1660078

Steel Burrill Jones Group plc

1992 report & accounts

Copies of this report can be obtained from the Company Secretary at the registered office shown on page 2.

Financial highlights

	1992	1991 (restated)
Turnover (£000)	47,260	41,002
Profit before tax (£000)	13,271	10,960
Earnings per share	18.11p	20.66p
Dividends per share	13.25p	13.25p

Since our formation in 1977 Steel Burrill Jones has developed into an insurance broking group which now employs over 800 people. We operate in three principal areas: wholesale insurance broking and reinsurance broking, both from our offices in London, and retail insurance broking and consultancy from a network of twelve offices across the United Kingdom.

Our principal corporate objective is to provide shareholders with a return on their investment, by way of dividends, which increases more rapidly than the underlying rate of inflation in the United Kingdom. We aim to achieve this by striving to provide our clients with the best service available in our chosen fields of activity; by encouraging the development of our staff; by prudent financial management of our businesses; and by stressing the community of interest between all employees and shareholders.

Directors and advisers

Directors
W S C Richards *
Chairman

H A Armytage

W M Barratt †

M J Blackburn *
Non-executive director

G Boden †
Deputy chairman and chief executive

J Davies

D J Forcey †

K D S Grant-Dalton †

P Gray

A J Keys †
Finance director

D H Low

O H J Stocken *
Non-executive director

J D Williams †

J C W Wright

H J Wynn †

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Mincing Lane
London EC3R 7FT
Telephone 071-816 2000

Auditors
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Chartered Accountants
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133 Fleet Street
London EC4A 2TR

Principal bankers
The Royal Bank of Scotland plc
City Office
67 Lombard Street
London EC3P 3DL

Citibank NA
PO Box 199
Cottons Centre
Hays Lane
London SE1 2QT

Principal solicitors
Simmons & Simmons
14 Dominion Street
London EC2M 2RJ

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

Registrars and transfer office
The Royal Bank of Scotland plc
Registrar's Department
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Company Registration Number
1660078

* Members of the audit and remuneration committees
† Members of the management committee

Corporate governance

The directors of Steel Burrill Jones Group plc have followed with interest the discussion on the subject of corporate governance and, in particular, the work done by the committee on the Financial Aspects of Corporate Governance under the chairmanship of Sir Adrian Cadbury.

In its report published in December 1992, the committee recommended that listed companies should adopt a Code of Best Practice for the operation of boards of directors. It also recommended that companies reporting in respect of financial years after 30 June 1993 should state in their report and accounts whether or not they comply with the code, and give reasons for non-compliance.

During the course of 1992 the directors decided that the company's system of governance would follow closely the draft Code of Best Practice which had been proposed by the Cadbury Committee in May 1992. This decision led to the appointment in December 1992 of two additional non-executive directors and the continued separation of the roles of chairman and chief executive with the appointment of Clive Richards as non-executive chairman following the retirement of David Beresford Jones as chairman in January 1993. With effect from 21 January 1993, an audit committee of the board was formed, comprising the chairman and the two other non-executive directors, whilst the membership of the remuneration committee of the board was revised to comprise only these three directors.

During 1992 the board appointed a management committee, comprising the chief executive and six other directors, to which it delegated authority for day-to-day management of the group. Responsibilities for key decisions, and in particular those relating to the financial condition of the group, remain with the board. Contained within this report and accounts is a statement of the directors' responsibilities for preparing the group's accounts.

Chairman's statement

This is my first statement to you as chairman following the board's invitation to me to succeed David Beresford Jones on his retirement in January 1993. Before commenting on the results for 1992, I should like to express the board's appreciation for the contribution of my predecessor to the development of the group. David Beresford Jones was, with Derek Steel and Graham Burrill, a founder of the group in 1977. He succeeded Derek Steel as chairman in 1990, and led the group through the significant developments of the last two years. We wish him well in his retirement.

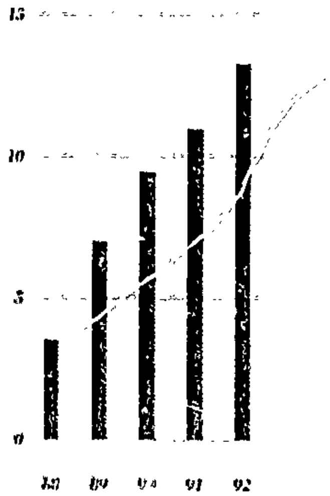
Last year was difficult. In my predecessor's statement with the 1991 Annual Report, he indicated that the board believed that the broadening of the base of the group, culminating with the acquisitions of SBJ Regis Low and Nelson Steavenson Bloodstock at the beginning of 1992, would improve the group's chances of providing real growth in profits and dividends to shareholders. This comment was set against the backdrop of difficult market conditions for our reinsurance broking operations and the adverse impact of the recession on our retail broking operations.

I regret to say that, in contrast to our hopes at the beginning of the year, the group's progress was held back principally by the disappointing results of SBJ Regis Low, the larger of our two acquisitions made at the beginning of the year. We suffered further disappointment in April, when our plans to relocate our marine reinsurance broking company and the operations of SBJ Regis Low into a shared office location were delayed by the city bomb of 10 April. This meant that we had to restart our selection of suitable office space and delay the relocation. Nevertheless we were able quickly to secure space in Minster Court, Mincing Lane, and to move the relevant operations at the end of September.

We were pleased with the progress of our smaller acquisition, Nelson Steavenson Bloodstock, which outperformed our expectations.

In October we took a controlling interest in SBJ CL Limited, a company formed to act as an agent for our corporate risks subsidiary, SBJ Stephenson, in the production and development of professional indemnity business. In November the group sold its 21% shareholding in Newman Martin and Buchan, a Lloyd's broker specialising in energy, marine and reinsurance broking, at a profit of £1.36 million over book value. In December we sold our remaining interest in John Lamb Group at a loss of £218,000.

Profits before tax
£m



1992 results

Shareholders will note that the format of the group's profit and loss account on page 36 has been changed from that adopted in previous years. Although not mandatory for 1992, your directors decided to adopt FRS3, the new financial reporting standard issued by the Accounting Standards Board in October 1992, in the preparation of the financial statements.

This standard requires more detailed disclosure of the impact on results of acquisitions and discontinued operations, and almost totally eliminates the disclosure of extraordinary items. Adoption of the standard for 1992 has meant that the profit on the sale of the group's investment in Newman Martin and Buchan and the loss on the sale of the group's investment in John Lamb Group have been included in profits before tax, whereas under previous reporting conventions they would have been included as extraordinary items. It has also led to the restatement of the 1991 results to reclassify the extraordinary items of that year as part of profits before tax.

Comparison of the results of 1992 with those of 1991 is also affected materially by the inclusion in the 1992 figures of the results of SBJ Regis Low and Nelson Steavenson odstock from their respective dates of acquisition.

Chairman's statement continued

Earnings and dividends per share p

■ Earnings
■ Dividends

Brokerage income in 1992 amounted to £47.3 million, compared with £41.0 million in 1991. Profit before tax, including the net profit on the sale of operations of £1.15 million amounted to £13.27 million compared with a restated £10.96 million in 1991.

The average number of shares in issue rose by 35%, as a consequence of the issue of shares to finance the acquisition programme. Earnings per share were 18.11p compared with 20.66p (restated) for 1991. Excluding the overall profit on the sale of operations, which your board considers to be of an exceptional nature, earnings per share would have been approximately 17.08p, which compares with a figure as originally published for 1991 of 19.94p.

Your board recommends the payment of a final dividend of 9p per share which, if approved, will give a total dividend in respect of 1992 of 13.25p per share, the same level as that paid in respect of 1991. The maintenance of the dividend has fallen short of the board's objective in relation to dividend payments, reflecting the lower level of profits than was hoped for earlier in the year.

The profit and loss account now identifies the contribution to group results from our acquisitions, and this shows that profits from continuing operations, other than acquisitions, were £10.06 million before tax compared with £10.96 million in 1991.

Excluding the impact of acquisitions, I estimate that brokerage income, in underlying currency terms and converting dollar income at the rate of exchange applicable at the beginning of the year, was 14% below that of 1991. Expenses were 8% lower. Profits were adversely affected by the sharp falls in both sterling and dollar interest rates, although their impact was lessened by the use of longer term fixed interest investments.

Profits were virtually unaffected by the fall in the value of sterling against the dollar after mid-September 1992, as a result of the sale of most of the group's 1992 dollar income through forward exchange contracts taken out in 1991. US dollar income was realised at an exchange rate of $1.69 to the pound, in line with that of 1991.

A more detailed review of the group's results is included in the operating and financial review contained on pages 10 to 21 of this Report.

Directors and staff

On page 3 of this Report, shareholders will find a statement of the group's policy on corporate governance. Our deliberations on this topic led the group to seek to strengthen the board through the appointment of two new non-executive directors and I was delighted that Michael Blackburn and Oliver Stocken accepted our invitation to join the board in December 1992. Michael Blackburn was from 1984 to 1990 the managing partner of the UK practice of Touche Ross. Oliver Stocken is finance director of Barclays de Zoete Wedd, the investment banking subsidiary of Barclays Bank, and will shortly become finance director of Barclays Bank PLC. We are fortunate to have secured their services.

On David Beresford Jones' retirement in January 1993, I was invited to assume the non-executive chairmanship of the group, having been a non-executive director since November 1983.

George Boden, our chief executive, was appointed chairman of a newly formed management committee of the board in October 1992. This committee is charged by the board with the day to day running of the group.

Alistair Troughton resigned from the board in February 1993.

John Horwell resigned from the board on his retirement from the group at the end of March 1993 after seventeen years of service with the Devitt group and, following our acquisition of the Devitt group, with this group. As a joint deputy chairman John assisted

Chairman's statement continued

greatly with the successful integration of the Devitt group and, as chairman of our non-marine reinsurance broking company, Meacock Samuelson & Devitt, continued that company's development. We have much appreciated his work over the last four years and wish him well for the future.

Tony Keys, our finance director since 1988, will be resigning from the board at the Annual General Meeting in May. He has worked hard during our period of rapid growth and has built the financial and accounting systems necessary to support the group's development. The board will miss his stimulating contribution to its deliberations, and wishes him well for the future. I am pleased to report that he has agreed to remain a consultant to the group in a number of specific areas where his knowledge will be of value to us.

Our staff have coped well with the difficulties of 1992. I thank them for their enthusiasm and commitment, on which the success of our business depends.

Prospects

The operating and financial review includes comments on the trading prospects for our various businesses in 1993.

Capacity constraints in the London market may lead to lower income from some of our reinsurance and wholesale broking activities. Our retail broking divisions are expecting to generate higher income. Growth of total group income, in underlying currency terms, is likely to be modest, but we intend to continue to focus attention on the overall level of expenses [illegible] objective that expenses growth is held below the growth of income in underlying cu[illegible]ms.

Despite continuing benefits from the returns being derived from our recent investment policy, the group's results will inevitably be adversely affected if short term interest rates continue at current low levels.

Furthermore, the present weakness of the pound in relation to the US dollar will have little impact on 1993 results as a result of our decision to sell a substantial proportion of our expected 1993 dollar income in the last quarter of 1992, after sterling left the ERM.

The recent withdrawal of substantial capacity from the London insurance market is of major concern to us. Efforts to make the market attractive to underwriters, and in particular the work of the new leadership at Lloyd's to reduce significantly the costs of transacting business in that market, are of critical importance to us as a business.

In summary, 1993 is likely to be a year of consolidation for the group, but looking further ahead to 1994, I believe that capacity constraints in the insurance market could be less significant, whilst pricing levels may continue to rise. I also expect that in 1994 the sterling value of our dollar income will be enhanced, and with continued benefits to be derived from cost controls, I am hopeful that growth in profits, earnings and dividends will be achieved.

