



Steel Burrill Jones Group plc
Report & Accounts 1989

1660078

Directors and advisers

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Directors

D G Steel *Chairman*

W M Barratt

B J Bell

D Beresford Jones *Deputy chairman*

G Boden *Chief executive*

J Davies

D J Forcey

J M Horwell *Deputy chairman*

A J Keys *Finance director*

S A Menecock

G K Moore

G R W Prevost

W S C Richards *non-executive*

N K Rice

A A J L Troughton

J D Williams

J C W Wright

H J Wynn

Secretary and registered office

C R S Birrell

Bankside House

107-112 Leadenhall Street

London EC3A 4AP

Auditors

Neville Russell

Chartered Accountants

246 Bishopsgate

London EC2M 4PB

Principal bankers

Coutts & Co

Robarts' Office

15 Lombard Street

London EC3V 9AU

The Royal Bank of Scotland plc

City Office

67 Lombard Street

London EC3P 3DL

Citibank NA

Cottons Centre

Hay's Lane

London SE1 1QT

Stockbrokers

Kleinwort Benson Securities Limited

PO Box 560

20 Fenchurch Street

London EC3P 3DB

Registrars and transfer office

National Westminster Bank PLC

PO Box No 82

Caxton House

Redcliffe Way

Bristol BS99 7NH

Five year financial record

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	1985	1986	1987	1988	1989
	£000	£000	£000	£000	£000
Turnover	7,001	9,377	9,483	10,001	21,355
Expenses	3,886	5,774	7,102	8,611	19,455
Operating profit	3,115	3,603	2,381	1,390	1,900
Other income	1,585	1,929	1,990	2,238	4,566
Share of results of associated companies	67	56	108	99	365
Profit on ordinary activities before taxation	4,767	5,588	4,479	3,727	6,831
Taxation	2,000	2,077	1,638	1,432	2,511
Profit on ordinary activities after taxation	2,767	3,511	2,841	2,295	4,320
Profit/(loss) attributable to minority shareholders	(13)	5	(4)	94	108
Profit before extraordinary items	2,780	3,506	2,845	2,201	4,212
Extraordinary items	(50)	-	-	(175)	209
Profit attributable to shareholders	2,730	3,506	2,845	2,026	4,421
Dividends	1,232	1,584	1,760	1,921	3,197
Retained profit	1,498	1,922	1,085	105	1,224
Earnings per share	15.80p	19.92p	16.16p	11.70p	16.41p
Dividends per share	7.00p	9.00p	10.00p	10.00p	11.00p



Chairman's Statement

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Last year saw further major achievements in the continuing development of your company into a broadly based insurance and reinsurance broking group through the acquisition of Devitt Group Limited and the acquisition of a controlling interest in SBJ North America Limited. The results of these companies have been consolidated with effect from 15 May 1989 and 26 May 1989 respectively.

1989 results

The acquisitions made in 1989, a full year's contribution from SBJ Stephenson Group Limited which we acquired in 1988, and strong profits growth from the majority of existing group companies, led to considerable growth in income and profits. Brokerage income more than doubled from £10.0 million to £21.4 million. Profits before tax rose by 83% from £3.73 million to £6.83 million and earnings per share rose by 40% from 11.70p to 16.41p. Your board recommends a final dividend of 8.0p per share which, if approved, will give a total dividend in respect of 1989 of 11.0p per share compared with 10.0p per share paid in respect of 1988.

We estimate that turnover of those companies which made a full contribution to both 1988 and 1989 results increased by 39%, whilst the contribution to group turnover from businesses acquired with Devitt exceeded £5 million. Stephensons' income, other than that earned on business transferred from Devitt companies, was more than £3.5 million.

The group's results reflect the impact of currency and interest rate movements. Brokerage earned in US dollars was converted at an average rate of \$1.65 to the pound, compared with \$1.77 to the pound in 1988, thus enhancing its sterling value in our income figures. The group's policy of utilising forward exchange contracts to protect the sterling value of its dollar income meant that US dollar income was sold or valued at an average rate of \$1.69, compared with \$1.68 in 1988. Both sterling and US dollar interest rates were higher in 1989 than in 1988. With a considerable increase in the flow of funds through the group, investment income therefore rose significantly.

