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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

1997 was, as stated at the interim, the year of consolidation that we had anticipated. Our retail and London market non-marine operations continued their growth, but our London market marine and reinsurance operations had to cope with harsh conditions which saw us reducing our costs and exposure to these areas.

Cost control continued and in the process we relocated the majority of our London market operations from Minster Court to our offices in Whitechapel. Accordingly, at the half year we made a provision for this move. We have also withdrawn from an investment in Malaysia, made a further provision against our exposure to the SIB personal pensions review and provided in full for the conclusion of certain longstanding London market litigation. These provisions in aggregate amounted to £3.31 million and have been treated as an exceptional charge in the profit and loss account.

Trading profit increased by 7% to £1.93 million from £1.81 million. Trading profit is taken before 1997's exceptional charges and the profit on sale of investments in 1996 of £404,000. The strength of sterling adversely impacted profits by £300,000 in the year. Brokerage and fees were £37.69 million, 6% below 1996's figure of £39.94 million. Administrative expenses excluding exceptional charges were reduced by 6% from £41.87 million to £39.41 million. After the exceptional charges of £3.31 million there was an overall loss before tax of £1.37 million.

Investment income in the year amounted to £3.68 million, 13% down from the 1996 figure of £4.22 million. 1996's figure included a profit of £404,000 on the realisation of unquoted investments. Excluding this sum, investment income was 4% down.

The basic loss per share amounted to 3.03p compared to earnings per share in 1996 of 3.62p. The fully diluted loss per share, taking account of the effect of deferred consideration, amounted to 2.59p compared with fully diluted earnings per share in 1996 of 3.09p.

Exceptional charges Of the four exceptional charges, two had been included in the half year result. Firstly, the group provided £1.40 million for the costs involved in moving from its offices in Minster Court. These premises have now been sublet and the group should benefit by approximately £900,000 in a full year from this relocation.

Also at the half year, the group made a provision against certain receivables from its Malaysian associate, having made the decision to

"We expect to see a modest increase in income in 1998 which, coupled with the expense reductions already in place, should result in an improved trading performance."

discontinue support for that operation. In addition to the provision of £525,000 made at the half year, the group has also made a charge of £320,000, principally to cover the write-down of its investment in that company, consequent on the withdrawal from that region. Ongoing savings of £100,000 per annum should follow.

The group has provided against the SIB personal pensions review with a charge of £500,000, largely arising from business transacted a number of years ago in companies subsequently acquired by the group. In particular, changes to the basis of calculating compensation have caused the group to reassess its overall exposure in the light of these developments. The group has already paid, or made offers to pay, for all the priority cases that it has been able to identify from its own records.

In addition, certain longstanding London market litigation, originating in 1983 and brought against a company subsequently purchased by the group, has now been concluded. The charge of £560,000 relates to this matter.

Dividend The board is recommending a maintained final dividend of 0.75p per share which, if approved at the Annual General Meeting to be held on 6 April 1998, will be paid on 9 April 1998 to those shareholders on the register at the close of business on 6 March 1998. Together with the interim dividend of 0.75p, the total dividend for 1997 will amount to 1.5p. 1996's total dividend amounted to 1.5p.

Directors and staff Your directors and staff have worked very hard to change the company's business base and its methods of working so that, albeit in a difficult market place, we can now see some prospect of growth. It has not been an easy environment and I wish to record my thanks to all those who work at SBJ for bringing us through a difficult period.

Future prospects Insurance market pricing will remain soft and the market for intermediary services will remain competitive. Nevertheless we expect to see a modest increase in income in 1998 which, coupled with the expense reductions already in place, should result in an improved trading performance.

Chief Executive's review

During 1997, insurance market conditions remained competitive with continuing over capacity from insurers, resulting in an even softer rating environment. In our insurance broking business we have used this soft market on our clients' behalf to their significant advantage whilst stressing the need for long-term partnerships with their insurers. We will continue to do this.

The shape of the group is much changed and it is the better for it. We have two principal business streams – UK retail and London and international insurance market broking and administration services. The two business streams work well together and support each other's activities for our clients' benefit. Over £4 million of new business was produced in 1997 – just as well in view of the soft rating environment affecting our insurance broking activities.

UK retail

SBJ's UK retail activities grew well in 1997 – brokerage and fees increased by 12% to £23.59 million. New business growth was strong and, at the same time, we added further value for our clients in many instances by reducing their risk transfer costs. Our business is now strongly consultancy orientated where advice and service are the key ingredients. The breadth of this business is its strength – from risk management and insurance, through employment contractual, to advisory, actuarial and administration services on pensions and employee benefits. Increasingly, our marketing to prospective clients is conducted on an integrated basis through group teamwork and from this we will continue to obtain a good flow of business cross referrals.

Devitt Insurance Services which provides insurance services to members and employees of affinity groups, corporations and special interest groups, marginally increased its income. The year saw a continued decline in premium rating offset by an improvement in case numbers. We have invested in new systems which in addition to providing better services to our customers, should also result in improved operating efficiency.

SBJ Benefit Consultants, is our actuarial, employee benefit and financial planning consultancy providing advisory and administration services to corporate clients and their executives. Income grew by 16% over the previous year – the same rate of growth as that achieved in 1996 – following strong new business development and increased demand for services.

SBJ Employment and Safety Services grew by 28%, continuing the rate of growth achieved in the prior year. The division provides employment and health and safety risk management services and consultancy to its corporate client base.

"Our business streams work well together for our clients' benefit."

SBJ Stephenson, our corporate risk management and insurance specialist, reaped the benefits of new marketing initiatives referred to in earlier reports. During 1997, brokerage and fee income grew by 11%. The year was notable for growth in new business and an increase in fee based services.

London and international market

Steel Burrill Jones Limited handles specialist risks from corporations, partnerships, insurers and from international intermediaries.