Clive Richards
Chairman
5 April 1993

Operating and financial review

Our last two Annual Reports have included a chief executive's review of operations and a financial review. This year, in response to the proposals of the Accounting Standards Board, these reviews have been combined into this operating and financial review. This is intended to provide a detailed commentary on the group's 1992 results and prospects for 1993; a review of the group's financial resources and a commentary on shareholders' return and value.

As an insurance broker, the group is involved in arranging insurance coverage on behalf of its clients. The group comprises a number of subsidiaries and divisions, each of which specialises in servicing the needs of a specific range of clients, but the group's operations can be broadly divided into three principal areas of activity. These are reinsurance broking, wholesale insurance broking and retail insurance broking and consultancy.

Reinsurance broking involves the arrangement of insurance protection for insurers in relation to the business which they have underwritten. Wholesale insurance broking involves the arrangement of insurance protection on the instruction of another insurance broker, usually located overseas. Retail insurance broking involves the arrangement of insurance protection on the instruction of an insured, being either a corporate entity, association or an individual. Consulting services are provided to corporate clients on risk minimisation and in relation to pension schemes.

The group's income is determined by changes in the group's client base, the level of pricing in sectors of the insurance market in which the group operates, and the capacity of insurers to accept the business offered to them. These latter two factors determine the income received by the group for arranging insurance protection, either in the form of commission or a fee payable by the client.

An important factor is the management of the group's exposure to exchange rate movements, in particular to the level of the sterling/dollar exchange rate, as this determines the sterling value of the substantial amount of income received by the group in dollars.

The terms of credit available in the insurance market are also significant. The group is exposed to credit risk in the placing of insurance as, from time to time, it is required to pay premiums to insurers in advance of their collection from clients, or to pay claims to clients in advance of their collection from insurers. Normally, however, the group has substantial liquid funds, representing premiums and claims in transmission. The group's results are therefore materially affected by the level of short term sterling and dollar interest rates and the management of the group's liquid resources in relation to interest rate movements.

The remaining key determinant of profitability is the level of expenses incurred by the group in its business, of which the most significant is the cost of staff employed to service clients' requirements and to process the associated transactions. Other important costs are those of office space, the operation of computer systems, travel and entertaining costs and the cost, both in terms of premiums and self insured losses, of professional indemnity insurance.

Results in 1992

The group's operating base was expanded in the early part of 1992 as a consequence of the acquisition of Regis Low Holdings (now SBJ Regis Low Holdings) and Nelson Steavenson Bloodstock.

These two acquisitions substantially increased the group's involvement in London market wholesale insurance broking activities. Together with the group's existing wholesale insurance broking business, these acquisitions meant that wholesale insurance broking activities accounted for 40% of total group brokerage in 1992 compared with 20% in 1991. Reinsurance broking activities, including the marine reinsurance broking activities of SBJ Regis Low, which were integrated with those of SBJ Marine Reinsurance Brokers in the early part of the year, accounted for 24% of group brokerage, compared with 41% in 1991. Retail insurance broking and consultancy services accounted for the remaining 36% of brokerage income in 1992, compared with 39% in 1991.

With the initial contribution to results from the new acquisitions, total group income was 13% above the 1991 level, in underlying currency terms.

The level of pricing in most sectors of the insurance market moved upwards as capacity contracted through the withdrawal of insurers from the marketplace and the attempts by those remaining to remedy the substantial losses of earlier years. In certain sectors the contraction in capacity led to a decline in the group's income, despite the higher pricing applying to the business which could be placed.

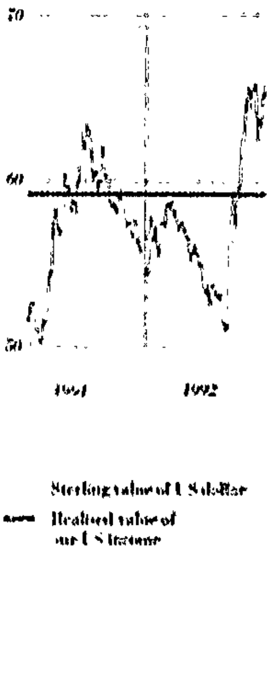
This decline was particularly significant in our marine reinsurance broking activities. This factor, and the reduction in the group's existing energy-related insurance broking activities consequent upon the acquisition of SBJ Regis Low, meant that the group's income from the businesses owned at the beginning of the year was 11% below the 1991 level, in underlying currency terms.

For most of the year, the US dollar was weak against sterling, but after the government's decision to remove sterling from the European Exchange Rate Mechanism, this trend was

Breakdown of turnover
£m

Operating and financial review continued

Sterling value of US dollar
p



Sterling value of US dollar
Realised value of our US income

dramatically reversed, such that at the end of the year the sterling/dollar exchange rate was \$1.51 (\$1 = 66p approximately) compared with \$1.87 (\$1 = 53p approximately) at the beginning of the year.

The average rate of exchange at which dollar brokerage income was included in turnover was \$1.74 compared with \$1.76 in 1991, which marginally enhanced the value of dollar turnover when expressed in sterling.

The difference between the realised sterling value of dollar income and the amounts included in brokerage and investment income was by far the most important component of the group's overall exchange gains of more than £1.2 million, but it is important to note that profits were only marginally affected by exchange rate movements, as the rate of exchange at which dollar income was sold or valued in 1992 was virtually the same as that achieved in 1991. As in previous years, most of the group's dollar income was sold to realise sterling in a series of foreign exchange transactions, the majority of which were entered into well in advance of the date of the physical sale of dollars, using the forward exchange market. Income unsold at the end of the year was valued at the exchange rate ruling at 31 December. During 1992, the group's dollar income was sold or valued at an average rate of \$1.69 to the pound (\$1 = 59p approximately) in line with that of 1991.

Average levels of sterling and dollar funds available for investment within the businesses owned at the beginning of the year were little different from those of 1991.

However, short term interest rates in 1992 fell significantly during the year, continuing the fall seen during 1991. At the end of 1992, UK sterling bank base rate was 7% compared with 14% at the beginning of 1991, whilst the US dollar overnight interest rate was below 3% compared with 7%. The average of UK sterling bank base rate in 1992 was 18% below the average level seen in 1991. Average US dollar overnight interest rates fell by over 35%.

These lower interest rates were reflected in a reduction in interest earnings from the group's bank accounts. This was, however, mitigated by the impact of the group's decision, adopted in the Spring of 1990 when interest rates were at high levels, to lock in these high interest rates through the investment of a substantial part of the group's liquid resources in UK and US Government fixed interest investments with maturities of up to five years. Consequently the group's interest return on its investments was materially higher than the level of short term interest rates, whilst the policy also generated substantial capital profits as these investments appreciated in price as interest rates fell. Some of these capital profits were realised and included in income in 1991 and 1992. Nevertheless, at the end of 1992, the group

continued to hold investments with a market value which was £1.3 million in excess of cost.

The two acquisitions made at the beginning of the year added approximately 150 people to the group's total staff, which then comprised [illegible]30 people. During the year, staff numbers were reduced overall by approximately 50, so that at the end of the year the group employed 830 people. Overall staff costs for the businesses owned at the beginning of the year were 11% below the 1991 level.

During 1992, Nelson Steavenson Bloodstock continued to operate from its own office in Fenchurch Street but at the end of September, the operations of SBJ Marine Reinsurance Brokers and SBJ Regis Low moved to Minster Court in Mincing Lane. The oversupply of office space in the City allowed the group to acquire a lease on terms which mean that the annual costs of the space occupied in Minster Court for the first five years of the lease will be less than the annual costs incurred in the two City offices from which our businesses were moved, whilst the operating environment for the group's City-based staff has been greatly improved.

Impact of acquisitions

The two acquisitions made early in the year added £11.6 million to group turnover and £3.2 million to profits before tax. More detailed comments on their performance will be found later in this review.

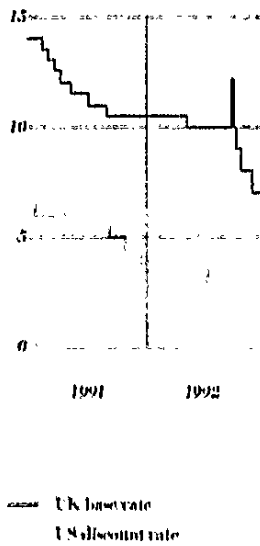
Reinsurance broking

The group operates in the reinsurance broking market through SBJ Marine Reinsurance Brokers, through the total loss only marine reinsurance broking division of Steel Burrill Jones Limited and through the non-marine reinsurance broking activities of Meacock Samuelson & Devitt.

The business of SBJ Marine Reinsurance Brokers primarily comprises the placement of marine excess of loss reinsurance contracts on behalf of underwriters in the London and international markets. A significant proportion of the company's business relates to contracts which are placed with effect from 1 January in each year. Although the income from these contracts is earned reasonably steadily through the year, market conditions in the January reinsurance renewal season have a significant impact on brokerage income.

In recent years, the principal industry factor affecting profitability has been a dramatic reduction in the capacity of the London insurance market to accept marine excess of loss reinsurance business. This first became apparent in 1991, when the company experienced difficulty in placing retrocessional business (the reinsurance of reinsurers). In that year the higher pricing which accompanied the drying up of capacity was sufficient to balance a reduction in the number of orders from clients that could be completed.

Trend of short term interest rates %



Operating and financial review continued

In 1992, there was very little capacity for retrocessional business, whilst the client base declined as a number of insurers ceased to write marine insurance business. Overall income was therefore substantially below the 1991 level. Although the company achieved significant economies in its operations, accompanied by lower profit-related remuneration to senior staff, operating profits also fell below the 1991 level. The company's investment income was only marginally below that of 1991 as a consequence of the group's investment policy. Nevertheless, profits before tax in 1992 were well below their 1991 level.

The company faces a further contraction in income in 1993. The decisions during 1992 by a number of important marine reinsurers to cease to accept business and the unwillingness of the continuing reinsurance market to provide adequate capacity for traditionally structured excess of loss reinsurance programmes led to a further upturn in the pricing of reinsurance contracts at the beginning of 1993, and great difficulty in fulfilling all the orders received from clients.

The total loss only marine reinsurance broking division of Steel Burrill Jones Limited provides reinsurance protection for marine underwriters in the event of total losses of individual vessels or total losses occurring within fleets which they insure. This small operation significantly increased its contribution to group results in 1992 and is hoping to do even better in 1993.

Meacock Samuelson & Devitt handles the group's non-marine treaty reinsurance broking business. It has a major involvement in the provision of reinsurance protection to motor and liability underwriters. Here also the majority of contracts are placed with effect from 1 January.

As a consequence of a need to establish motor insurance as a profitable line of business, insurers and reinsurers increased their pricing levels significantly during the year. This positive factor was counterbalanced by the loss of business from a small number of important clients, particularly as a consequence of the merger of a number of Lloyd's syndicates, such that the company's income was only held at the 1991 level. Expenses were, however, contained below the 1991 level and, as a consequence, operating profits were higher than those of last year. Investment income was higher than in 1991, reflecting the group's investment policy. Total profits were therefore comfortably ahead of those of 1991.

At the renewal season at the beginning of 1993, the company gained significant new business, more than offsetting the adverse impact of the further reduction in the number of Lloyd's motor syndicates. The tightening of capacity increased the pricing of renewals. As a result, brokerage income in 1993 is expected to increase.

Wholesale insurance broking

During 1992, the wholesale insurance broking business of the group became the largest part of the group in terms of income, primarily as a consequence of the acquisitions of SBJ Regis Low and Nelson Steavenson Bloodstock.

SBJ North America handles the placement of risks of North American clients in the London and international markets, receiving instructions from brokers in the USA and Canada. In conjunction with certain national and regional brokers in the USA, the company has developed a number of insurance programmes providing packaged coverage for entities such as hospitals, hotels and restaurants. It also has a significant business related to the risks of trucking operators and car dealers.