The integration of the business of Devitt into that of the group has led us to take a number of steps which have had an impact on the results. We have, for example, provided for the costs of running off Devitt's business from North America, other than that relating to clients transferred to SBJ North America Limited. We have accelerated the depreciation of Devitt's computer systems handling the accounting of its London market business, and they will be fully written off at 31 March 1990. We have also increased the provision for bad and doubtful debts within Devitt companies, and made a provision for the costs of additional accounts staff.

These provisions and others have been recorded as adjustments to the acquisition balance sheet of Devitt Group Limited. Whilst certain expenses have not therefore been charged in arriving at 1989 profits, these

opposite: DEREK STEEL

CHAIRMAN



Chairman's Statement

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have been offset by a substantial increase in our provisions against the future costs of handling claims in respect of business placed in all years up to and including 1989.

Developments in 1989

As part of the discussions which led to the acquisition of Devitt, a clear integration plan had been agreed, which aimed to maximise the enlarged group's profitability as rapidly as possible. Key elements in the plan which were achieved in 1989 were:

- the acquisition of the minority interests in SBJ Non-Marine Reinsurance Brokers Limited and the merger of this company into Meacock Samuelson & Devitt Limited, the Lloyd's non-marine reinsurance broker operating within the Devitt group.
- the transfer of the bulk of Devitt's UK corporate risks and financial services businesses to SBJ Stephenson Group Limited.
- the transfer of the business of ongoing clients of Devitt (North America) Limited to SBJ North America Limited, and the transfer of the day to day responsibility for the 'run off' of the open transactions relating to past clients to a third party specialist 'run off' company.
- the move of the group's head office functions, the technical processing, claims and accounts departments of Steel Burrill Jones Limited and the directors and staff of SBJ Oil & Gas Limited from office space at Bankside House to refurbished space in One Hundred Whitechapel, the office building occupied by the Devitt group.
- the disposal of Crockford Devitt Underwriting Agencies Limited, the Lloyd's members' agency acquired as part of the Devitt group.

We also acquired half of the minority interests in SBJ & Associates Limited, increasing our ownership of this subsidiary to 85.4%.

Recent developments

At the beginning of 1990, we formed a new subsidiary, Devitt Insurance Services Limited, to take over responsibility for the various consumer risk businesses handled within Devitt. These are being relocated at the group's offices at Stratford, East London. We have also transferred the marine insurance broking business of SBJ Devitt Limited to SBJ Marine Limited, a new subsidiary of Steel Burrill Jones Limited, and have transferred facultative reinsurance and direct insurance business on behalf of overseas clients, outside North America, from SBJ Devitt Limited to Meacock Samuelson & Devitt Limited.

opposite

DAVID BURRILL JONES

DEPUTY CHAIRMAN (left)

GEORGE BODEN

CHIEF EXECUTIVE (centre)

JOHN BOWSEY

DEPUTY CHAIRMAN (right)

Chairman's Statement

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As a consequence of these steps, our business in the London insurance market is now handled through two, rather than three, Lloyd's brokers. Steel Burrill Jones Limited handles marine reinsurance and insurance, oil and gas insurance and non-marine insurance from North America. Meacock Samuelson & Devitt Limited handles non-marine treaty and facultative reinsurance and non-marine insurance from overseas clients outside North America.

Directors and staff

Following the acquisition of Devitt Group Limited, Jeremy Davies, David Foreey, John Horwell, Anthony Meacock and Nigel Rice joined your board on 30 May 1989. John Horwell, who was chief executive of Devitt Group Limited, was appointed a deputy chairman. George Moore, one of the founder directors of SBJ North America Limited, also joined your board on 30 May 1989.

Graham Prevost, one of the original founders of the group in 1977, is retiring from day-to-day involvement in the group's business and will resign from the board following the Annual General Meeting. He has made a major contribution to the technical and administrative structure of many facets of our business, and I thank him for the many years of fruitful work which we have both enjoyed together.