Income decreased by 27% to £13.71 million. This decline was no surprise in view of the residual effects of the contraction of SBJ's reinsurance activities and our decision to withdraw from unprofitable marine hull and energy business. These aspects mask a good overall performance in the remainder of our London market business. We continued to invest for the future by recruiting new production staff and by signing up new producing intermediaries. Again, marketing to our clients and producing agents is carried out on an integrated basis so that each of our London market divisions cross refers business opportunities.

The largest part of our London market business is now non-marine and our ongoing non-marine operations grew overall by 1% to £9.17 million although excluding the effects of the strength of sterling, in particular against European currencies, income grew by 6%. Rating was soft in every category but our new business performance outweighed this factor.

Equally, our TLO and cargo units performed solidly and grew their income marginally against a very soft market.

Helix, providing claims management and collection services to the insurance industry, completed its second full year of operation and validated our decision to focus our expertise in claims handling and run-off business into this unit. Helix achieved excellent business growth in income from third parties and continued to manage the group's own run-off efficiently. Income was well ahead of our expectations.

Looking ahead

The group's turnover is now split 63% UK retail and 37% London international market. I expect that disposition broadly to continue for the foreseeable future.

The majority of our UK retail business is fee based and, as we have often said, allows the group to earn a return directly related to the professional services it provides, placing us on a transparent footing with the clients we serve. Our retail business will provide a solid backbone to the group. Our London market business continues to be largely commission based but in the areas now covered, we have strong teams and good production prospects which we believe will be sufficient to offset the continued reduction in insurance pricing.

The insurance broking and consultancy environment continues to undergo consolidation and we are profiting from this environment by the recruitment of production staff and the signing of new clients disaffected by this process.

SBJ's three point strategy is:

- to remain independent and, in the process, boost our business
- to continue to decouple our revenues from the insurance market pricing cycle by increasingly transacting our business for fees, and most importantly
- to grow our revenues by sound marketing, by recruitment and through group teamwork by using integrated marketing across the group to achieve a good flow of cross referrals.

We saw the benefits of this strategy begin to show through in 1997 and we are looking forward to seeing further advantage in the current year.

"Over £4 million of new business was produced in 1997"

George Boden [illegible]

Finance Director's review

Result for the year 1997's loss before tax amounted to £1.37 million. This was struck after exceptional charges of £3.31 million. Adjusting for these charges gives rise to a trading profit of £1.93 million, 7% greater than the corresponding figure for 1996. 1996's trading profit was arrived at after adjusting the profit before tax of £2.21 million for the profit on sale of investments in that year of £404,000.

Whereas 1996's effective tax rate was exceptionally low at 11%, the rate for 1997 was much greater than might normally be expected given the overall loss for the year. This has come about owing to part of 1997's exceptional charges being disallowable for corporation tax in conjunction with that element disallowable for tax within the current year's trading expenditure.

Taking account of underlying trading prospects, a maintained final dividend has been recommended to shareholders which, if approved, will give rise to a total dividend for the year of 1.5p. Added to the loss on ordinary activities after taxation of £1.67 million, the cost of the dividend of £824,000 will give rise to a retained loss for the financial year of £2.49 million which has been taken to reserves.

Treasury 1997 was notable for the strength of sterling relative not only to the US dollar but, in particular, to European currencies. The strength of sterling against these currencies alone impacted 1997's profits by £300,000. Turning to the group's US dollar income, in 1997 the exchange rate averaged $1.64 compared with $1.57 in 1996. In 1997, the group sold its US dollar income at an average rate of $1.56 compared with a rate of $1.57 achieved in the previous year. In view of the increasing importance of foreign currencies other than the US dollar, the group has hedged a proportion of its income in those currencies and details of the positions outstanding at the balance sheet date are set out in Note 35. The note also discloses forward sales of US dollars amounting to $11.75 million at an average rate of US$1.64.

Such forward contracts are managed by the group's treasury committee which is charged with managing our exposure to exchange rates and also with managing the risks arising from interest rate movements.

Although year end cash balances had risen from £50.25 million in 1996 to £55.35 million, investment income declined by 3.5% over the same period. This was due to the smaller proportion of sterling cash balances within the total and the less favourable rate of exchange at which US dollar investment income in 1997 was converted to sterling.

Capital structure There has been no fundamental change to the capital structure of the group. However, the reserve for the future issue of shares was reduced from £2.30 million to £1.60 million, in anticipation of the first instalment of the consideration payable to the vendors of the 'B' shares in Intermar Limited being payable in cash. The corresponding increase in creditors, in conjunction with the exceptional charges, primarily explains the overall movement of net current assets.

Assets and liquidity At 31 December 1997 the group's net assets amounted to £2.57 million, down from £5.48 million the year previously. Note

"Our trading profit in 1997 was up by 7%."

27 analyses the movement in equity shareholders' funds during the year, the principal component being the retained loss of £2.49 million.

The group's own cash resources reduced from £6.56 million to £5.43 million during 1997.

The group continues to lease certain of its capital assets and at the year end, long term lease commitments amounted to £1.48 million compared with £1.68 million a year earlier. Other than these commitments, the group continued to have no borrowings.

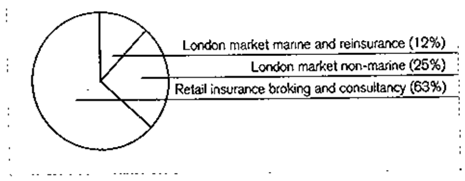
Accounting policies and reporting requirements There have been no fundamental changes during the year to the accounting policies adopted by the group. Turning to the basis upon which these accounts have been prepared, after making appropriate enquiries, the directors have concluded that there is a reasonable 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.