During 1992 the company continued to suffer from the very competitive pricing levels seen in the US domestic insurance market for lines of coverage which in the past were traditionally placed in the London insurance market. Income therefore fell back from the 1991 level, but its cost base was reduced in recognition of these more difficult trading conditions so that its contribution to profits was higher than in 1991.

The severe hurricane and flood losses suffered by the US insurance market in the second half of 1992 has had only a limited impact on pricing levels, as the capacity of the US insurance market has continued to grow. The company's income in 1993 may be below that of 1992, but this should be matched by further cost economies.

Through the contracts division of Steel Burrill Jones Limited, the group has a significant involvement in the provision of residential and motor insurances in Canada and property insurance in the USA through the arrangement of binding authorities for North American brokers on behalf of London market underwriters.

Despite competitive markets, this division marginally increased its income and made a higher contribution to group profits.

London underwriters have refused to renew the binding authorities of many North American agents for 1993, but the contracts division has fared better than most of its competitors in this selection process, and expects to maintain its income.

SBJ Speciality handles the insurance of international jewellers, fine art, bullion and high value property risks in the London and international markets.

The market for this business remained intensely competitive during most of 1992.

During 1992, the wholesale insurance broking business of the group became the largest part of the group in terms of income.

Operating and financial review continued

We were very pleased with the first contribution to group results from Nelson Steavenson Bloodstock.

The company's income was maintained at its 1991 level with new business growth being offset by a decision to discontinue servicing small business, which was proving uneconomic. With maintained expenses, profits were similar to their 1991 level.

Underwriters started to demand higher pricing levels towards the end of 1992. The company was, however, able to renew the majority of the facilities provided by underwriters and this, together with the recruitment of new directors and staff, has given it an advantage over many of its competitors. As a result, the company is predicting that its income will improve in 1993.

SBJ Harrison Stuart was formed in July 1991 to provide personal stop loss insurance to Lloyd's members and related reinsurance.

Towards the end of that year the company entered into a cooperation and revenue sharing arrangement with another Lloyd's broker specialising in this class of business, in the face of the reluctance of underwriters to support more than one major personal stop loss insurance facility.

The company's first full year of trading was very difficult and its facility was only finalised in May 1992, with underwriters demanding much higher prices for the coverage than had been expected. The take up of quotations by Lloyd's members therefore fell significantly short of expectations and the company suffered a loss in contrast to the modest profit which had been expected.

In February 1993, the company announced that it had developed a new personal stop loss cover designed to operate below the high level capping of underwriting losses over a four year period now provided by Lloyd's. Subject to DTI consent, the cover will be placed with a newly formed mutual insurance company for which SBJ Harrison Stuart also acts as reinsurance broker. We hope that income from these new arrangements will lead to a positive contribution to group results in 1993.

MS&D International handles the wholesale broking of non-marine business, receiving its instructions from a wide range of brokers and agents overseas. After significant expansion of its business in 1991, the company's income growth slowed in 1992, but its costs were much lower than in 1991, with the employment of fewer business production staff. Profitability was well up on the 1991 level. The company expects to be able to produce further income and profit growth in 1993.

We were very pleased with the first contribution to group results from Nelson Steavenson Bloodstock, which we acquired with effect from 11 February 1992. The company's brokerage income in the post acquisition period amounted to £2.0 million. Despite intense competition, the company's income from both North American and UK clients held up well.

The performance of SBJ Regis Low, which was acquired with effect from 6 January, was disappointing. As stated in last year's review of operations, the group's corporate strategy had included, as a key objective, the achievement of a significant presence in the energy and marine insurance market.

SBJ Regis Low's principal business at the time of its acquisition was the wholesale broking of marine and energy-related insurance risks. It also had a major involvement in the insurance of liabilities associated with construction operations in the USA. Other divisions of the company were involved in direct marine insurance broking, covering both hull and cargo risks, in the arrangement of protection and indemnity insurance for ship owners, in marine reinsurance broking, and in the provision of professional indemnity insurance.

At the end of April 1992, the company unexpectedly lost its important London market facility under which it placed all of its construction business, and was unable to replace the facility with other insurance arrangements. Income from construction business (earned effectively in the first four months of the year) amounted to only £700,000 compared with around £2.5 million in 1991.

The company's energy-related business also faced considerable difficulties. The weakness of world economies led to reduced demand for oil, and adversely affected the premiums generated by SBJ Regis Low's ultimate client base. For the year as a whole, energy-related brokerage income was 12% below the 1991 level.

In contrast to these problems, the marine division increased its income substantially from the 1991 level, reflecting good new business success and higher pricing. The income of the professional indemnity division also rose strongly.

Nevertheless, the loss of the construction account and the importance of the energy account meant that income contributed by the businesses acquired with Regis Low fell by around 20% from the 1991 level.

Although running expenses were cut back, operating profits were substantially lower than in 1991, and with the impact of the fall in dollar interest rates on investment income, profits before tax were only just over half of the level of £4.6 million achieved by the company in its last full year as an independent business.

For 1993 the company is predicting a further decline in energy brokerage, given the continued weakness of the oil price, and lack of activity in its ultimate client base. This could be mitigated by new business gains as a result of a reduction in the number of London market competitors, and the effect of higher premium rates in the energy market. Although marine and professional indemnity income

Operating and financial review continued

With continued optimism with regard to new business, brokerage income of SBJ Stephenson is expected to rise more rapidly than in 1992.

seem likely to rise, it appears probable that total SBJ Regis Low income will be lower than that achieved in 1992, to an extent which will be difficult to match by expense reductions.

Nonetheless, we believe that the company is well placed to benefit speedily from an upturn in the energy market.

Retail insurance broking and consultancy
The group has a significant involvement in the provision of insurance to commerce, industry and the professions through SBJ Stephenson. This company has offices in Birmingham, Bristol, Gravesend, London, New Malden and Stockport.

In contrast to the preceding few years, when competition between insurers for business led to lower pricing levels for corporate risks business, 1992 saw an upturn in pricing as insurers attempted to restore their underwriting accounts to profitability.

The brokerage income of SBJ Stephenson therefore reflected higher pricing on the renewal of many clients' insurance programmes, but this was offset to a significant extent by the continuing effects of the recession in the U.K. which eroded the client base. Whilst competition in the retail insurance field remained strong, the company gained good new business. These factors combined to lead to a modest increase in brokerage income from the 1991 level.

Expenses rose to a somewhat greater extent, and although investment income was higher than in 1991, overall profits fell from their 1991 level.

In October 1992, the company acquired a controlling interest in SBJ GL Limited, a newly formed company which had been set up to act as an agent for SBJ Stephenson in the production of professional indemnity insurance business, and which now operates from the company's Bristol office.

Pricing levels for corporate risks business continue to rise, with the withdrawal of certain insurers from the market providing underwriters with further strength in their renewal negotiations. Whilst the impact of the recession will still be felt, it is likely to be less than in 1992, and with continued optimism with regard to new business, brokerage income of SBJ Stephenson is expected to rise more rapidly than in 1992.

SBJ & Associates provides consultancy advice on pension schemes and other employee benefits to corporate clients. It also offers a computerised pensions scheme administration service, and provides personal financial planning services for employees of corporate clients.

This company had a difficult year. The UK recession meant that there was very little activity in the formation of new pension schemes, whilst existing business generated similar income to that of 1991. During the year, the company closed a loss-making sales office, but strengthened its operations in London, Gravesend, Birmingham, Bristol and Stockport, of which the latter three share office locations with SBJ Stephenson.

The London operation, which is by far the largest in terms of income, held its income and profits near the 1991 level. The expansion of the Bristol office during 1991 was reflected in much improved profitability, but the Gravesend, Stockport and Birmingham offices, which rely heavily on the generation of new business, saw declining income and profits. Overall income and profits were below the 1991 level.

The group has three other investments in the employee benefits and consultancy field. The group owns 52% of Martin Perry Associates, a firm of actuarial consultants and pensions advisers based in Reading, formed during 1990. During 1992 the group owned 35% of SBJ Kingsgate, an employee benefits consultant in Leatherhead. The group also owns 24% of Dennis Hunt Risk Management Services, a company formed in 1991 to provide specialised business services to small and medium sized businesses from its office in Coventry.

In its second full year of operation, Martin Perry Associates made a small profit. Profits at SBJ Kingsgate moved ahead strongly with the benefits of economies of scale following the transfer to it in November 1991 of part of the business of the closed sales office of SBJ & Associates. On the other hand, Dennis Hunt Risk Management Services did not show the improvement in results which we had expected, and suffered a further loss.

The group's employee benefits and consultancy operations should achieve significantly higher profits in 1993. SBJ & Associates' results will not be held back by the costs of the sales office closed in 1992. Martin Perry Associates is expecting good growth in income and profits. With effect from the beginning of 1993, the group has acquired the shareholding in SBJ Kingsgate previously owned by its management, giving it 100% ownership, which is likely to increase the contribution from this company. Dennis Hunt Risk Management Services is expected to improve upon its 1992 results.

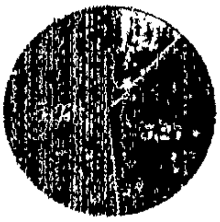
Devitt Insurance Services is responsible for the group's high volume personal insurance broking business which is marketed to consumers primarily through affinity groups, from its offices in Stratford, East London. The company has authority from insurers to accept business on their behalf, and has a significant share of the UK market for the insurance of motorcycles and caravans.

The company had a successful year. Income was substantially ahead of that of 1991 as a consequence of increases in premium rates

The group's employee benefits and consultancy operations should achieve significantly higher profits in 1993.

Operating and financial review continued

Cash inflow
£m



- From operating activities
- From investment
- From investing activities

which were implemented across the market and a higher volume of motorcycle business as a result of reduced competition.

These higher volumes of activity necessitated increased staffing, but the contribution of this company to group profits improved markedly.

The company is expecting to generate higher income in 1993, although the rate of increase will moderate from that seen in 1992. Profits should also move ahead.

Financial needs and resources
The business of insurance broking involves the collection and disbursement of cash, being either premiums collected from clients and paid to underwriters or claims collected from underwriters and paid to clients.

As an intermediary, the group attempts to collect cash in relation to any specific transaction before it has to be paid to the other party in that transaction, although from time to time it will be involved in funding a transaction by disbursing funds to one party to a transaction before they are received from the other party.

At any time the group holds substantial funds which have been collected and are not yet due for payment, and is entitled to earn interest on these funds, as part of its remuneration.

In addition to these funds, the group has its own liquid resources, being past profits retained in the business that have not been invested in financing the business (either through the purchase of fixed assets or in funding the trade). The group does not have any material bank borrowings, although it does enter into leasing arrangements in connection with the use of certain assets, most notably cars.

The group's cash flow statement on page 38 shows that in 1992 cash generated by the operation exceeded the cost of dividends and tax payments by £3.05 million. Capital expenditure, net of the proceeds of the sale of capital items, amounted to £2.69 million. The group received £2.46 million from the sale of operations, and acquired cash through acquisitions which was £2.08 million in excess of their cash cost. The group's own cash resources increased by £4.42 million over the year.

The two acquisitions made early in the year were financed by the issue of new shares to the vendors of these businesses. Some of these shares were immediately placed by the vendors with institutional investors.

As shown in note 31 to the Accounts on page 50, the group issued shares during 1992 with a market value of £37.2 million at the time of issue. The net tangible liabilities of the businesses acquired amounted to £872,000, after making provisions to bring the accounting practices of these businesses into line with those of the group.

The difference between the purchase price and the value of the liabilities acquired was recorded as goodwill, and written off against reserves.

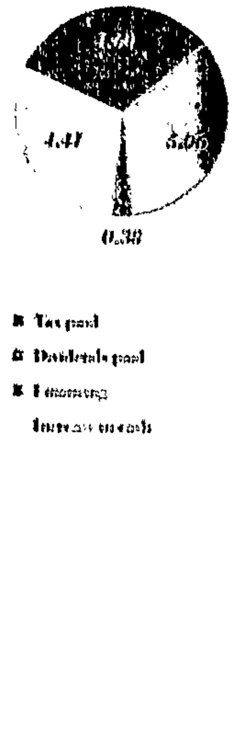
Shareholders' return and value

The group is not capital intensive. It does not have a substantial investment in tangible fixed assets such as property, nor does it have to finance stocks of raw materials or finished products. Thus the total capital employed in the business is relatively modest in relation to profits.