Anthony Meacock, who joined the board following the acquisition of the Devitt Group in May 1989, has expressed the wish to reduce his commitments. He will not therefore be seeking reappointment to the board at the Annual General Meeting. Anthony has served with the Devitt group for 20 years and co-founded Meacock Samuelson & Devitt Limited, where he will continue to be closely involved in its development and business.

I shall also be resigning as chairman and a director after the Annual General Meeting. I have chaired the group from its founding in 1977 to the present day, and have been part of the transformation of the group from a small independent specialist marine reinsurance broking company to the diversified insurance and reinsurance broking group which it is today. I have much pride in the group's success.

David Beresford Jones, also a founder director of the group, and chairman of Steel Burrill Jones Limited, will succeed me as chairman. I am confident that under his chairmanship the group will continue to prosper.

We now employ over 500 people on a full time basis. The success of this company depends on the utmost commitment of all directors and staff to shareholders, clients, underwriters and their colleagues. In a year of organisational change, and the move of many people to different office locations, I am pleased to report that this commitment was undiminished. On your behalf I thank all of our directors and employees for their very effective work, loyalty and support.



Prospects

The acquisitions made in 1988 and 1989 have broadened the base of our business substantially. In particular, the group's dollar denominated income has been reduced from 70% of income in 1987 to 40% of budgeted income in 1990.

The marine reinsurance market saw another increase in pricing at the 1 January 1990 renewal season, as insurers sought protection from catastrophe exposures and reinsurers sought to recoup some of the substantial losses they incurred in 1988 and 1989. In contrast the non-marine reinsurance market remained very competitive with a reduction in pricing for all but those insurers with poor loss records. The January and February storms have however led to a reduction in capacity, which could be reflected in higher premium rates as the year progresses. Pricing in the corporate risks market also continues to be weak, as is also the case for the direct marine insurance market. Demand remains strong for the services provided by our employee benefits operations. The market for consumer risks remains relatively steady.

The inclusion of a full year's income from businesses acquired as part of Devitt, combined with underlying business growth for most companies, and higher pricing for some, should lead to further growth in 1990. We expect to achieve an improvement in profitability as the cost saving measures implemented in the second half of 1989 and at the beginning of this year take effect. The group will benefit from the weakness of sterling against the dollar that existed in 1989, as this will be reflected in the increased sterling value of dollar income in 1990 as a result of our forward currency sales.

I am confident that 1990 will be another successful year for the group.

D G Steel
Chairman
6 April 1990



Steel Burrill Jones Limited

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Steel Burrill Jones Limited is a Lloyd's insurance broker. It has four subsidiaries. SBJ Marine Reinsurance Brokers Limited handles marine reinsurance business in the London and international insurance markets. SBJ Marine Limited handles marine insurance business. SBJ Oil & Gas Limited handles energy industry related business and SBJ North America Limited handles insurance business on behalf of clients in North America.

1989 results

Pricing in the marine reinsurance market turned up sharply in the second half of 1988 after the Piper Alpha oil platform disaster and other major losses. The excess of loss reinsurance contracts renewed on behalf of clients of SBJ Marine Reinsurance Brokers Limited at 1 January 1989 were therefore placed at premiums which were well up on those ruling at 1 January 1988. These rate increases were maintained throughout the year, and with substantial new business, the brokerage income of this company increased significantly over the 1988 level.

An increase in staff was required to cope with the much increased workload of the claims department as a consequence of the substantial losses in the marine and energy insurance markets. The expenses of this company also include an element of profit-related remuneration, which was higher than in 1988. Even so, the increase in expenses was contained well below the increase in income, when measured in original currency terms.

SBJ Marine Limited was not formed until 1 January 1990. In 1989 direct marine insurance activities were handled by SBJ Devitt Limited. Competition in the direct marine insurance market has kept pricing relatively low, despite the fact that underwriters are facing increased reinsurance costs. This meant that this segment of activity made only a marginal contribution to group results last year.

SBJ Oil & Gas Limited had a successful year. This company has established a growing reputation with its American clients, and this was reflected in a growth in dollar income in 1989 of over 80%, despite the fact that premium rates were under pressure during the year. The company made a useful contribution towards group results.

