March 1997, options over 1,020,576 shares were outstanding under the scheme.

23 The 1994 Executive Share Option Scheme

The 1994 Executive Share Option Scheme permits the grant of options to any full time employee of a company in the group, including directors.

At 31 December 1996, options over 1,922,862 (1995: 874,548) shares were outstanding under the scheme:

Date of offer	Number of shares	Option price	Exercise period
19 July 1994	462,742	119p	19 July 1997 – 18 July 2004
26 April 1995	306,050	102p	26 April 1998 – 25 April 2005
25 April 1996	1,154,070	41p	25 April 1999 – 24 April 2006

Half of the above options may be exercised three years from the date of grant and the remainder five years from the date of grant.

Between 31 December 1996 and 5 March 1997, options over 8,798 shares lapsed. At 5 March 1997, options over 1,914,064 shares were outstanding under the scheme.

24 Savings-Related Share Option Scheme

The Savings-Related Share Option Scheme permits the grant of options to any full time employee of a company in the group, including directors. At 31 December 1996, options over 538,216 (1995: 681,236) shares were outstanding under the scheme:

Date of offer	Number of shares	Option price	Exercise period
21 January 1992	202,109	241p	1 March 1997 – 31 August 1997
3 December 1993	191,209	122p	1 February 1999 – 31 July 1999
9 December 1994	144,898	95p	1 February 2000 – 31 July 2000

There was no change in the number of options outstanding as at 5 March 1997.

25 Share premium account

	Group and Company	
	1996	1995
	£000	£000
At 1 January and 31 December	2,869	2,869

26 Reserves

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Non-distributable/merger reserve				
At 1 January	–	224	12,146	39,912
Arising from acquisitions	996	3,120	996	3,120
Transfer to profit and loss account	–	–	(3,176)	(30,886)
Goodwill written off (Note 28)	(996)	(3,344)	–	–
At 31 December	–	–	9,966	12,146
Distributable				
Profit and loss account				
At 1 January	1,797	319	2,255	2,018
Retained profit/(loss) for the year	1,137	1,478	204	(30,649)
Transfer from merger reserve	–	–	3,176	30,886
At 31 December	2,934	1,797	5,635	2,255
Goodwill write off reserve				
At 1 January	(6,006)	–	–	–
Arising from acquisitions in year (Note 28)	(2,118)	(6,006)	–	–
At 31 December	(8,124)	(6,006)	–	–
Total reserves	(5,190)	(4,209)	15,601	14,401

Goodwill of £96,231,000 (1995: £93,117,000) has been written off against group reserves since the group's formation.

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	1996 £000	1995 £000
27 Reconciliation of movement in equity shareholders' funds		
Profit for the financial year	1,961	3,823
Dividends	(824)	(2,345)
Retained profit	1,137	1,478
New share capital subscribed	289	411
Merger reserve	996	3,120
Reserve for future issue of shares	—	2,300
Goodwill written off	(3,297)	(9,350)
Goodwill written back	183	—
Net reduction in equity shareholders' funds	(692)	(2,041)
Equity shareholders' funds at the beginning of the year	6,171	8,212
Equity shareholders' funds at the end of the year	5,479	6,171

28 Acquisitions and disposals

Details of acquisitions and disposals occurring in the course of the year are set out below. The acquisitions referred to did not give rise to any adjustments to bring the accounting policies of those operations in line with the rest of the group.

On 6 February 1996, the group acquired the 50% of the issued share capital of ISU (Europe) Limited it did not already own for a consideration of £35,000, and related expenses.

On 3 April 1996, the company issued 551,296 new shares as deferred consideration in respect of the acquisition in 1994 of the 48% of the issued share capital of SBJ Actuaries and Consultants Limited it did not already own.

On 4 April 1996, the company issued 1,964,286 new shares, floating rate unsecured loan notes of £868,500 and paid cash of £135,000 as consideration for the 1,000 'B' shares in SBJ Speciality Limited. In addition, SBJ Speciality paid a special dividend of £1,000,000 to the holders of the 'B' shares prior to the acquisition. The 'A' shares in SBJ Speciality are held by the group. The loan notes were redeemed on 7 October 1996.