The principal asset of the group, which is not recognised in the balance sheet, is its directors and staff whose efforts are reflected in the generation of revenues and the related processing of business. It is the duty of the group's management to ensure that directors and staff are motivated to produce a return for the owners of the business. Therefore, in addition to the requirement to pay salaries which are competitive within the segments of the insurance industry in which the group operates, it is the group's policy to encourage the development of profitable business by means of offering profit-related remuneration to certain key executives, and by offering participation in share option schemes to directors and staff so as to encourage a community of interest with that of the owners of the group.

It is the group's objective to provide shareholders with a return on their investment, by way of dividends, which increases more rapidly than the underlying rate of inflation in the United Kingdom. As a consequence of the difficult trading environment during 1992 the group did not achieve this target. The proposed maintenance of the dividend compares with inflation, measured by the change in the Retail Price Index during the course of 1992, of 2.6%.

Cash outflow
£m



Principal subsidiaries

	% holding at 31 December 1992
Steel Burrill Jones Limited	
– SBJ Harrison Stuart Limited†	
– SBJ Marine Reinsurance Brokers Limited	
– SBJ North America Limited†	
– SBJ Speciality Limited†	
– Nelson Steavenson Bloodstock Limited	
Meacock Samuelson & Devitt Limited	
– MS&D International Limited	
SBJ Regis Low Holdings Limited	
– SBJ Regis Low Limited	
– SBJ Regis Low (P&I) Limited	75
SBJ Stephenson Group Limited	
– SBJ Stephenson Limited	
– SBJ GL Limited†	
SBJ Financial Services Limited	
– SBJ & Associates Limited	
– SBJ Kingsgate Limited*	
– Martin Perry Associates Limited	52
– Dennis Hunt Risk Management Services Limited	24
Devitt Insurance Services Limited	
– Devitt (D A Insurance) Limited	
– Douglas Cox Tyrie Limited	
SBJ Group Administration Limited	
SBJ Group Properties Limited	

† The group owns shares which entitle it to 100% of the dividends of this company and confer voting control. Executives own shares which, at their option, can at future dates be sold to the group on terms which depend, *inter alia*, on the profits of the company.

*The group owned 35% of the shares in this company at 31 December 1992, but acquired the balance of the capital with effect from 1 January 1993.

All subsidiaries are registered in England and Wales, and all operate in the United Kingdom. All subsidiaries are wholly owned unless otherwise stated.

Five year financial record

	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Turnover	10,403	21,174	33,457	41,002	47,260
Expenses	8,833	19,606	31,026	37,402	43,877
Operating profit	1,570	1,568	2,431	3,600	3,383
Investment and other income	1,836	4,747	6,438	6,833	7,831
Share of results of associates	99	365	572	115	911
Profit on disposal of property	–	324	–	–	–
Profit on sale of operations	–	–	–	412	1,146
Profit on ordinary activities before taxation	3,505	7,004	9,441	10,960	13,271
Taxation	1,385	2,475	3,490	3,919	4,855
Profit on ordinary activities after taxation	2,120	4,529	5,951	7,041	8,416
Profit/(loss) attributable to minority shareholders	94	108	(18)	(33)	48
Profit for the financial year	2,026	4,421	5,969	7,074	8,368
Dividends	1,921	3,197	4,173	4,545	6,160
Retained profit	105	1,224	1,796	2,529	2,208
Earnings per share	10.77p	17.23p	19.17p	20.66p	18.11p
Dividends per share	10.00p	11.00p	12.25p	13.25p	13.25p

In line with the requirements of Financial Reporting Standard 3 of the Accounting Standards Board, the figures for 1988 to 1991 have been restated to classify items previously reported as extraordinary items as part of profit on ordinary activities before taxation.

The figures for 1988 to 1990 have been restated to classify exchange gains or losses as part of turnover rather than investment and other income as previously reported.

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 1992.

Principal activities

The company acts as a holding and management company for a group of companies whose principal activity is that of insurance broking.

Significant group developments

On 6 January 1992 the group acquired the whole of the issued share capital of Regis Low Holdings Limited, now SBJ Regis Low Holdings Limited ('SBJ Regis Low'), for a consideration including expenses of approximately £36.7 million satisfied principally by the issue of 11,775,484 ordinary shares of 10p each in the company. SBJ Regis Low is a holding company for its principal subsidiary, SBJ Regis Low Limited, a Lloyd's broker specialising in the broking of marine and energy-related insurance risks.

On 11 February 1992 the group acquired the whole of the issued share capital of Nelson Steavenson Bloodstock Limited ('NSB') for a consideration including expenses of approximately £1.3 million satisfied principally by the issue of 349,090 ordinary shares of 10p each in the company. The group may be required to pay further consideration calculated by reference to the profits after tax of NSB for the three years ended 31 December 1994. NSB specialises in the wholesale broking of risks related to bloodstock and pets.

On 6 October 1992 the group acquired 100% of the 'A' shares of SBJ GL Limited for a consideration of £360,000, of which £180,000 was paid in cash and £180,000 was satisfied by the issue of 92,310 ordinary shares of 10p each in the company. The executives of that company are beneficially interested in all of the issued 'B' shares and the Articles of Association provide for the sale between 1996 and 2002 of these shares to the group for a consideration calculated by reference to the profits of SBJ GL Limited. SBJ GL Limited acts as agent for the group's wholly owned subsidiary, SBJ Stephenson Limited, in the introduction of professional indemnity and other corporate risks.

On 25 November 1992 the group sold its 21.2% shareholding in Newman Martin and Buchan Limited for £2,455,000 in cash, net of expenses.

On 27 December 1992 the group sold its remaining 15% shareholding in John Lamb Group Limited for a nominal cash consideration.

Review of business and future developments

The group's business and future developments are commented upon in the chairman's statement on pages 4 to 9, and in the operating and financial review on pages 10 to 21.

Results and dividends

The results for the year are shown on page 30.

The directors recommend a final dividend of 9p per share amounting to £1,187,000. Together with the interim dividend of 4.25p per share paid on 5 November 1992 this represents a total dividend of 13.25p per share. After taking account of the proposed reduction in the related tax credit available to shareholders resident in the United Kingdom from 25% to 20%, the total dividend is equivalent to 16.92p (1991: 17.67p) gross per share. Subject to confirmation at the Annual General Meeting to be held on 18 May 1993, the final dividend will be paid on 27 May 1993 to shareholders on the register at the close of business on 23 April 1993.

Retained profit of £2,208,000 (1991: £2,529,000) will be transferred to reserves.

Directors' report

Directors

The names of the persons who were directors of the company at 31 December 1992, together with their interests in and options over the share capital of the company according to the register of directors' interests are listed below. The interests are beneficial unless otherwise indicated. Except for G K Moore, whose interest is noted below, no director held any interest in any other group company.

During the year 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 except for H A Armytage, K D S Grant-Dalton and D H Low who were interested as vendors in the agreement for the acquisition of SBJ Regis Low referred to above.

	Fully paid ordinary shares of 10p each		Options over ordinary shares of 10p each	
Director	1 January 1992	31 December 1992	1 January 1992	31 December 1992
H A Armytage	789,576*	789,576	–*	4,917
W M Barratt	56,845	40,345	121,000	185,917
D Beresford Jones	1,697,914	1,697,914	–	–
non-beneficial	20,000	20,000	–	–
M J Blackburn	–*	–	–*	–
G Boden	322,721	209,310	192,500	297,417
J Davies	81,348	74,500	70,000	130,000
D J Forcey	100,001	75,501	20,000	81,963
non-beneficial	172,334	103,384	–	–
K D S Grant-Dalton	789,578*	789,578	–*	4,917
P Gray	63,895	63,895	40,000	74,917
non-beneficial	53,319	53,319	–	–
J M Horwell	228,234	157,387	–	–
non-beneficial	171,153	102,766	–	–
A J Keys	275,000	240,000	192,500	287,417
D H Low	1,206,516*	1,206,516	–*	4,917
W S C Richards	810,000	814,155	–	–
O H J Stocken	–*	–	–*	–
A A J L Troughton	426,637	150,637	224,200	284,200
non-beneficial	70,000	–	–	–
J D Williams	211,945	208,515	254,100	323,052
J C W Wright	79,777	79,777	213,400	273,400
H J Wynn	327,887	302,887	–	–
non-beneficial	60,000	35,000	–	–

*Interest as at date of appointment.

The non-beneficial shareholding of P Gray represents the shareholding of the Steel Burrill Jones Group Profit Sharing Share Scheme, of which he is a trustee, in which he has no beneficial interest.

The non-beneficial shareholdings of D J Forcey and J M Horwell both represent the shareholding of the Devitt Group Limited Profit Sharing Scheme (1981), of which they are trustees, excluding their own beneficial interests in the scheme.

Directors' report

H A Armytage, K D S Grant-Dalton and D H Low were appointed directors on 6 January 1992, consequent upon the acquisition of SBJ Regis Low. M J Blackburn and O H J Stocken were appointed directors on 16 December 1992.

B J Bell resigned as a director on 14 January 1992 and left the group. G K Moore also resigned as a director on 14 January 1992, but retained his other appointments within the group. G K Moore holds 370 'B' shares of £1 each in SBJ North America Limited. D Beresford Jones resigned as a director on 15 January 1993 on his retirement from the group. A A J L Troughton resigned as a director on 8 February 1993 and left the group. J M Horwell resigned as a director on 31 March 1993 on his retirement from the group.

Between 1 January and 19 March 1993, the non-beneficial shareholdings of D J Forcey and J M Horwell were reduced to 99,275 and 98,657 shares respectively.

Except as described above there have been no other changes to directors' interests in or options over the group's share capital between 1 January 1993 and 19 March 1993.

In accordance with the Articles of Association of the company, W M Barratt, J D Williams and J C W Wright retire by rotation and, being eligible, offer themselves for re-election as directors. A J Keys also retires by rotation but does not offer himself for re-election as a director. M J Blackburn and O H J Stocken offer themselves for reappointment as directors.

W M Barratt, J D Williams and J C W Wright have service contracts which may be terminated on 12 months' notice. M J Blackburn and O H J Stocken do not have service contracts although the terms of their engagement as non-executive directors provide for a term of appointment expiring on 16 December 1995, subject to termination at an earlier date by either party giving three months' notice.

Non-executive directors

W S C Richards, aged 55, joined the board in November 19[illegible] and was appointed chairman in January 1993. He was formerly group financial director of N M Rothschild & Sons Limited having been managing partner of Wedd Durlacher. He is a non-executive director of Telephone Information Services (Holdings) plc, Baillie Gifford Technology plc, Dalkeith Holdings plc, Industrial Control Services Group plc and also holds a number of other non-executive directorships and consultancy appointments. He is chairman of the group's remuneration committee and a member of the group's audit committee.

M J Blackburn, aged 62, was appointed a director in December 1992. He is a chartered accountant and was formerly chairman of the board of Touche Ross. He is chairman of G E I International plc and a non-executive director of Chubb Security plc, J W Spear & Sons plc and of several private companies. He is chairman of the group's audit committee and a member of the group's remuneration committee.

O H J Stocken, aged 51, was appointed a director in December 1992. He is at present finance director of Barclays de Zoete Wedd, the investment banking division of Barclays Bank PLC, with responsibility for finance and personnel, but will shortly become finance director of Barclays Bank PLC. He is a member of the group's audit and remuneration committees.