SBJ North America Limited was formed in the Spring of 1989, and the group acquired 100% of the voting and dividend bearing shares on 26 May 1989. The company took over responsibility for certain clients of Devitt with effect from 1 June 1989, but the greater part of its activities has been the development of business from production sources new to the group. This development has fulfilled our expectations, and business is now being handled on behalf of US brokers on a nationwide basis, including five of the ten largest North American retail insurance brokers.





Steel Burrill Jones Limited

continued



The start-up of this operation was not expected to generate a profit in 1989. Its income and loss before tax were in line with our projections at the start of this venture.

The group has interests of 22.5% and 28.6% respectively in Newman and Martin Limited, a broker specialising in energy related and marine risks, and R Mears & Co (Holdings) Limited, a Lloyd's broker handling a wide range of business. Our share of these companies' profits was well up on the 1988 level.

Other events

During 1989 we moved the technical processing, claims, computer systems and accounting departments of Steel Burrill Jones Limited, together with the directors and staff of SBJ Oil & Gas Limited, from Bankside House to One Hundred Whitechapel, the office building occupied by Devitt Group Limited. This relocation was well planned and executed and is now reflected in substantially reduced occupancy costs when compared with the costs of operating in Bankside House.

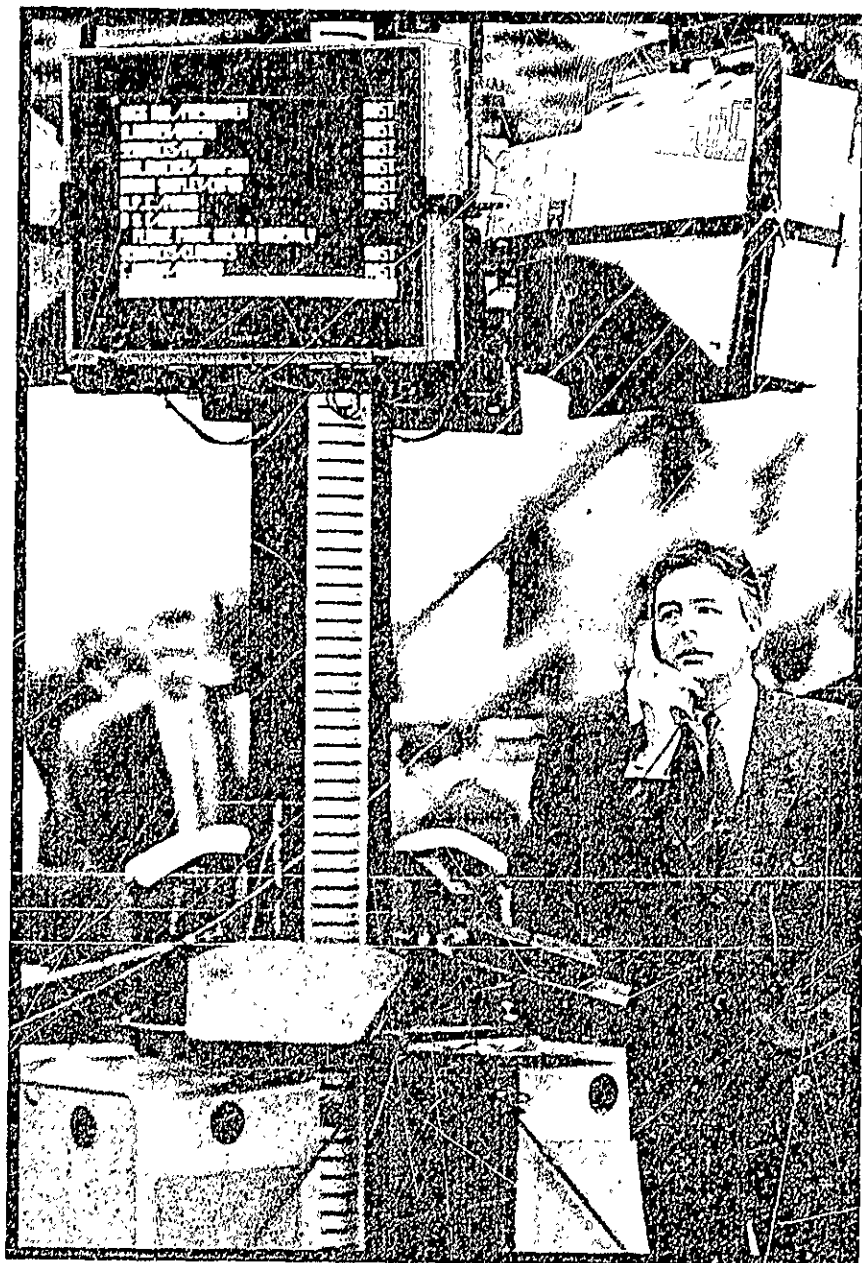
1990 prospects

The catastrophic losses in the marine and energy markets have increased demand for excess of loss reinsurance protection, while the capacity of the marine reinsurance market to write this business has diminished. The level of premium rates for 1 January renewals therefore rose yet again, and with further new business successes there should again be good growth in the brokerage income of SBJ Marine Reinsurance Brokers Limited. Costs will also increase, particularly in the handling of claims from the substantial losses in 1988 and 1989, but profits should move ahead.