On 28 May 1996, the group paid £57,000 in cash as the first tranche of deferred consideration in respect of the acquisition in 1995 of Travel Insurance Services Limited.

On 25 June 1996, the company issued 368,466 new shares as deferred consideration in respect of the acquisition in 1994 of SRI Holdings Limited.

On 26 July 1996 and 1 October 1996 respectively, the company paid £149,000 and £85,000 in cash as deferred consideration for the acquisition in 1995 of the fine art and related insurance broking business of James Hunt Dix (Insurance) Limited.

On 13 September 1996, the company sold its minority shareholding in Underwriters Indemnity Holdings Inc (UI) for the equivalent of £437,000 in cash. In addition, Planet Indemnity, a subsidiary of UI, redeemed at par US\$550,000 of debentures held by the group.

28 Acquisitions and disposals (continued)

The acquisitions have been accounted for under the acquisition method of accounting.

The above acquisitions and payments of deferred consideration together with the goodwill arising from them, are set out below:

	Acquired/ paid in year £000	Provision for deferred consideration £000	Net movement £000	Net (assets)/ liabilities acquired £000	Goodwill written off/ (written back) £000
The company:					
Investment in subsidiaries					
Deferred consideration due for SBJ Actuaries and Consultants Limited	257	–	257	–	257
Acquisition of 'B' shares in SBJ Speciality Limited	2,873	–	2,873	–	2,873
Deferred consideration due for SRI Holdings Limited	167	–	167	–	167
Deferred consideration due for certain of the business of James Hunt Dix (Insurance) Limited	234	(339)	(105)	–	(105)
	3,531	(339)	3,192	–	3,192
Group companies:					
Travel Insurance Services Limited	57	(57)	–	–	–
ISU (Europe) Limited	47	–	47	(125)	(78)
	104	(57)	47	(125)	(78)
Total acquisitions in 1996	3,635	(396)	3,239	(125)	3,114
Total acquisitions in 1995	6,522	2,780	9,302	48	9,350
Satisfied by:				1996 £000	1995 £000
Reserve for future issue of shares				–	2,300
Creation of provision for deferred consideration				–	480
Use of provision for deferred consideration				(396)	–
Issue of new ordinary shares				1,285	3,531
Cash – subsidiaries				1,481	2,783
– associated undertakings				–	208
Issue of unsecured loan notes				869	–
				3,239	9,302
Goodwill written off against:					
Merger reserve				996	3,344
Goodwill write-off reserve				2,118	6,006
				3,114	9,350

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29 Reconciliation of operating (loss)/profit to net cash outflow from operating activities				
	1996 £000	1996 £000	1995 £000	1995 £000
Operating (loss)/profit		(1,926)		374
Depreciation of owned tangible fixed assets	1,339		1,367	
Depreciation of leased tangible fixed assets	641		756	
Loss/(profit) on sale of tangible fixed assets	36		(244)	
Profit on sale of fixed asset investments	(404)		—	
Interest paid (included in expenses)	225		202	
Increase in non-insurance debtors	(177)		(1,023)	
Decrease in non-insurance creditors	(2,377)		(2,721)	
		(717)		(1,663)
Net cash outflow from operating activities		(2,643)		(1,289)
30 Reconciliation of net cash flow to movement in net funds				
			1996 £000	1995 £000
Decrease in cash in the year			(3,064)	(6,555)
Net funds at 1 January			9,623	16,178
Net funds at 31 December			6,559	9,623
31 Analysis of the balances of cash and cash equivalents as shown in the balance sheet				
	1996 £000	1995 £000	Change in 1996 £000	Change in 1995 £000
Cash at bank and in hand	50,249	39,333	10,916	(4,721)
Less: cash held to meet insurance obligations	(43,690)	(29,710)	(13,980)	(1,834)
	6,559	9,623	(3,064)	(6,555)

Of the group's own cash resources of £6,559,000 at 31 December 1996, £423,000 was required to be kept in the group's insurance broking accounts with approved banking institutions to satisfy solvency requirements of the subsidiary registered as a Lloyd's broker.