Code of Best Practice

The directors have reviewed the group's compliance with the Code of Best Practice published by the Cadbury Committee. The directors believe that in most cases the group is in compliance with the principal provisions, and intend to ensure that it is in full compliance as soon as practicable

Directors' report

once the guidelines relating to the required statements on the company's system of internal controls and that the company is a going concern have been finalised. As part of this process two additional non-executive directors have been appointed, the remuneration committee has been strengthened and the audit committee has been formally constituted.

Audit committee

In January 1993 the directors appointed an audit committee which is chaired by M J Blackburn, a non-executive director. The committee also comprises W S C Richards and O H J Stocken, both of whom are non-executive directors. A J Keys in his capacity as finance director and Touche Ross & Co. in their capacity as auditors attend meetings of the committee.

Remuneration committee

In 1989 the directors approved the appointment of a remuneration committee which has been chaired by W S C Richards, the non-executive chairman. Following their appointment to the board, M J Blackburn and O H J Stocken were appointed to the remuneration committee in place of certain executive directors who resigned their appointment. G Boden attends meetings of the committee in his capacity as chief executive. G Boden does not participate in discussion of his own remuneration.

Management Committee

In October 1992 the directors approved the appointment of a management committee which is responsible to the board for the management of the group within the business strategy and objectives set by the board, and within [illegible] budgets approved by the board.

The committee is chaired by G Boden, chief executive. Its initial membership also comprised W M Barratt, J M Hor[illegible], A J Keys, D H Low, A A J L Troughton and H J Wynn. In February 1993, D H Low and A A J L Troughton resigned from the committee and were replaced by K D S Grant-Dalton and J D Williams. In March 1993, on his retirement from the group, J M Hor[illegible] resigned from the committee and was replaced by O J For[illegible].

Profit sharing share schemes

No allocation of funds to the trustees of the Steel Burrill Jones Group Plc Profit Sharing Scheme or the Devitt Group Limited Profit Sharing Scheme (19[illegible]) was made in 1992. It is the current intention of the directors that no further allocations will be made.

Share capital

During the year ended 31 December 1992, 12,216,884 ordinary shares of 10p were issued in connection with the acquisitions of the group's interests in SBJ Regis Low Holdings Limited, Nelson Stevenson Bloodstock Limited and SBJ GL Limited.

Details of outstanding options over the company's shares are set out in Notes 23 and 24 on page 47.

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.

Fixed assets

Details of the principal changes in fixed assets are shown in Notes 12 to 15 on pages 43 to 45.

Directors' report

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.

Charitable donations

During the year ended 31 December 1992, the group made charitable donations of £13,400.

Political donation

During the year ended 31 December 1992 the group made a donation of £5,000 to the Conservative Party following a resolution passed at the Annual General Meeting held in 1992.

Post balance sheet events

With effect from 1 January 1993, pursuant to an agreement dated 25 August 1988 the group acquired 65% of the share capital of Kingsgate Consultancy Holdings Limited ('Kingsgate') for a consideration of £756,000 satisfied by the issue of 311,555 ordinary shares of 10p each in the company. Kingsgate thereby became a wholly owned subsidiary of the group. The group may be required to pay further consideration calculated by reference to the profit after tax of Kingsgate for the four years ending 31 December 1995. Kingsgate is the holding company for its subsidiary SBJ Kingsgate Limited, which is an employee benefits consultant.

On 21 January 1993 the company established the Steel Burrill Jones Group Employee Benefit Trust and the SBJ 1992 Executive Share Option Scheme. Under the terms of the deed establishing the trust, the trustee is empowered to purchase up to 5% of the issued shares of the company. Under the terms of the 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 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 19 March 1993, the trustee had not purchased any shares of the company nor had any options been granted.

Substantial shareholdings

The only shareholders with an interest of 3% or more of the issued share capital of the company which have been notified to the company as at 19 March 1993 are:

Phillips & Drew Fund Management Limited	6.3%
Legal & General Investment Management Limited	4.8%
Abbey Life Investment Services Limited	3.5%
Equity & Law Investment Managers Limited	3.4%
D Beresford Jones	3.1%

Directors' report

Special business at the Annual General Meeting

1 Directors' fees

The company's Articles of Association limit the remuneration of the directors for their services as such to an aggregate of £30,000 or such higher sum as may be approved by the shareholders in general meeting. In complying with the recommendations of the Committee on the Financial Aspects of Corporate Governance, the board has appointed two additional non-executive directors. In addition, W S C Richards has taken on additional duties as a result of his appointment as non-executive chairman of the company. It is therefore necessary to increase the aggregate limit on the payment of directors' fees both in order to remunerate the non-executive directors for their work on behalf of the company and to allow a margin for any additional payments which may arise if their duties prove to be more time consuming than originally envisaged. Accordingly, resolution 9 in the Notice convening the Annual General Meeting on page 54 seeks approval for the aggregate limit on directors' fees to be increased to £250,000.

2 Political donation

A provision for a contribution of £5,000 to the Conservative Party has been included in the results for the year. The directors believe that shareholders should have the opportunity of voting on this issue and accordingly resolution 10 in the Notice convening the Annual General Meeting on page 54 seeks approval for that amount to be paid to the Conservative Party.

3 Steel Burrill Jones Group 1984 Share Option Scheme

The rules of the Steel Burrill Jones Group 1984 Share Option Scheme ("the Scheme") limit the number of ordinary shares over which options can be granted to the lesser of 6.5 million ordinary shares and 10% of the company's issued share capital from time to time. Unexercised options granted under the Scheme, ordinary shares issued under the Scheme on the exercise of options and ordinary shares issued or in respect of which options have been granted under any other scheme providing options or shares for employees of the group are taken into account in calculating the number of shares over which additional options may be granted under the Scheme. Accordingly, any existing shares over which options, if any, are to be granted under the SBJ 1992 Executive Share Option Scheme referred to on page 29 would reduce and possibly eliminate the scope for the grant of options under the Scheme. So too would options granted under any other scheme which have lapsed.

The directors consider that they should be able to grant further options under the Scheme to provide incentives to existing key staff and to attract new individuals capable of adding significantly to the group's business. Resolution 11 in the Notice convening the Annual General Meeting on page 54 proposes amending the rules of the Scheme such that only new shares issued during the preceding ten years or capable of being issued pursuant to options granted during the preceding ten years under the company's schemes will be taken into account in calculating the number of shares over which options may be granted in future. Thus it would be unnecessary to count existing shares which are transferred (rather than new shares issued) to employees, or shares subject to options which have lapsed.

4 Shareholders' pre-emption rights

At last year's Annual General Meeting, a resolution was passed empowering the directors until the conclusion of this year's Annual General Meeting, to allot shares for cash otherwise than in accordance with the pre-emption rights contained in Section 89(1) of the Companies Act 1985.

Directors' report

The directors consider that it would be in the company's interest for a resolution in similar terms to be passed at this year's Annual General Meeting in order for them to be able to take advantage of any opportunity which may arise for future expansion requiring the allotment of shares. The resolution is numbered 12 in the Notice convening the Annual General Meeting on page 54.

This authority will remain effective until the next Annual General Meeting when it is intended that a similar resolution will be proposed to renew it for a further year. Under the terms of this authority, no issue of shares greater than 5% of the issued share capital can be made for cash other than pro rata to existing shareholders without the prior approval of the company in general meeting.

5 Authority for the company to purchase its own shares

At last year's Annual General Meeting a resolution was passed granting the company the authority to purchase its own shares in the market up to a maximum of 10% of the issued share capital at that time, such authority to remain in force for twelve months from the date of that meeting. The directors have not taken advantage of this authority but they consider that such an authority should continue to be available and a resolution in similar terms will be proposed at this year's Annual General Meeting.

The resolution which is numbered 13 in the Notice convening the Annual General Meeting on page 55 proposes that the company be authorised to purchase up to 4,651,943 ordinary shares of 10p each representing 10% of the issued share capital as at 31 December 1992, at a maximum price, exclusive of expenses, of 5% above the average of the middle market quotations for the company's ordinary shares for the ten business days preceding the date of purchase, and a minimum price of 10p, being the nominal value of the ordinary shares. Following any such purchase, the shares purchased will be cancelled by the company.

There is no present intention to exercise this authority, and the directors will only do so when they consider that such a purchase will not lead to a reduction in the group's earnings per share. The authority will expire twelve months from the passing of the resolution when the directors intend to seek renewal of the authority.

Approved by the board
and signed on its behalf
C R S Burrell FCA
Secretary

5 April 1993

2 Minster Court
Mincing Lane
London EC3R 7FT

Statements of responsibilities

Directors' responsibilities for the financial statements

The directors are required under Sections 226 and 227 of the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group as at 31 December 1992 and of the profit or loss for the year then ended. It is also the directors' responsibility, *inter alia*, to maintain adequate accounting records, to safeguard the assets of the company and of the group and to prevent and detect fraud and other irregularities.

The directors confirm that suitable accounting policies have been used in the preparation of the financial statements, and that they are consistently applied and supported by reasonable and prudent judgments and estimates. The directors also confirm that applicable accounting standards have been followed.

Statement by the Auditors on their reporting responsibilities

It is our responsibility to form an independent opinion, based on our audit, on whether the annual financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and to report our opinion to the members. In addition, the Companies Act 1985 requires us to state in our report if, in our opinion:

— the contents of the directors' report are inconsistent with the financial statements;

— proper accounting records have not been kept by the company or proper returns adequate for our audit have not been received from branches not visited by us;

— the company's individual accounts are not in agreement with the accounting records and returns;

— we are unable to obtain all the information and explanations which to the best of our knowledge and belief are necessary for the purpose of our audit.

We are required to give, as far as we are reasonably able to do so, a statement giving the required particulars if the requirements of Schedule 6 of the Companies Act 1985 (which relate to disclosure of emoluments and other benefits of directors and others) are not complied with in the financial statements.

We are also required to perform our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes the examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We plan and perform our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient, reliable and relevant evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluate the overall adequacy of the presentation of information in the financial statements.

Auditors' report

Auditors' report to the members of Steel Burrill Jones Group plc

We have audited the financial statements on pages 22 and 34 to 53 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1992 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co

Touche Ross & Co.
Chartered Accountants
and Registered Auditor

5 April 1993

Peterborough Court
133 Fleet Street
London EC4A 2TR

Accounting policies

Accounting convention

The group's accounts 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 made up to 31 December 1992 and its share of the results and post-acquisition reserves of associated undertakings.

The financial statements include the results of subsidiaries and associates acquired during the year from the relevant dates of acquisition.

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

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

Associates are those companies in which the group's interest is not less than 20%. There are no related undertakings other than those which are associates. The share of results and the net assets of associates are taken from the latest audited accounts, adjusted where necessary by reference to unaudited management figures for subsequent periods up to 31 December.

Turnover

Net retained brokerage is generally credited when the insured or reinsured 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 an 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 10% to 25% per annum. Leased fixtures, equipment and vehicles are depreciated on a straight line basis over the primary period of the lease, which is usually three years.

Taxation

The charge for taxation is based on the profit for the year, at current rates of tax, and takes into account deferred taxation. Deferred taxation is provided at the anticipated tax rates on 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 brokerage, investment income and expenses have been translated into sterling for inclusion in the profit and loss account at the rates of exchange ruling at the end of the month in which the transaction occurred.

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. The rate of exchange for the US dollar at 31 December 1992 was £1 = $1.51 (31 December 1991: £1 = $1.87).

Gains and losses arising from foreign exchange transactions are included in turnover. Contracts for the future sale of foreign currency are accounted for on maturity.

Insurance debtors and creditors

The group's subsidiaries act as agents in the broking of the insurance and reinsurance business of their clients. In general, the group's subsidiaries are not liable as principal for premiums due to underwriters or for claims due to clients. However, the group has followed generally accepted accounting practice and has included debtors, creditors, cash and investment balances relating to such insurance and reinsurance businesses within the assets and liabilities of the group.