The marine insurance market remains highly competitive. However, the planned elimination of low value business within SBJ Marine Limited and a reduction in this company's costs at the beginning of the year should lead to improved profits.

The energy insurance market remains competitive, but SBJ Oil & Gas Limited should be capable of generating further new business.

SBJ North America Limited will make a full year's contribution to 1990 results. Its development efforts during the second half of 1989 and the current year are expected to be reflected in substantial growth of income, and the company hopes to be a contributor to group profits in the current year.



Meacock Samuelson & Devitt Limited

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FOR THE YEAR 1989

MEACOCK SAMUELSON & DEVITT LIMITED

REVENUE FROM REINSURANCE

REVENUE FROM THE

REINSURANCE OF

STOCKS AND BONDS

REVENUE FROM OTHER

FROM THE YEAR



Meacock Samuelson & Devitt Limited is the group's specialist non-marine reinsurance broker. The company, which was formed in 1970, has a major involvement in the provision of reinsurance to motor insurance underwriters, with involvement in the protection of almost half of Lloyd's motor syndicates, and a number of motor insurance companies. It also has a significant place in excess of loss reinsurance broking, handling the protection of UK and European multi-line insurance companies, and a number of specialist liability syndicates at Lloyd's. In this context, the company has invested in sophisticated computer software for the statistical analysis and presentation of 'long-tail' claims.

In September 1989 Meacock Samuelson & Devitt was enlarged by the acquisition of the business of SBJ Non-Marine Reinsurance Brokers Limited.