	Share capital (including share premium)		Loans and finance lease obligations	
	1996 £000	1995 £000	1996 £000	1995 £000
32 Analysis of changes in financing during the year				
At 1 January	8,080	7,669	2,577	1,679
Cash outflow from financing	—	—	(1,064)	(572)
Shares issued for non-cash considerations	289	411	—	—
New finance lease contracts	—	—	946	1,470
At 31 December	8,369	8,080	2,459	2,577

	1996 £000	1995 £000
33 Capital commitments		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	41	166
Capital expenditure authorised by the directors which has not been contracted for	86	199

34 Pension commitments

The group operates a number of pension schemes for its employees, all of which operated on a defined contribution basis in 1996. All new employees are invited to join the Steel Burrill Jones Pension and Life Assurance Scheme when they become eligible. All other schemes are closed to new entrants. The assets of all of the schemes are held separately from those of the group in independently administered funds.

The whole of the cost of the defined contribution schemes is borne by the group and during the year amounted to £1,990,000 (1995: £2,080,000).

35 Forward sale of currency

At 31 December 1996 the group had entered into contracts for the forward sale of US\$10,000,000 between January and October 1997 at an average rate of US\$1.57 to the pound.

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36 Deferred consideration

In 1991, the group acquired a 24% interest in SBJ Employment and Safety Services Limited ("ESS"). Following a reorganisation of ESS's share capital in 1995, the group now holds all the 'A' shares in ESS which entitle the group to receive all equity dividends declared or paid by ESS. The 'B' shares in ESS are owned by its management. The group has undertaken to purchase all the 'B' shares, at the option of the holders, in the years 1996 to 2001 inclusive, the consideration being calculated by reference to the profits of ESS, with an upper limit.

In 1992, the group acquired all of the 'A' shares in SBJ GL Limited, which entitle the group to receive all dividends declared or paid by SBJ GL. The 'B' shares in SBJ GL are owned by its management and related interests. The group has undertaken to purchase all the 'B' shares, at the option of the holders, between the years 1996 to 2002 inclusive, the consideration being calculated by reference to the profits of SBJ GL, with an upper limit.

In 1994, the group acquired all of the 'A' shares in David Lowe Benefit Consultants Limited ("DLBC"), which entitle the group to receive all dividends declared or paid by DLBC. The 'B' shares in DLBC are owned by its management. The group has undertaken to purchase all the 'B' shares in 1999 for consideration calculated by reference to the profits of DLBC and payable in two tranches, the first of which is payable in 1999 and the second of which is payable in 2001. The consideration is subject to an upper limit, unless the company's shareholders approve a higher figure.

In 1995, the group acquired all of the 'A' shares in Intermar Limited which entitle the group to receive all dividends paid by Intermar. The 'B' shares in Intermar are owned by the management of the TLO division of Steel Burrill Jones Limited and related interests. Consideration for the 'B' shares becomes due in 1998 calculated by reference to the after tax profits of the TLO division for the years 1994 to 1997 inclusive to be satisfied in three equal instalments in the years 1998, 1999 and 2000 either in cash or by the issue of shares in the company, at the company's option. Consideration for the 'B' shares is subject to an upper limit.

In 1995, the group acquired the whole of the issued share capital of Travel Insurance Services Limited. Deferred consideration is payable in two tranches calculated by reference to the brokerage of the acquired business. The first tranche was paid in May 1996 and a final payment is due in June 1997. The total consideration for the company is subject to an upper limit.

As indicated in Note 7, the best estimate of the consideration required to be paid as deferred consideration, or in connection with the acquisition of other shareholders' interests, in all the above companies or operations, is £2,370,000.

37 Contingent liabilities

The group has given counter indemnities for guarantees provided by banks in relation to the underwriting membership of Lloyd's of two employees and one former employee totalling £56,254.