In the normal course of business, settlement is required to be made with certain markets, market settlement bureaux or insurance intermediaries on the basis of the net balance due to or from that market, bureau or intermediary, rather than the amounts due to or from individual entities for whom they act. Insurance debtors and creditors reflect this basis of settlemen

Subsidiaries and associates

Investments in subsidiaries and associates 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 amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised in equal annual amounts over the period of the lease.

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.

Consolidated profit and loss account

	Notes	Continuing operations £000	Acquisitions £000	Total 1992 £000	Total 1991 £000 (restated)
Turnover	1,2	35,699	11,561	47,260	41,002
Expenses	2,3	34,459	9,418	43,877	37,402
Operating profit		1,240	2,143	3,383	3,600
Investment and other income	2,6	6,758	1,073	7,831	6,833
Share of results of associates		911	–	911	115
Profit on sale of operations	7	1,146	–	1,146	412
Profit on ordinary activities before taxation	1,2	10,055	3,216	13,271	10,960
Tax on profit on ordinary activities	8			4,855	3,919
Profit on ordinary activities after taxation				8,416	7,041
Profit/(loss) attributable to minority shareholders				48	(33)
Profit for the financial year	9			8,368	7,074
Dividends	11			6,160	4,545
Retained profit for the financial year	26			2,208	2,529
Earnings per share	10			18.11p	20.66p

The group has no recognised gains and losses other than the profit for the financial year.

The comparative figures for 1991 have been restated to comply with Financial Reporting Standard 3 issued by the Accounting Standards Board.

Balance sheets

	Notes	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Fixed assets					
Tangible assets	12	8,397	7,071	77	121
Investment in subsidiaries	13	–	–	45,444	10,706
Investment in associates	14	134	589	–	95
Other fixed asset investments	15	584	595	553	582
		9,115	8,255	46,074	11,504
Current assets					
Debtors	17	188,508	127,190	5,893	5,686
Investments	18	42,951	35,507	–	–
Cash at bank		38,231	38,983	4,309	1,164
		269,690	201,680	10,202	6,850
Creditors: amounts falling due within one year	19	265,005	196,374	10,412	7,753
Net current assets/(liabilities)		4,685	5,306	(210)	(903)
Total assets less current liabilities		13,800	13,561	45,864	10,601
Creditors: amounts falling due after more than one year	20	553	674	–	–
Provisions for liabilities and charges	21	284	41	–	–
Minority interests		109	92	–	–
		12,854	12,754	45,864	10,601
Capital and reserves					
Called up share capital	22	4,652	3,430	4,652	3,430
Share premium account	25	2,769	2,598	2,769	2,598
Reserves	26	5,433	6,726	38,443	4,573
	27	12,854	12,754	45,864	10,601

Approved by the board on 5 April 1993
and signed on its behalf

W S C Richards

Consolidated cash flow statement

	Notes	£000	1992 £000	£000	1991 £000
Net cash inflow from operating activities	30		5,248		5,972
Returns on investment and servicing of finance					
Interest received		7,586		6,640	
Interest element of finance lease rentals		(127)		(127)	
Dividends paid		(5,060)		(4,273)	
Net cash inflow from returns on investments and servicing of finance			2,399		2,240
Taxation					
Corporation tax paid			(4,595)		(2,344)
Investing activities					
Purchase of tangible fixed assets		(3,001)		(2,834)	
Sale of tangible fixed assets		319		359	
Purchase of fixed asset investments		(5)		(429)	
Sale of operations		2,455		890	
Repayment of loans from associates		—		150	
Purchase of subsidiaries (net of cash acquired)	31	2,076		(595)	
Deferred consideration		(74)		—	
Investment in associates		(28)		—	
Net cash inflow/(outflow) from investing activities			1,739		(2,459)
Net cash inflow before financing			4,791		3,409
Financing					
Capital element of finance lease rentals		(376)		(264)	
Issue of ordinary share capital		—		367	
Net cash inflow/(outflow) from financing			(376)		103
Increase in cash and cash equivalents	32,33		4,415		3,512

Notes to the financial statements

1 Analysis of turnover and profit

	1992 £000	1991 £000
Turnover by activity:		
– Reinsurance broking	11,048	16,596
– Wholesale insurance broking	18,246	8,130
– Retail insurance broking and consultancy	16,699	15,770
– Exchange gains	1,267	506
	47,260	41,002
Turnover by location of client:		
– United Kingdom	32,033	30,347
– United States of America	9,074	5,516
– Other	4,886	4,633
– Exchange gains	1,267	506
	47,260	41,002

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 class of business, namely insurance broking.

Whilst it is possible to provide the analysis of turnover shown above, the spread of certain clients' activities across more than one area of activity, the nature of the group's accounting relationships with clients and underwriters, the centralisation of the group's administration and treasury functions and the level of unallocated holding company costs means that profitability by activity cannot be accurately identified.

2 Contribution from acquisitions

The contribution to 1992 results from acquisitions derives from the results of SBJ Regis Low Holdings Limited ('Regis Low'), which was acquired with effect from 6 January 1992 and the results of Nelson Stevenson Bloodstock Limited ('NSB'), which was acquired with effect from 11 February 1992.

In the financial year to 30 September 1991 Regis Low made a profit before tax of £4,6[illegible]7,000. In the period from 1 October 1991 to the date of acquisition Regis Low made a profit before tax of £972,000.

In the nine months to 31 December 1991 NSB suffered a loss before tax of £78,000. In the period from 1 January 1992 to the date of acquisition NSB made a profit before tax of £7[illegible],000.

Notes to the financial statements

3 Expenses

	1992 £000	1991 £000
Staff costs, including directors' remuneration:		
– wages and salaries	21,289	18,930
– social security costs	2,032	1,696
– other pension costs	1,999	1,928
	25,320	22,554
Depreciation of owned tangible fixed assets	2,277	1,752
Depreciation of leased tangible fixed assets	297	278
Operating lease rentals on land and buildings	2,629	1,940
Operating lease rentals on fixtures, equipment and vehicles	279	587
Audit fee	137	118
Interest payable on finance leases	127	127
Other trading expenses	12,811	10,046
	43,877	37,402

The auditors received £[illegible],000 (1991: £108,000) for non-audit work.

4 Directors' remuneration

The remuneration of the executive directors is determined by the remuneration committee of the board described on page 28. In the case of certain directors, remuneration includes an element related to the profits of the group and certain subsidiaries.

	1992 £000	1991 £000
Directors' remuneration, including pension contributions	2,835	3,054
The 1992 total includes £80,486 paid to a former director.		
The directors' remuneration includes amounts paid to:		
The chairman – remuneration	87	166
– pension contributions	–	6
The highest paid director, including pension contributions		
– remuneration	170	354
– pension contributions	92	88

The number of other directors who received remuneration excluding pension contributions in the following ranges were:

	1992 number	1991 number		1992 number	1991 number
£ Nil – £ 5,000	3	1	£145,001 – £150,000	1	–
£ 35,001 – £ 40,000	–	1	£150,001 – £155,000	2	–
£ 60,001 – £ 65,000	1	–	£185,001 – £190,000	1	–
£ 85,001 – £ 90,000	–	1	£190,001 – £195,000	2	2
£ 95,001 – £100,000	1	–	£195,001 – £200,000	1	–
£115,001 – £120,000	–	1	£210,001 – £215,000	–	1
£120,001 – £125,000	1	1	£220,001 – £225,000	1	–
£125,001 – £130,000	1	–	£245,001 – £250,000	–	1
£130,001 – £135,000	–	1	£305,001 – £310,000	–	1
£135,001 – £140,000	1	1	£310,001 – £315,000	–	1

W S C Richards [illegible] £30,000 (1991: £35,000) for management services provided by Mr Richards to the group.

Notes to the financial statements

5 Analysis of employees

	1992 number	1991 number
The average number of persons employed by the group during the year was as follows:		
Management and administration	222	213
Broking and technical	616	542
Total	838	755

The analysis of the 1991 number has been restated to conform with the basis adopted for 1992.

6 Investment and other income

	1992 £000	1991 £000
Interest income	3,243	[illegible],154
Income from listed fixed interest investments	3,412	2,019
Profit on sale of listed fixed interest investments	980	593
Rent receivable	196	37
	7,831	6,833

7 Profit on sale of operations

	1992 £000	1991 £000
Profit on sale of operations	1,146	220
Further consideration arising from sale of Crockford Devitt Underwriting Agencies Limited	–	192
	1,146	412

The profit on sale of operations in 1992 is stated after deducting goodwill of £280,000 (1991: £137,000) previously written off directly against reserves, relating to the sale of the group's interest in Newman Martin and Buchan Limited and the remaining interest in John Lamb Group Limited.

8 Tax on profit on ordinary activities

	1992 £000	1991 £000
United Kingdom Corporation tax at 33.0% (1991: 33.25%)	4,319	3,665
Adjustments for prior years	(283)	(371)
Deferred taxation (Note 20)	396	593
Associates	393	32
	4,835	3,919

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

Notes to the financial statements

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9 Profit for the financial year

Of the figure of £8,368,000 (1991: £7,074,000) shown in the consolidated profit and loss account, £4,221,000 (1991: £4,511,000) has been dealt with in the financial statements of Steel Burrill Jones Group plc.

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10 Earnings per share

Basic earnings per share is calculated by apportioning the profit for the financial year of £8,368,000 (1991: £7,074,000) over the weighted average number of shares in issue during the year of 46,216,000 (1991: 34,236,000). Fully diluted earnings per share has not been shown as the effect of dilution is not material.

As detailed in Note 38, the group may be required to pay deferred consideration in respect of certain acquisitions and to purchase shares in certain subsidiaries on a basis related to the profits of these subsidiaries. In certain cases the basis also refers to the valuation accorded to the company's shares in the stockmarket. The earliest date at which the company may be required to purchase shares is April 1993. The following two paragraphs illustrate firstly the effect on earnings per share if profits in the relevant subsidiaries which were part of the group at 31 December 1992 remain at their 1992 levels and secondly, the effect if they achieve the best estimate of their future profits.

If the profits of these subsidiaries were to remain at the level of the profits earned in 1992, the maximum consideration payable to the other shareholders would amount to £1.9 million. Were this consideration to be satisfied by the issue of shares at the share price prevailing when this document went to press, then 807,000 shares would be required to be issued. Notional basic earnings per share for 1992, on the basis of this increase in capital, would be approximately 17.9p.

The best estimate of the consideration which will be payable to other shareholders is £5.3 million in addition to the initial consideration of £756,000 paid in April 1993 for the acquisition of full ownership of Kingsgate Consultancy Holdings Limited. For this to be payable, aggregate profits before tax of the companies concerned would be some £[illegible] million higher than those achieved in 1992. Were the consideration of £5.3 million to be satisfied by the issue of shares at the price prevailing when this document went to press, then [illegible] million shares would be required to be issued. Notional basic earnings per share for 1992, adjusting for the additional profits and shares issued and to be issued, would be approximately [illegible]p.