Substantial shareholdings At 3 February 1998 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:

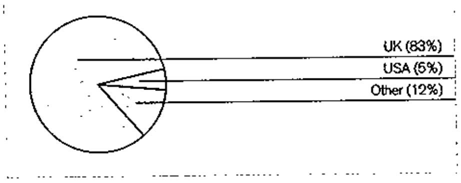
	%
PDFM Limited	19.0
PC Nelson	5.8
WSC Richards	3.1

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

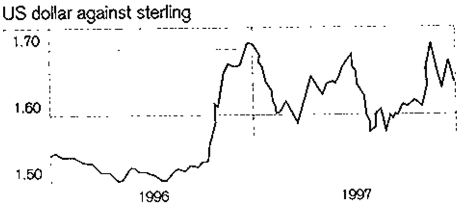
1997 income



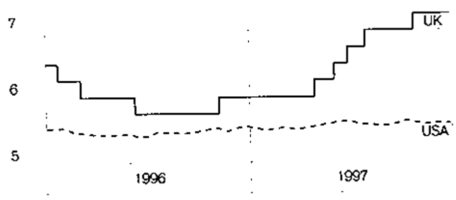
Turnover by location of client



US dollar against sterling



US dollar and sterling interest rates (%)



Christopher Burrell

Directors and advisers

Clive Richards, aged 60, 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 Inns PLC, L Gardner Group PLC, Intelligent Environments Group plc and Minerva plc. He is chairman of the group's remuneration committee and a member of the audit and treasury committees.

Bill Barratt, aged 55, 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.

George Boden, aged 51, 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.

Mike Blackburn, aged 67, was appointed a non-executive director in 1992. He is a chartered accountant and a former chairman of Touche Ross & Co. He is chairman of the audit committee and a member of the group's remuneration committee.

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.

Jim Clark, aged 49, 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.

Peter Gray, aged 51, 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.

John Wynn, aged 65, 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.

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Simon Cole

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Company registration number
1660078

Auditors
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Chartered Accountants
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London EC4A 4TR

Registrars and transfer office
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Corporate governance

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. The outlook for the year is updated based upon results as the year progresses and upon trading developments.
- 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 1997.

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 chairman of Helix and also 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 1997.

Report of the remuneration committee

for the year ended 31 December 1997

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.

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 believes 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.

Report of the remuneration committee

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 Burrill 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 Burrill Jones Group plc Savings-Related Share Option Sheme 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 make this practicable.

Since May 1994, all options granted under the Steel Burrill Jones Group 1984 Share Option Scheme and the Steel Burrill Jones 1994 Executive Share Option Scheme are, under normal circumstances, exercisable 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. Half of these options can be exercised 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 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 page 14.

Details of outstanding options over the company's shares under the above schemes are contained in Notes 22, 23 and 24 on page 31.

Employee benefit trust Under the terms of the deed establishing the Steel Burrill Jones Group Employee Benefit Trust the trustee is empowered to 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 3 February 1998 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 his age 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, George Boden and Clive Richards retire by rotation and, being eligible, offer themselves for re-election as directors. The unexpired term of George Boden's service contract is referred to above.

Clive Richards does not have a service contract and the terms of his engagement as non-executive director, as specified in a contract between the company and Tarrakarn Limited, provide for a term of appointment expiring on 17 December 2000 subject to termination at an earlier date by either party giving three months' notice, save in the event of a change of control of the company when six months' notice is required.

Directors' remuneration

	Basic salary/fees £	Annual bonuses £	Benefits in kind £	**Total 1997 £**	Total 1996 £	**Pension contributions 1997 £**	Pension contributions 1996 £
Executive directors – salaries							
Bill Barratt	132,500	78,022	13,658	**224,180**	145,925	**23,187**	76,647
Christopher Birrell	100,000	14,000	11,220	**125,220**	123,437	**15,000**	15,000
George Boden (highest paid director)	167,500	–	16,283	**183,783**	183,550	**76,875**	62,980
Jim Clark	130,000	–	464	**130,464**	130,414	**46,500**	37,225
Peter Gray	110,000	16,236	11,970	**138,206**	121,737	**19,250**	47,828
Non-executive directors – fees							
Mike Blackburn	25,000	–	–	**25,000**	25,000	–	–
Clive Richards (chairman)	–	–	–	–	–	–	–
John Wynn	25,000	–	–	**25,000**	25,000	–	–
Total	690,000	108,258	53,595	**851,853**	755,063	**180,812**	239,680

Clive Richards was interested in a contract between the company and Tarrakarn Limited by which his services as non-executive chairman are made available to the company. For such services Tarrakarn Limited received £87,500 (1996: £100,000).

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.

Report of the remuneration committee

Directors' interests in shares The interests of the directors of the company as at 31 December 1997 in the share capital of the company according to the register of directors' interests are listed below. The interests are beneficial unless otherwise indicated.

	Fully paid ordinary shares of 10p each	
	31 Dec 1997	1 Jan 1997
Director		
Bill Barratt	**105,425**	45,345
Christopher Birrell	**65,961**	8,821
Mike Blackburn	**10,000**	10,000
George Boden	**1,112,240**	416,280
Jim Clark	**744,926**	597,098
Peter Gray	**66,119**	63,633
non-beneficial	**100**	100
Clive Richards	**1,712,725**	862,500
John Wynn	**387,594**	275,887
non-beneficial	**5,000**	5,000

No 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 1998 and 3 February 1998.

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 28.5p. The register of directors' interests maintained by the company contains full details of directors' shareholdings and options to subscribe for shares.

Directors' options

	1 Jan 1997	Options lapsed in year	**31 Dec 1997**	Weighted average option price
Bill Barratt	99,659	4,917	**94,742**	163p
Christopher Birrell	86,677	4,917	**81,760**	169p
Mike Blackburn	–	–	–	–
George Boden	130,597	4,917	**125,680**	195p
Jim Clark	4,537	–	**4,537**	112p
Peter Gray	55,650	4,917	**50,733**	122p
Clive Richards	–	–	–	–
John Wynn	–	–	–	–

No options were granted to the directors or were exercised by them. There have been no changes to directors' options over the group's share capital between 1 January 1998 and 3 February 1998.