The group is subject to claims and litigation arising out of the ordinary course of business. Although all claims are vigorously defended, provision is made where appropriate for potential liabilities that may arise in respect of claims and litigation notified to the group at the balance sheet date. In the event that such claims or litigation are found against the group, the group could be exposed to the extent that any liability and associated costs exceed provisions and amounts recoverable from warrantors or from the group's insurances.

38 Operating lease commitments

Certain subsidiaries have entered into operating lease arrangements. The rentals payable in 1997 under these leases are as follows:

	Land and buildings £000	Other £000	Total £000
Operating leases:			
Expiring within one year	–	19	19
Expiring after one year and within five years	397	27	424
Expiring in five or more years	2,380	–	2,380
	2,777	46	2,823

39 Charitable and political donations

During the year ended 31 December 1996, the group made charitable donations of £9,022 (1995: £6,939). No political donations were made in the year.

Principal subsidiaries, divisions and associates

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Retail insurance broking and consultancy

Devitt Insurance Services Limited
Devitt (D A Insurance) Limited
Douglas Cox Tyrie Limited
Travel Insurance Services Limited
SBJ Benefit Consultants Limited
David Lowe Benefit Consultants Limited†
SBJ Actuaries and Consultants Limited
SBJ Employment and Safety Services Limited†
SBJ Stephenson Limited
SBJ GL Limited†

Steel Burrill Jones Limited

London market marine
SBJ Marine
London market non-marine
Nelson Steavenson Bloodstock Limited
SBJ Automotive
SBJ Financial Institutions
SBJ International
SBJ Professional Risks
SBJ Speciality Limited
London market reinsurance
SBJ Reinsurance Brokers
SBJ TLO

Helix UK Limited

SBJ Group Services Limited
Alam SBJ Sdn Bhd (30.0%)*

† At 31 December 1996, the group owned shares which entitled it to 100% of the equity dividends of this company and conferred voting control. Executives owned shares which, at their option, could at future dates be sold to the group on terms which depended, inter alia, on the profits of the company.

* An associated undertaking.

All subsidiary undertakings are wholly owned unless otherwise stated.

Alam SBJ Sdn Bhd is incorporated in and operates principally in Malaysia. All other subsidiary and associated undertakings are registered in England and Wales, and all operate in the United Kingdom.

Office locations – UK retail

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Telephone 0181 519 0202

– London and international insurance market

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Telephone 0171 816 2000

Nelson Steavenson Bloodstock Limited

100 Fenchurch Street
London EC3M 5LQ
Telephone 0171 488 2821

Helix UK Limited

One Hundred Whitechapel
London E1 1JG
Telephone 0171 247 8888

Five year financial record

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	1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
Turnover	47,260	45,249	44,963	43,194	39,939
Charge for reorganisation and closure costs	—	4,390	—	—	—
Charge for possible insurance market costs	—	3,050	—	—	—
Administrative expenses	43,877	44,365	41,186	42,820	41,865
Total expenses	43,877	51,805	41,186	42,820	41,865
Operating profit/(loss)	3,383	(6,556)	3,777	374	(1,926)
Investment and other income	7,831	6,016	4,272	5,459	4,222
Income/(loss) from interests in associated undertakings	911	19	54	(124)	(84)
Profit/(loss) on sale of operations	1,146	—	(594)	—	—
Profit/(loss) on ordinary activities before taxation	13,271	(521)	7,509	5,709	2,212
Taxation charge/(credit)	4,855	(66)	2,920	1,848	251
Profit/(loss) on ordinary activities after taxation	8,416	(455)	4,589	3,861	1,961
Profit attributable to minority shareholders	48	140	49	38	—
Profit/(loss) for the financial year	8,368	(595)	4,540	3,823	1,961
Dividends	6,160	4,221	4,320	2,345	824
Retained profit/(loss)	2,208	(4,816)	220	1,478	1,137
Earnings/(loss) per share	18.11p	(1.27)p	9.52p	7.67p	3.62p
Dividends per share	13.25p	9.00p	9.00p	4.50p	1.50p

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Insurance and reinsurance broking and consultancy

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