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11 Dividends

	1992 £000	[illegible] £000
Interim paid 4.25p per share (1991: 4.25p)	1,973	[illegible]
Final proposed [illegible] per share (1991: [illegible])	4,187	[illegible]
Total paid and proposed [illegible] per share (1991: [illegible])	6,160	[illegible]

Notes to the financial statements

12 Tangible fixed assets

The group	Land and buildings short leasehold £000	Fixtures equipment and vehicles £000	Leased fixtures equipment and vehicles £000	Total £000
Cost				
At 1 January 1992	2,766	10,027	1,223	14,016
Additions	1,294	1,710	407	3,411
Acquisition of subsidiaries	275	1,811	156	2,242
Disposals	(242)	(2,300)	(231)	(2,773)
At 31 December 1992	4,093	11,248	1,555	16,896
Depreciation				
At 1 January 1992	838	5,742	365	6,945
Acquisition of subsidiaries	353	957	91	1,401
Charge for the year	392	1,879	303	2,574
Disposals	(242)	(2,022)	(157)	(2,421)
At 31 December 1992	1,341	6,556	602	8,499
Net book value				
At 31 December 1992	2,752	4,692	953	8,397
At 31 December 1991	1,928	4,285	858	7,071

The company	Fixtures equipment and vehicles £000
Cost	
At 1 January 1992	27[illegible]
Additions	23
Transfers from other group companies	50
Disposals	(40)
At 31 December 1992	305
Depreciation	
At 1 January 1992	131
Charge for the year	66
Transfers from other group companies	32
Disposals	(21)
At 31 December 1992	228
Net book value	
At 31 December 1992	77
At 31 December 1991	121

Notes to the financial statements

13 Investment in subsidiaries

The company	Investments £000	Loans £000	Total £000
Cost			
At 1 January 1992	45,863	612	46,475
Additions	37,730	292	38,022
Transfers	(1,120)	–	(1,120)
Disposals	(21,381)	–	(21,381)
At 31 December 1992	61,092	904	61,996
Less: provisions for diminution in value			
At 1 January 1992	35,697	72	35,769
Further provisions	780	–	780
Disposals	(19,997)	–	(19,997)
At 31 December 1992	16,480	72	16,552
Net book value			
At 31 December 1992	44,612	832	45,444
At 31 December 1991	10,166	540	10,706

Particulars of the principal subsidiaries are set out on page 22

Disposals in 1992 relate to the members' voluntary liquidation of certain dormant companies including Devat Group Limited

14 Investment in associates

The group	Total £000
Cost less amounts written off	
At 1 January 1992	45
Additions	28
Disposals	(2)
At 31 December 1992	71
Share of post acquisition retained earnings	
At 1 January 1992	541
For the year	518
Disposals	(996)
At 31 December 1992	63
Net book value	
At 31 December 1992	134
At 31 December 1991	586

The company	Total £000
Cost	
At 1 January 1992	95
Disposals	(95)
At 31 December 1992	–

Notes to the financial statements

15 Other fixed asset investments

	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Unlisted investments at cost	569	579	550	579
Listed investments at cost	3	3	3	3
Lloyd's broking deposit	12	13	–	–
	584	595	553	582

16 Insurance broking assets and liabilities

The Lloyd's broking companies in the group have 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 1992 totalled £187,301,000 (1991: £154,134,000). The charge only becomes enforceable under certain circumstances set out in the deed. The assets subject to this charge totalled £194,389,000 (1991: £158,630,000).

17 Debtors

	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Amounts due within one year				
Insurance debtors	185,264	124,070	–	–
Amounts owed by subsidiaries	–	–	5,831	5,424
Amounts owed by associates	150	10	–	–
Other debtors	681	735	30	245
Prepayments and accrued income	2,413	2,375	32	17
	188,508	127,190	5,893	5,686

18 Current asset investments

	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Listed fixed interest investments at cost	12,951	26,623	–	–
Unlisted fixed interest investments at cost	–	8,384	–	–
	12,951	35,007	–	–

The market value of listed fixed interest investments of the group at 31 December 1992 was £14,29[illegible],000 (1991: £27,301,000).

Notes to the financial statements

19 Creditors: amounts falling due within one year

	Group		Company	
	1992 £000	1991 £000	1992 £000	1991 £000
Insurance creditors	241,236	180,768	–	–
Obligations under finance leases	402	318	–	–
Amounts owed to subsidiaries	–	–	4,311	4,087
Amounts owed to associates	–	20	–	–
Corporation tax	5,121	3,209	583	–
Other taxation	736	911	–	26
Other creditors	4,333	876	913	137
Accruals and deferred income	7,991	7,185	419	416
Proposed dividend	4,186	3,087	4,186	3,087
	263,005	196,374	10,412	7,753

20 Creditors: amounts falling due after more than one year

	Group	
	1992 £000	1991 £000
Obligations under finance leases		
– between one and two years	360	330
– between two and five years	193	268
	553	598
Deferred consideration	–	76
	553	674

21 Provisions for liabilities and charges

	Group	
	1992 £000	1991 £000
Deferred taxation		
At 1 January	11	(552)
Movement during the year	396	563
Acquisition of subsidiaries	(153)	–
At 31 December	284	11
The balance comprises the effect of timing differences arising on:		
Excess of depreciation over capital allowances	(115)	(100)
Income not receivable	399	228
Trading losses		(117)
	284	11

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

Notes to the financial statements

22 Called up share capital

	Authorised capital £000	Issued capital £000	Ordinary shares of 10p issued and fully paid
At 1 January 1992	6,500	3,430	34,302,546
Issued in connection with acquisitions	–	1,222	12,216,884
At 31 December 1992	6,500	4,652	46,519,430

Since 31 December 1992, 311,555 shares have been issued in connection with the acquisitions referred to in Note 40.

23 The 1984 Share Option Scheme

The 1984 Share Option Scheme permits the grant of options during a period of ten years from 15 May 1984 to any full time employee of a company in the group, including directors. At 31 December 1992 options over 3,872,793 shares (1991: 2,909,950) were outstanding under the scheme as follows:

Date of offer	Number of shares	Option price	Exercise period
13 May 1985	20,000	181p	13 May 1990 – 12 May 1995
4 October 1985	135,000	202p	4 October 1990 – 3 October 1995
17 April 1987	260,000	235p	17 April 1992 – 16 April 1997
19 April 1988	229,950	162p	19 April 1993 – 18 April 1998
26 April 1988	286,700	184p	26 April 1993 – 25 April 1998
1 July 1988	395,500	197p	1 July 1993 – 30 June 1998
8 September 1988	4,500	213p	8 September 1993 – 7 September 1998
3 May 1989	10,000	221p	3 May 1994 – 2 May 1999
12 June 1989	856,000	234p	12 June 1994 – 11 June 1999
8 May 1990	20,000	270p	8 May 1995 – 7 May 2000
28 September 1990	511,000	229p	28 September 1995 – 27 September 2000
16 January 1992	1,144,143	308p	16 January 1997 – 15 January 2002

Between 31 December 1992 and 19 March 1993, options over 338,900 shares lapsed.

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

At 19 March 1993, options over 3,533,893 shares were outstanding under the scheme.

24 Savings-Related Share Option Scheme 1991

All full time employees with at least one year's service are eligible to participate in the company's Savings-Related Share Option Scheme. Options over 503,584 ordinary shares in aggregate were granted on 21 January 1992 to 287 employees at an exercise price of 241p. Such options may be exercised from 1 March 1997.

Options over 42,093 ordinary shares lapsed in the course of the year so that at 31 December 1992 options over 461,491 ordinary shares were outstanding.

Between 31 December 1992 and 19 March 1993, options over a further 17,3[illegible]2 ordinary shares lapsed.

Notes to the financial statements

25 Share premium account

	Group		Company	
	1992	1991	1992	1991
	£000	£000	£000	£000
At 1 January	2,598	2,249	2,598	2,249
Arising from issue of shares	171	349	171	349
At 31 December	2,769	2,598	2,769	2,598

26 Reserves

	Group		Company	
	1992	1991	1992	1991
	£000	£000	£000	£000
Non-distributable – merger reserve				
At 1 January	–	–	2,080	2,080
Arising from acquisitions	35,810	–	35,810	–
Goodwill written off (Note 29)	(35,810)	–	–	–
At 31 December	–	–	37,890	2,080
Distributable				
Profit and loss account				
At 1 January	6,726	4,655	2,493	2,527
Retained profit for the year	2,208	2,529	(1,940)	(34)
Goodwill written off (Note 29)	(3,781)	(595)	–	
Goodwill written back (Note 7)	280	137	–	–
At 31 December	5,433	6,726	553	2,493
Total reserves	5,433	6,726	38,443	4,573

Goodwill of £81,451,000 (1991: £41,860,000) has been written off against group reserves since the group's formation.

27 Reconciliation of movement in shareholders' funds

	1992	1991
	£000	£000
Profit for the financial year	8,368	7,074
Dividends	(6,160)	(4,545)
	2,208	2,529
New share capital subscribed	1,393	367
Creation of merger reserve	35,810	–
Net goodwill written off	(39,311)	(458)
Net addition to shareholders' funds	100	2,438
Shareholders' funds at the beginning of the year	12,754	10,316
Shareholders' funds at the end of the year	12,854	12,754

Notes to the financial statements

28 Acquisitions

On 6 January 1992 the group acquired the whole of the issued capital of Regis Low Holdings Limited, now SBJ Regis Low Holdings Limited ('Regis Low') for a consideration of £36.67 million including acquisition expenses. The group issued 11,403,484 10p ordinary shares at a premium of 296p per share and 372,000 shares at a premium of 275p per share. Under the merger relief provisions of Section 131 of the Companies Act 1985, this premium is a non-distributable reserve against which goodwill arising can be written off. The value of net assets in the books of Regis Low at the date of acquisition was £1.48 million.

On 11 February 1992 the group acquired the whole of the issued share capital of Nelson Steavenson Bloodstock ('NSB') for a consideration of £1.31 million, including acquisition costs. The group issued 349,090 10p ordinary shares at a premium of 296p per share to which merger relief similarly applies. The value of the net assets in the books of NSB at the date of acquisition was £67,000.

The following table sets out the adjustments to the value of the assets to a figure of fair value to the group of net liabilities of £887,000. These acquisitions gave rise to goodwill of £38.87 million which has been written off against merger reserve and retained profits (Note 26).

	Original balance sheet £000	Revaluation £000	Accounting policy alignment £000	Other provisions £000	Fair value to the group £000
Net assets acquired					
Tangible fixed assets	1,023	–	–	(182)	841
Debtors	1,687	–	–	(76)	1,611
Cash and investments	18,501	(249)	–	–	18,252
Creditors	(5,267)	103	(962)	(1,058)	(7,184)
Net insurance creditors	(14,465)	(63)	–	(32)	(14,560)
Provision for liabilities and charges	63	–	(93)	183	153
	1,542	(209)	(1,055)	(1,165)	(887)

The following adjustments have been made in arriving at fair value:

Revaluation:
Certain balance sheet items in dollar currencies have been revalued at the rate of exchange ruling at the completion dates.

Accounting policy alignment:
These adjustments include the creation of provisions for future claims handling costs and changes to depreciation policies to bring them into line with that of the group.

Other provisions:
These provisions cover redundancy costs incurred as a consequence of the acquisitions, provisions for the run-off of business which ceased as a consequence of the acquisitions, the cost of premises relocation and additional provisions against doubtful debts.

Notes to the financial statements

29 Goodwill on acquisitions

The acquisitions of SBJ Regis Low Holdings Limited and Nelson Stevenson Bloodstock Limited gave rise to goodwill of £38,867,000, of which £35,810,000 has been written off against merger reserve. The balance, together with goodwill of £724,000 arising from the acquisition of 100% of the 'A' shares of SBJ GL Limited and a second payment in connection with the acquisition in 1991 of the business of Cameron-Rose (Insurance Brokers) Limited, has been written off against distributable reserves.

30 Reconciliation of operating profit to net cash inflow from operating activities

		1992		1991
	£000	£000	£000	£000
Operating profit		3,383		3,600
Depreciation of owned tangible fixed assets	2,277		1,752	
Depreciation of leased tangible fixed assets	297		278	
Loss/(profit) on sale of tangible fixed assets	33		(20)	
Interest paid (included in expenses)	127		127	
Decrease in non-insurance debtors	1,754		590	
Decrease in non-insurance investments	–		218	
Decrease in non-insurance creditors	(2,623)		(573)	
		1,865		2,372
Net cash inflow from operating activities		5,248		5,972

31 Purchase of subsidiaries

	1992 £000	1991 £000
Net tangible assets/(liabilities) acquired	(872)	25
Goodwill acquired	39,591	595
Total consideration	38,719	620
Satisfied by:		
shares	37,203	–
cash	1,516	620
	38,719	620
Cash consideration	1,516	620
Less: cash acquired	(3,592)	(25)
Purchase of subsidiaries (net of cash acquired)	(2,076)	595

32 Analysis of changes in cash and cash equivalents during the year

	1992 £000	1991 £000
At 1 January	16,835	13,323
Net cash inflow	4,415	3,512
At 31 December (Note 33)	21,250	16,835

Notes to the financial statements

33 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1992 £000	1991 £000	Change in 1992 £000
Cash at bank and in hand	38,231	38,983	(752)
Less: cash held to meet insurance obligations	(16,981)	(22,148)	5,167
	21,250	16,835	4,415

Of the group's own cash resources of £21,250,000 at 31 December 1992, £808,000 was required to be kept in the group's insurance broking acccounts with approved banking institutions to satisfy solvency requirements of those subsidiaries registered as Lloyd's brokers.