Directors' phantom options

	31 Dec 1997	1 Jan 1997	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.

The company has undertaken to three of its directors, Bill Barratt, Christopher Birrell and George Boden, that it will, to the extent permitted by law, indemnify them against liabilities which may be incurred by them in their capacity as directors of a subsidiary which is subject to litigation.

Reporting requirements The company complied throughout 1997 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

26 February 1998

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

In addition to and separate from our audit of the financial statements, we have reviewed the directors' statement on page 10 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 on pages 11 to 15 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 10 and on going concern on page 7, 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 10 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

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

26 February 1998

Statement of directors' responsibilities

The following statement, which should be read in conjunction with that of the auditors set out on page 18, 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 Secretary

26 February 1998

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 10 to 13, 17, 28, and 39 on pages 27 to 29, 33 and 37. Pages 2 to 15 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 Secretary

26 February 1998

Auditors' report

to the members of Steel Burrill Jones Group plc

We have audited the financial statements on pages 19 to 38 which have been prepared under the accounting policies set out on pages 19 and 20 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 11 to 15.

Respective responsibilities of directors and auditors As described on page 17 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 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

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

26 February 1998

Accounting policies

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 and fees are 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.

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.

Accounting policies

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.

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.

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 1997

	Notes	Before exceptional charges 1997 £000	Exceptional charges (Note 3) 1997 £000	Total 1997 £000	Total 1996 £000
Turnover	1	**37,694**	**–**	**37,694**	39,939
Administrative expenses	2	**39,410**	**3,305**	**42,715**	41,865
Operating loss		**(1,716)**	**(3,305)**	**(5,021)**	(1,926)
Investment and other income	5	**3,684**	**–**	**3,684**	4,222
Loss from interests in associated undertakings		**(36)**	**–**	**(36)**	(84)
(Loss)/profit on ordinary activities before taxation		**1,932**	**(3,305)**	**(1,373)**	2,212
Tax on (loss)/profit on ordinary activities	6			**293**	251
(Loss)/profit on ordinary activities after taxation				**(1,666)**	1,961
Dividends	9			**824**	824
Retained (loss)/profit for the financial year	26			**(2,490)**	1,137
Basic (loss)/earnings per share	8			**(3.03)p**	3.62p
Fully diluted (loss)/earnings per share	8			**(2.59)p**	3.09p

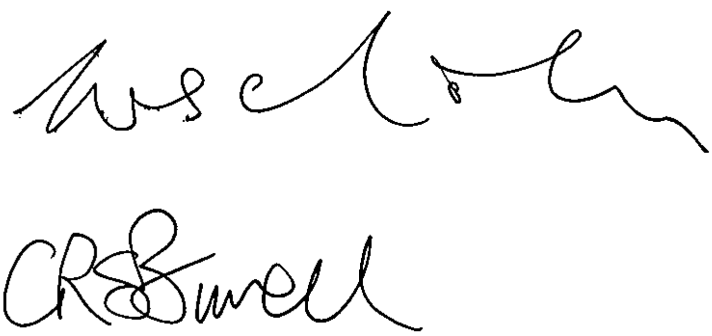
The group has no recognised gains and losses other than the loss for the current financial year and the profit for the preceding financial year. All activities derive from continuing operations.

Balance sheets
as at 31 December 1997

	Notes	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Fixed assets					
Tangible assets	10	**4,502**	5,332	**–**	–
Investments in subsidiary undertakings	11	**–**	–	**27,981**	31,863
Investment in associated undertakings	12	**–**	–	**–**	205
Other fixed asset investments	13	**27**	27	**27**	27
		4,529	5,359	**28,008**	32,095
Current assets					
Debtors	15	**451,299**	398,582	**7,674**	10,401
Cash at bank		**55,345**	50,249	**13**	27
		506,644	448,831	**7,687**	10,428
Creditors: amounts falling due within one year	16	**507,085**	446,672	**14,238**	16,253
Net current (liabilities)/assets		**(441)**	2,159	**(6,551)**	(5,825)
Total assets less current liabilities		**4,088**	7,518	**21,457**	26,270
Creditors: amounts falling due after more than one year	18	**1,481**	1,678	**–**	–
Provisions for liabilities and charges	19	**–**	297	**–**	–
Equity minority interests		**34**	64	**–**	–
		2,573	5,479	**21,457**	26,270
Capital and reserves					
Called up share capital	20	**5,500**	5,500	**5,500**	5,500
Reserve for future issue of shares	21	**1,600**	2,300	**1,600**	2,300
Share premium account	25	**2,869**	2,869	**2,869**	2,869
Merger reserve	26	**–**	–	**8,252**	9,966
Profit and loss account	26	**444**	2,934	**3,236**	5,635
Goodwill write-off reserve	26	**(7,840)**	(8,124)	**–**	–
Equity shareholders' funds		**2,573**	5,479	**21,457**	26,270

Approved by the board on 26 February 1998 and signed on its behalf

W S C Richards
C R S Birrell



Consolidated cash flow statement

for the year ended 31 December 1997

	Notes	1997 £000	1997 £000	1996 £000	1996 £000
Operating activities					
Net cash outflow from operating activities	29		**(1,828)**		(2,643)
Returns on investments and servicing of finance					
Interest received		**3,771**		5,427	
Interest element of finance lease rental payments		**(259)**		(225)	
Net cash inflow from returns on investments and servicing of finance			**3,512**		5,202
Taxation					
UK corporation tax paid			**(582)**		(853)
Capital expenditure					
Payments to acquire tangible fixed assets		**(599)**		(635)	
Receipts from sale of tangible fixed assets		**330**		428	
Receipts from sale of fixed asset investments		**–**		826	
Net cash (outflow)/inflow from capital expenditure			**(269)**		619
Acquisitions					
Payments to acquire subsidiary undertakings	28	**(84)**		(1,481)	
Redemption of loan note	28	**–**		(869)	
Net cash outflow from acquisitions			**(84)**		(2,350)
Equity dividends paid			**(824)**		(1,975)
Net cash outflow before financing			**(75)**		(2,000)
Financing					
Capital element of finance lease rental payments		**(1,053)**		(1,064)	
Net cash outflow from financing			**(1,053)**		(1,064)
Decrease in cash in the year	30		**(1,128)**		(3,064)

Notes to the accounts

1 Analysis of turnover and profit	1997 £000	1996 £000
Turnover by activity:		
Retail insurance broking and consultancy	**23,592**	21,108
London market: non-marine	**9,332**	10,025
marine and reinsurance	**4,378**	8,773
Exchange gain	**392**	33
	37,694	39,939
Turnover by location of client:		
United Kingdom	**30,943**	31,977
United States of America	**1,920**	2,568
Other	**4,439**	5,361
Exchange gain	**392**	33
	37,694	39,939

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 the loss before tax or net assets can be made.

2 Administrative expenses	1997 £000	1996 £000
Staff costs, including directors' remuneration:		
Wages and salaries	**20,641**	21,046
Social security costs	**1,883**	1,873
Other pension costs	**1,898**	1,990
	24,422	24,909
Depreciation of owned tangible fixed assets	**1,109**	1,339
Depreciation of leased tangible fixed assets	**796**	641
Operating lease rentals on land and buildings	**2,062**	2,168
Operating lease rentals on fixtures, equipment and vehicles	**44**	49
Audit fees	**145**	160
Fees to auditors for non-audit work	**32**	69
Interest payable on finance leases	**335**	225
Other trading expenses	**10,465**	12,305
	39,410	41,865
Exceptional charges (Note 3)	**3,305**	–
	42,715	41,865

Disclosures on directors' remuneration, share options and pension contributions required by the Companies Act 1985 and those specified for audit by the London Stock Exchange are in the sections entitled 'Directors' remuneration', 'Directors' share options and phantom options' and 'Directors' pension arrangement's on pages 12 to 14 within the remuneration committee report and form part of these audited financial statements.

3 Exceptional charges

	1997 £000	1996 £000
Costs arising from the relocation from Minster Court	**1,400**	–
Charge against investment in associated undertaking	**845**	–
Costs and compensation arising from the Securities and Investment Board review of past pensions business	**500**	–
Charge in respect of a London market litigation case in excess of existing provision	**560**	–
	3,305	–

In August 1997, the group relocated its London market operations at Minster Court primarily to its office at Whitechapel. The charge of £1.40 million covers the write-off of fixtures and fittings, the costs of the relocation itself and costs relating to the sub-letting of the premises. A sub-lease has subsequently been entered into for the remaining period of the lease.

At the half year, the group made a provision of £525,000 against the carrying value of receivables due from its associated company in Malaysia, Alam SBJ Sdn Bhd. Subsequently the group has conditionally entered into an agreement to sell its shares in that company to a local shareholder. The provision has been increased by £320,000 principally to cover the loss on disposal of this investment.

The group's benefit consultancy business, SBJ Benefit Consultants, has always been chiefly involved in consultancy and administrative services for companies and has therefore had minimal involvement in the selling of personal pensions. The greater part of its exposure to the SIB personal pensions review has derived from acquisitions made in the years 1988 to 1990. Following recent tax changes and a reassessment of the way compensation has to be calculated, the group has charged a further £500,000 which includes all identified priority cases where compensation may be due.

Certain longstanding London market litigation, originating in 1983 and brought against a company subsequently purchased by the group, has now been concluded. The charge of £560,000 relates to this matter.

4 Analysis of employees

	1997 Number	1996 Number
The average number of persons employed by the group during the year was as follows:		
Management and administration	**239**	252
Broking and technical	**493**	503
Total	**732**	755

Staff numbers at 31 December 1997 totalled 738 (1996: 734).

5 Investment and other income

	1997 £000	1996 £000
Interest income	**3,534**	2,994
Income from listed fixed interest investments	–	685
Profit on sale of fixed asset investments	–	404
Rent receivable	**150**	139
	3,684	4,222

Notes to the accounts

6 Tax on (loss)/profit on ordinary activities	1997 £000	1996 £000
United Kingdom corporation tax at 31.5% (1996: 33%)	**510**	1,250
Adjustments for prior years	**95**	(641)
Deferred taxation (Note 19)	**(312)**	(358)
	293	251

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

The tax charge is disproportionate in relation to the group loss for the year before tax because of the high level of disallowable items.

7 Loss for the financial year

Within the loss of £1,666,000 (1996: profit £1,961,000) shown in the consolidated profit and loss account, a loss of £3,289,000 (1996: profit £1,028,000) has been dealt with in the financial statements of Steel Burrill Jones Group plc. Within this loss are provisions of £3,912,000 (1996: £3,176,000) against the original cost of investment in subsidiary undertakings (Note 11).

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

8 (Loss)/earnings per share

Basic loss per share is calculated by apportioning the loss for the financial year of £1,666,000 (1996: profit £1,961,000) over the weighted average number of shares in issue during the year of 54,996,646 (1996: 54,174,887).

Fully diluted loss 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 36. 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 1997 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 1997 and prior, it has been estimated that deferred consideration of £2,415,000 will be paid. Based upon a share price of 25.5p, the mid-market price at the date this document went to print and the assumption that all deferred consideration is satisfied by the issue of shares, 9,472,000 shares would be required to be issued. The loss per share for 1997 calculated on this increase in capital would amount to 2.59p (1996: earnings 3.09p).