34 Analysis of changes in financing during the year

	Share capital (including share premium) £000	Loans and finance lease obligations £000
At 1 January 1992	6,028	916
Cash inflow/(outflow) from financing	1,393	(376)
New finance lease contracts	–	407
Lease obligations of subsidiaries acquired during the year	–	7
At 31 December 1992	7,421	954

35 Capital commitments

	1992 £000	1991 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	110	143
Capital expenditure authorised by the directors which has not been contracted for	–	–

36 Pension commitments

The group operates a number of pension schemes for its employees, all of which operated on a defined contribution basis in 1992. 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 £1,999,000 (1991: £1,846,000).

37 Forward sale of currency

At 31 December 1992 the group had entered into contracts for the forward sale of US$40.5 million between January 1993 and July 1994 at an average rate of US$1.65 to the pound.

Notes to the financial statements

38 Deferred consideration

In 1988 the group acquired a 35% interest in Kingsgate Consultancy Holdings Limited ('Kingsgate'). The balance of the capital was owned by its management. The group undertook to purchase the balance of the share capital from its holders with effect from 1 January 1993. An initial consideration of £756,000 was paid in April 1993, which was satisfied by the issue of 311,555 new shares in the company. Further consideration is payable in 1996 related to the profits of Kingsgate.

In 1989 the group acquired all the 'A' shares in SBJ North America Limited ('North America') which entitle the group to receive all dividends declared or paid by North America. The 'B' shares in North America are owned by its management. The group undertook to purchase all the 'B' shares, at the option of the holders, in the years 1993 to 2000 inclusive, the consideration payable being related to the profits of North America.

In 1990 the group acquired all the 'A' shares in SBJ Speciality Limited ('Speciality') which entitle the group to receive all dividends declared or paid by Speciality. The 'B' shares in Speciality are owned by its management. The group undertook to purchase all the 'B' shares, at the option of the holders, in the years 1994 to 2000 inclusive, the consideration payable being related to the profits of Speciality, with an upper limit.

In 1990 the group subscribed for 52,000 ordinary shares in Martin Perry Associates Limited ('MPA') and the group granted options to the holders of the remaining 48,000 ordinary shares in MPA to sell their shares to the group for a consideration, payable in 1994 and 1996, related to the profits of MPA, with an upper limit.

In 1991 the group acquired all of the 'A' shares in SBJ Harrison Stuart Limited ('Harrison Stuart'), which entitle the group to receive all dividends declared or paid by Harrison Stuart. The 'B' and 'C' shares of Harrison Stuart are owned by its management and related trusts. The group undertook to purchase all the 'B' and 'C' shares, at the option of the holders, in the years 1997 to 2003 inclusive, the consideration payable being related to the profits of Harrison Stuart, with an upper limit.

In 1991 the group acquired the business of Cameron-Rose (Insurance Brokers) Limited. In relation to this acquisition, the company undertook to pay deferred consideration in October 1993 and October 1994 calculated by reference to the brokerage income of the business. The amounts payable in each year are subject to an upper limit.

In 1991 the group acquired a 24% interest in Dennis Hunt Risk Management Services Limited ('DHRMS'). The balance of the capital is owned by the management of DHRMS. The group was granted an option to increase its interest to 51% before April 1995 for a nominal consideration. The group undertook to purchase the balance of the share capital from its holders, at their option, on terms related to the profits of DHRMS in the years 1996 to 2001 inclusive, with an upper limit.

Consequent upon the acquisition of the whole of the issued capital of SBJ Regis Low Holdings Limited in 1992, the group owns 75% of the share capital of SBJ Regis Low (P & I) Limited. The balance of the share capital is owned by its management. The group has undertaken to purchase these shares at the option of the holders in the years 1995 to 1997, the consideration being related to the profits of SBJ Regis Low (P & I) Limited, with an upper limit.

In 1992 the group acquired the whole of the issued share capital of Nelson Stevenson Bloodstock Limited ('NSB'). The group may be required to pay further consideration in 1995 calculated by reference to the profits of NSB, with an upper limit.

Notes to the financial statements

38 Deferred consideration continued

In 1992, the group acquired all of the 'A' shares in SBJ GL Limited ("GL"), which entitle the group to receive all dividends declared or paid by GL. The 'B' shares in 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, in the years 1996 to 2002 inclusive, the consideration being related to the profits of GL, with an upper limit.

As indicated in Note 10, the best estimate of the consideration which will require to be paid as deferred consideration or in connection with the acquisition of other shareholders' interests in the above companies is £5.3 million. This amount can be settled either by the issue of shares or in cash, at the option of the group. No provision for this cost is made in these financial statements.

39 Contingent liabilities

The group has provided guarantees of £200,000 to an associate as security for facilities provided by third parties and a £50,000 rent guarantee on a property formerly occupied by a subsidiary. The group has given counter guarantees of guarantees provided by banks in relation to the underwriting membership of Lloyd's of 2 employees, and 7 former employees, totalling £205,000.

Under a cooperation and revenue sharing arrangement with another Lloyd's broking group entered into in February 1992, the group may be required in certain circumstances to pay sums totalling £1 million over the three years 1994 to 1996, irrespective of the income which is subject to the agreement.

40 Post balance sheet events

With effect from 1 January 1993, pursuant to an agreement dated 25 August 1988, the group acquired 45% of the share capital of Kingsgate Consultancy Holdings Limited ('Kingsgate') for a consideration of £756,000 satisfied by the issue on 1 April 1993 of 311,555 ordinary shares of 10p each in the company. Kingsgate thereby became a wholly owned subsidiary of the group. As set out in Note 38, the group may be required to pay further consideration in 1996 calculated by reference to the profits of Kingsgate.

41 Operating lease commitments

Certain subsidiaries have entered into operating lease arrangements. The rentals payable in 1993 under these leases are as follows:

	Land and buildings £000	Other £000	Total £000
Operating leases:			
Expiring within one year	47	190	237
Expiring after one year and within five years	15	100	115
Expiring in five or more years	2,116	3	2,119
	2,178	293	2,471

Notice of meeting

Notice is hereby given that the Annual General Meeting of Steel Burrill Jones Group plc will be held at The Library, Trinity House, Tower Hill, London EC3N 4DH on Tuesday, 18 May 1993 at 11am for the following purposes:

As ordinary business:

To consider and, if thought fit, pass each of the following resolutions as ordinary resolutions:

1 To receive and adopt the directors' report and the financial statements for the year ended 31 December 1992.

2 To declare a final dividend for 1992 of 9p per ordinary share.

3 To re-elect W M Barratt as a director.

4 To re-elect J D Williams as a director.

5 To re-elect J C W Wright as a director.

6 To reappoint M J Blackburn as a director.

7 To reappoint O H J Stocken as a director.

8 To reappoint Touche Ross & Co. as auditors and to authorise the directors to fix their remuneration.

As special business:

To consider and if thought fit pass the following resolutions, of which resolutions 9, 10 and 11 will be proposed as ordinary resolutions and resolutions 12 and 13 as special resolutions:

Ordinary resolutions:

9 To approve an increase in the maximum limit on the remuneration of the directors for their services as such from the sum of £30,000 in aggregate specified in Article 85 of the company's Articles of Association to £250,000 in aggregate.

10 To approve a contribution of £5,000 to the Conservative Party.

11 That:

subject to obtaining the approval of the Board of the Inland Revenue under Schedule 9 of the Income and Corporation Taxes Act 1988, the amendments to the Steel Burrill Jones Group 1984 Share Option Scheme incorporated in the draft revised rules of the said Scheme submitted to the meeting and subscribed by the chairman be and are hereby approved and the directors be and they are hereby authorised to make such further amendments to the draft revised rules as may be necessary to obtain such Inland Revenue approval.

Special resolutions:

12 That:

(i) pursuant to the authority conferred by the passing of the resolution numbered 13 set out in the Notice convening the Annual General Meeting of the company held on 19 May 1992 the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (as defined in Section 94(2) of the Act) as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders and holders of any other shares or securities of the company that by their terms are entitled to participate in such rights issue where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them or into which their shares or

Notice of meeting

Special resolutions continued

securities are to be deemed converted in calculating the extent of their participation but subject to such exclusions as the directors may deem fit to deal with fractional entitlements or problems arising in respect [illegible] shareholder resident in an overseas territory; and

(b) the allotment [illegible] than pursuant to sub-paragraph (i)(a) of this resolution) of equity securities up to an aggregate nominal value of £232,597, being not more than 5% of the nominal amount of the issued ordinary share capital of the company at the date of the Notice convening this Meeting;

(ii) the power hereby conferred shall expire automatically on the conclusion of the next Annual General Meeting following the date of this resolution or if sooner, fifteen months from the date of this resolution or on such later date as the company may by special resolution from time to time prescribe but may be previously revoked or varied by special resolution; and

(iii) the power hereby conferred shall enable the company to make any offer or agreement before the expiry of that power that would or might require equity securities to be allotted after such power expires and the directors may allot equity securities in pursuance of any such offer or agreement up to the maximum amount prescribed by paragraph (i) of this resolution as if the power hereby conferred had not expired.

13 That:
the company be and is hereby authorised in accordance with Article 50 of its Articles of Association and Part V of the Companies Act 1985 (the 'Act') to make a market purchase or purchases (within the meaning of Section 163(3) of the Act) on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ('the London Stock Exchange') of its ordinary shares of 10p each in such manner and on such terms as the directors may from time to time determine provided that:

(i) the maximum number of shares hereby authorised to be purchased by the company is 4,651,943 ordinary shares, representing not more than 10% of the issued ordinary share capital of the company at the date of the Notice convening this Meeting;

(ii) the maximum price which may be paid for each ordinary share is 105% of the average of the middle market quotations for an ordinary share of the company derived from the London Stock Exchange Daily Official List for the ten business days immediately preceding the date of the purchase and may not be less than 10p (in each case exclusive of expenses); and

(iii) the authority hereby given shall, unless previously varied, revoked or renewed, expire twelve months from the date of passing of this resolution but shall permit the purchase of shares the contract for which was concluded before the time of expiry of the authority and which would or might be executed wholly or partly after such times.

Note:
A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. The appointment of a proxy does not preclude a member from attending and voting at the meeting.

A form of proxy is enclosed which, to be effective, must be completed and delivered to the company's Registrars, The Royal Bank of Scotland plc, Registrar's Department, P.O. Box 457, [illegible]wen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG, not less than 48 hours before [illegible] time appo[illegible]d for the meeting.

Notice of meeting

The register of directors' interests in shares in the company and its subsidiaries will be available for inspection at 2 Minster Court, Mincing Lane, London EC3R 7FT during the above-mentioned period.

The service contracts of more than one year's duration of directors of the company with the company or any of its subsidiaries will be available for inspection at 2 Minster Court, Mincing Lane, London EC3R 7FT during the above-mentioned period.

The above-mentioned documents will also be available for inspection for 15 minutes prior to and during the meeting.

By order of the board
C R S Birrell FCA
Secretary

5 April 1993

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Wholesale insurance broking and reinsurance broking

London

Steel Burrill Jones Limited
SBJ Harrison Stuart Limited
SBJ Marine Reinsurance Brokers Limited
SBJ Regis Low Holdings Limited
SBJ Regis Low Limited
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