The estimate of deferred consideration payable based upon the best estimate of future profits of the relevant operations, is £2,980,000. For this to be payable, aggregate profits before tax would be some £184,000 higher than those achieved in 1997. Were the deferred consideration to be satisfied by the issue of shares at 25.5p, 11,687,000 shares would be required to be issued. The loss per share, adjusted for the additional profits and shares to be issued, would amount to 2.31p (1996: earnings 3.19p).

9 Dividends	1997 £000	1996 £000
Interim paid: 0.75p per share (1996: 0.75p)	**412**	412
Final proposed: 0.75p per share (1996: 0.75p)	**412**	412
Total paid and proposed: 1.5p per share (1996: 1.5p)	**824**	824

10 Tangible fixed assets	Short leasehold improvements £000	Fixtures equipment and vehicles £000	Leased fixtures equipment and vehicles £000	Total £000
Cost				
At 1 January 1997	4,099	10,436	3,685	18,220
Additions	66	533	1,214	1,813
Disposals	(915)	(741)	(464)	(2,120)
At 31 December 1997	**3,250**	**10,228**	**4,435**	**17,913**
Depreciation				
At 1 January 1997	2,724	8,958	1,206	12,888
Charge for the year	315	794	796	1,905
Disposals	(450)	(718)	(214)	(1,382)
At 31 December 1997	**2,589**	**9,034**	**1,788**	**13,411**
Net book value				
At 31 December 1997	**661**	**1,194**	**2,647**	**4,502**
At 31 December 1996	1,375	1,478	2,479	5,332

11 Investments in subsidiary undertakings	Investments £000	Loans £000	Total £000
The company			
Cost			
At 1 January 1997	81,640	519	82,159
Net additions	30	–	30
At 31 December 1997	**81,670**	**519**	**82,189**
Less: provisions for permanent diminution in value			
At 1 January 1997	50,242	54	50,296
Increase in provision in respect of:			
SBJ Regis Low Holdings Limited	2,610	–	2,610
SBJ P&I Limited	1,135	–	1,135
SRI Holdings Limited	167	–	167
At 31 December 1997	**54,154**	**54**	**54,208**
Net book value			
At 31 December 1997	**27,516**	**465**	**27,981**
At 31 December 1996	31,398	465	31,863

Particulars of the principal subsidiary undertakings are set out on page 38.

Notes to the accounts

12 Investment in associated undertakings	Total £000
The group	
Cost less amounts written off	
At 1 January and 31 December 1997	–
Share of post acquisition retained loss	
At 1 January 1997	–
For the year	(36)
Transfer to provisions for liabilities and charges (Note 19)	36
At 31 December 1997	–
Net book value	
At 31 December 1997	–
At 31 December 1996	–
The company	
Cost	
At 1 January 1997	205
Less: provisions for permanent diminution in value	(205)
At 31 December 1997	–

At 31 December 1997, the company had entered into a contract for the sale of its shares in Alam SBJ Sdn Bhd to a local shareholder. Completion of the sale is subject to certain conditions, which at the date of this report were still outstanding. The company has provided in full against this investment.

13 Other fixed asset investments	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
At 1 January	**27**	447	**27**	438
Purchased during the year	**–**	2	**–**	2
Disposals	**–**	(422)	**–**	(413)
At 31 December	**27**	27	**27**	27

Within the balance of £27,000 (1996: £27,000), £5,000 related to the cost of listed investments.

14 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 1997 totalled £417,822,000 (1996: £362,262,000). The charge becomes enforceable only under certain circumstances set out in the deed. The assets subject to this charge totalled £418,832,000 (1996: £363,157,000).

15 Debtors	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Amounts due within one year				
Insurance debtors	**445,728**	392,334	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**6,206**	7,871
Amounts owed by associated undertakings	**42**	40	**–**	–
Other debtors	**3,694**	4,062	**1,196**	2,327
Prepayments and accrued income	**1,431**	2,043	**9**	100
	450,895	398,479	**7,411**	10,298
Amounts due after more than one year				
Deferred tax asset (Note 19)	**301**	–	**160**	–
ACT recoverable	**103**	103	**103**	103
	451,299	398,582	**7,674**	10,401

16 Creditors: amounts falling due within one year	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Insurance creditors	**495,642**	436,024	**–**	–
Obligations under finance leases	**1,139**	781	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**11,633**	14,613
Corporation tax	**904**	882	**–**	–
ACT payable	**103**	103	**103**	103
Other taxation and social security	**869**	846	**–**	–
Other creditors	**1,485**	499	**163**	571
Accruals and deferred income	**5,831**	7,041	**1,227**	554
Deferred consideration	**700**	84	**700**	–
Proposed dividend	**412**	412	**412**	412
	507,085	446,672	**14,238**	16,253

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.

As at 31 December 1997, amounts due to suppliers included in creditors, expressed as a number of days purchases, was 36.

18 Creditors: amounts falling due after more than one year	Group 1997 £000	Group 1996 £000
Obligations under finance leases		
Between one and two years	**760**	963
Between two and five years	**721**	715
	1,481	1,678

Notes to the accounts

19 Provisions for liabilities and charges

Deferred taxation	Group 1997 £000	Group 1996 £000
At 1 January	**11**	369
Movement during the year	**(312)**	(358)
At 31 December	**(301)**	11
The balance comprises the effect of timing differences arising on:		
Excess of depreciation over capital allowances	**4**	15
Other short term timing differences	**(305)**	(4)
	(301)	11

The deferred taxation asset of the group at 31 December 1997 has been included in debtors (Note 15). The company had no deferred tax liability at the beginning or end of the year.

Deficit of associated companies	1997 £000	1996 £000
At 1 January	**286**	202
Provision for current year trading loss	**36**	84
Write back of provision for loss of associate	**(322)**	–
At 31 December	**–**	286
Total provisions for liabilities and charges	**(301)**	297

20 Called up share capital

	Authorised capital £000	Issued capital £000	Ordinary shares of 10p issued and fully paid ('000's)
At 1 January and 31 December 1997	**6,500**	**5,500**	**54,997**

21 Reserve for future issue of shares

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
At 1 January	**2,300**	2,300	**2,300**	2,300
Movement during the year	**(700)**	–	**(700)**	–
At 31 December	**1,600**	2,300	**1,600**	2,300

The reserve represents an estimate of the liability for the future issue of shares in 1999 and 2000 in respect of the acquisition of Intermar Limited. The reduction in the year reflects the position that the first instalment, due in 1998, will be settled in cash. A corresponding liability has been included in creditors: amounts falling due within one year.

22 The 1984 Executive Share Option Scheme

At 31 December 1997, options over 774,002 (1996: 1,060,874) shares were outstanding under the scheme:

Date of offer	Number of shares	Option price	Exercise period
26 April 1988	55,000	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	12,850	229p	28 September 1995 – 27 September 2000
16 January 1992	14,000	308p	16 January 1997 – 15 January 2002
13 May 1994	476,652	143p	13 May 1999 – 12 May 2004

Between 31 December 1997 and 3 February 1998, options over 19,224 shares lapsed.
At 3 February 1998, options over 754,778 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 1997, options over 1,401,988 (1996: 1,922,862) shares were outstanding under the scheme:

Date of offer	Number of shares	Option price	Exercise period
19 July 1994	384,698	119p	19 July 1997 – 18 July 2004
26 April 1995	235,250	102p	26 April 1998 – 25 April 2005
25 April 1996	782,040	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 1997 and 3 February 1998, options over 44,969 shares lapsed.
At 3 February 1998, options over 1,357,019 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 1997, options over 286,363 (1996: 538,216) shares were outstanding under the scheme:

Date of offer	Number of shares	Option price	Exercise period
3 December 1993	165,203	122p	1 February 1999 – 31 July 1999
9 December 1994	121,160	95p	1 February 2000 – 31 July 2000

There was no change in the number of options outstanding as at 3 February 1998.

	Group and Company	
	1997	1996
25 Share premium account	**£000**	£000
At 1 January and 31 December	**2,869**	2,869

Notes to the accounts

26 Reserves	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Non-distributable/merger reserve				
At 1 January	–	–	**9,966**	12,146
Arising from acquisitions	–	996	–	996
Transfer to profit and loss account	–	–	**(1,714)**	(3,176)
Goodwill written off (Note 28)	–	(996)	–	–
At 31 December	–	–	**8,252**	9,966
Distributable reserve				
Profit and loss account				
At 1 January	**2,934**	1,797	**5,635**	2,255
Retained (loss)/profit for the year	**(2,490)**	1,137	**(4,113)**	204
Transfer from merger reserve	–	–	**1,714**	3,176
At 31 December	**444**	2,934	**3,236**	5,635
Goodwill write off reserve				
At 1 January	**(8,124)**	(6,006)	–	–
Arising from acquisitions in year (Note 28)	**31**	(2,118)	–	–
Goodwill written back on disposal of associated undertaking	**253**	–	–	–
At 31 December	**(7,840)**	(8,124)	–	–
Total reserves	**(7,396)**	(5,190)	**11,488**	15,601

Goodwill of £95,947,000 (1996: £96,231,000) has been written off against group reserves since the group's formation.

27 Reconciliation of movement in equity shareholders' funds	1997 £000	1996 £000
(Loss)/profit for the financial year	**(1,666)**	1,961
Dividends	**(824)**	(824)
Retained (loss)/profit	**(2,490)**	1,137
New share capital subscribed	–	289
Merger reserve	–	996
Reserve for future issue of shares	**(700)**	–
Goodwill written off	–	(3,297)
Goodwill written back	**284**	183
Net reduction in equity shareholders' funds	**(2,906)**	(692)
Equity shareholders' funds at the beginning of the year	**5,479**	6,171
Equity shareholders' funds at the end of the year	**2,573**	5,479

28 Acquisitions

Details of acquisitions 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 21 May 1997, the group paid £54,000 in cash as the final instalment of deferred consideration in respect of the acquisition in 1995 of Travel Insurance Services Limited.

On 3 September 1997, the company acquired the 'B' shares in David Lowe Benefit Consultants Limited (DLBC) for an aggregate consideration of £30,000, £21,000 of which was satisfied in cash and the balance of which was satisfied by the assumption by the company of a debt due from the vendor to DLBC.

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 acquired £000	Goodwill written off/ (written back) £000
The company					
Investment in subsidiaries					
Acquisition of 'B' shares in					
David Lowe Benefit Consultants Limited	30	–	30	(30)	–
Group companies					
Travel Insurance Services Limited	54	(85)	(31)	–	(31)
Total acquisitions in 1997	**84**	**(85)**	**(1)**	**(30)**	**(31)**
Total acquisitions in 1996	3,635	(396)	3,239	(125)	3,114

Satisfied by:	**1997 £000**	1996 £000
Use of provision for deferred consideration	**(85)**	(396)
Issue of new ordinary shares	**–**	1,285
Cash	**84**	1,481
Issue of unsecured loan notes	**–**	869
	(1)	3,239

Goodwill (written back)/written off against:		
Merger reserve	**–**	996
Goodwill write-off reserve	**(31)**	2,118
	(31)	3,114

Notes to the accounts

29 Reconciliation of operating loss to net cash outflow from operating activities	1997 £000	1997 £000	1996 £000	1996 £000
Operating loss		(5,021)		(1,926)
Depreciation of owned tangible fixed assets	1,109		1,339	
Depreciation of leased tangible fixed assets	796		641	
Loss on sale of tangible fixed assets	408		36	
Profit on sale of fixed asset investments	-		(404)	
Interest paid (included in expenses)	259		225	
Decrease/(increase) in non-insurance debtors	819		(177)	
Decrease in non-insurance creditors	(198)		(2,377)	
		3,193		(717)
Net cash outflow from operating activities		(1,828)		(2,643)

30 Reconciliation of net cash flow to movement in net funds	1997 £000	1996 £000
Decrease in cash in the year	(1,128)	(3,064)
Net funds at 1 January	6,559	9,623
Net funds at 31 December	5,431	6,559

31 Analysis of the balance of cash as shown in the balance sheet	1997 £000	1996 £000	Change in 1997 £000	Change in 1996 £000
Cash at bank and in hand	55,345	50,249	5,096	10,916
Less: cash held to meet insurance obligations	(49,914)	(43,690)	(6,224)	(13,980)
	5,431	6,559	(1,128)	(3,064)

Of the group's own cash resources of £5,431,000 at 31 December 1997, £325,000 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.

32 Analysis of changes in financing during the year	Share capital (including share premium) 1997 £000	1996 £000	Loans and finance lease obligations 1997 £000	1996 £000
At 1 January	**8,369**	8,080	**2,459**	2,577
Cash outflow from financing	**–**	–	**(1,053)**	(1,064)
Shares issued for non-cash considerations	**–**	289	**–**	–
New finance lease contracts	**–**	–	**1,214**	946
At 31 December	**8,369**	8,369	**2,620**	2,459

33 Capital commitments	1997 £000	1996 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**182**	41
Capital expenditure authorised by the directors which has not been contracted for	**118**	86

34 Pension commitments

The group operates a number of pension schemes for its employees, all of which operated on a defined contribution basis in 1997. 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 £1,898,000 (1996: £1,990,000).

35 Forward sale of currency

At 31 December 1997 the group had entered into forward contracts for the sale of certain of those foreign currencies in which the group earns significant income. These forward contracts are summarised below:

Currency	Amount	Average rate to the pound	Period of contract
Australian dollars	A$ 1.00m	A$ 2.27	January 1998 – March 1999
French francs	FFr 7.00m	FFr 9.29	January 1998 – March 1999
South African rands	SAR 3.25m	SAR 8.31	January 1998 – December 1998
Swiss francs	SFr 1.55m	SFr 2.27	January 1998 – March 1999
US dollars	US$ 11.75m	US$ 1.64	January 1998 – February 1999

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, up until 2001, 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, up until 2002, the consideration being calculated by reference to the profits of SBJ GL, with an upper limit.

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. The first instalment is payable in cash. The second and third instalments are payable 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. It has provisionally been estimated that the total consideration payable for the 'B' shares will amount to approximately £2,200,000.

As indicated in Note 8, 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 £2,980,000.

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 totalling £47,500.

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.

The accounts include a provision against liabilities arising under the Securities and Investment Board review of personal pensions. The provision reflects the directors' estimate of liability on the basis of current government guidelines for the review of personal pensions. The group could be exposed to the extent that those guidelines are altered or extended.

38 Operating lease commitments

Certain subsidiary undertakings have entered into operating lease arrangements. The rentals payable in 1998 under these leases are as follows:

	Land and buildings £000	Other £000	Total £000
Operating leases:			
Expiring within one year	–	8	8
Expiring after one year and within five years	955	16	971
Expiring in five or more years	1,844	–	1,844
	2,799	24	2,823

39 Charitable and political donations

During the year ended 31 December 1997, the group made charitable donations of £6,807 (1996: £9,022). No political donations were made in the year.

Principal subsidiaries and divisions

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
 SBJ Professional Trustees Limited
SBJ Employment and Safety Services Limited†
SBJ Stephenson Limited
 SBJ GL Limited†

Steel Burrill Jones Limited
London market non-marine
 Medicare International
 Nelson Steavenson Bloodstock Limited
 SBJ Automotive
 SBJ International
 SBJ Professional Risks
 SBJ Special Risks
 SBJ Speciality Limited
London market marine and reinsurance
 SBJ Cargo
 SBJ Reinsurance Brokers
 SBJ TLO

Helix UK Limited

SBJ Group Services Limited

All subsidiary undertakings are wholly owned unless otherwise stated.

† At 31 December 1997, 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.

All subsidiary undertakings are registered in England and Wales, and all operate in the United Kingdom.

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– London and international insurance market

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Helix UK Limited
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Five year financial record

	1993 £000	1994 £000	1995 £000	1996 £000	**1997 £000**
Turnover	45,249	44,963	43,194	39,939	**37,694**
Administrative expenses	44,365	41,186	42,820	41,865	**39,410**
Exceptional charges	7,440	–	–	–	**3,305**
Total expenses	51,805	41,186	42,820	41,865	**42,715**
Operating (loss)/profit	(6,556)	3,777	374	(1,926)	**(5,021)**
Investment and other income	6,016	4,272	5,459	4,222	**3,684**
Income/(loss) from interests in associated undertakings	19	54	(124)	(84)	**(36)**
Loss on sale of operations	–	(594)	–	–	**–**
(Loss)/profit on ordinary activities before taxation	(521)	7,509	5,709	2,212	**(1,373)**
Taxation (credit)/charge	(66)	2,920	1,848	251	**293**
(Loss)/profit on ordinary activities after taxation	(455)	4,589	3,861	1,961	**(1,666)**
Profit attributable to minority shareholders	140	49	38	–	**–**
(Loss)/profit for the financial year	(595)	4,540	3,823	1,961	**(1,666)**
Dividends	4,221	4,320	2,345	824	**824**
Retained (loss)/profit	(4,816)	220	1,478	1,137	**(2,490)**
(Loss)/earnings per share	(1.27)p	9.52p	7.67p	3.62p	**(3.03)p**
Dividends per share	9.00p	9.00p	4.50p	1.50p	**1.50p**