1989 results

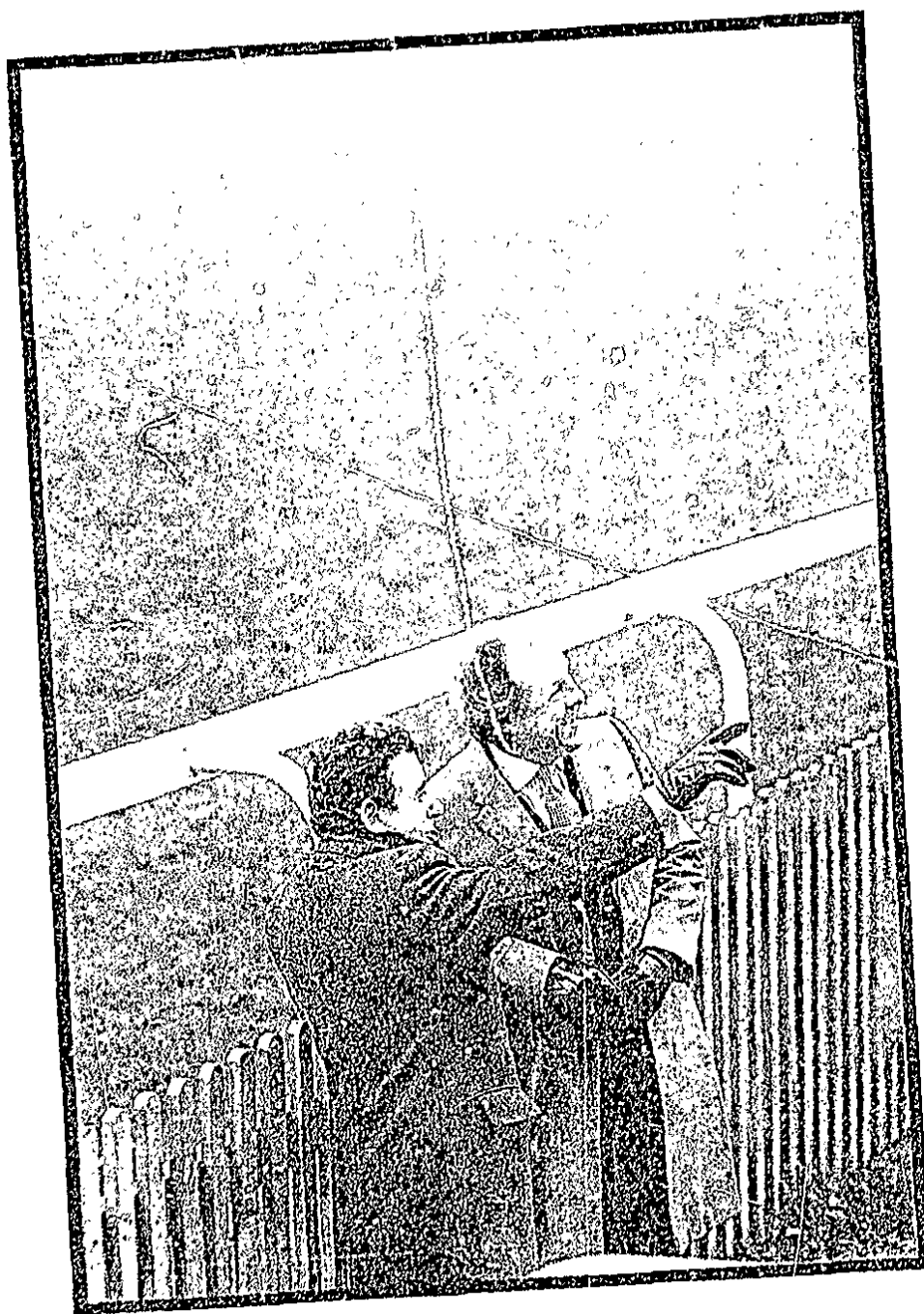
The non-marine insurance market was highly competitive during 1989. The market had not suffered substantial underwriting losses in 1988, and thus there were downward pressures on the price of reinsurance protection.

Against this background, it is pleasing to report that the acquisition of new business offset the trend to lower prices, and the company was able to maintain the high levels of profitability which its component parts had experienced in previous years.

1990 prospects

With effect from 1 January 1990 the non-marine facultative reinsurance business previously handled in SBJ Devitt Limited was transferred to Meacock Samuelson & Devitt, thereby bringing the two related areas of expertise and direct service into one company.

After a competitive January renewal season, the non-marine reinsurance market has seen a reduction in capacity as a consequence of the January and February storms, which could be reflected in some increase in pricing as the year progresses. With the benefits of new business activity, this should lead to a higher level of profits than was earned in 1989.



SBJ Stephenson Group Limited

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Stephensons is the group's corporate risks insurance broker. It specialises in advising on the management of risks faced by commercial and industrial concerns in the UK. It also provides advice to those clients and others on personal financial planning, and related pensions and investment matters.

Stephensons now has four offices in the UK. The Gravesend, New Malden and Stockport offices were joined by a Birmingham office following the transfer to Stephensons of the UK corporate risks business of Devitt Group Limited at 1 August 1989. Access to Lloyd's and the London insurance market is provided from the group's offices at One Hundred Whitechapel.

Stephensons focuses its efforts on servicing the requirements of medium to large commercial and industrial companies and professional firms, and is able to deploy its most senior professionally qualified staff to meet their needs. Through informal links with a number of insurance brokers in the United States and elsewhere, Stephensons is able to arrange multinational risk management programmes.



1989 results

The UK corporate risks market is increasingly competitive, and as was predicted in the 1988 Annual Report, the level of premium pricing in the UK corporate insurance market continued its cyclical downturn. Stephensons has been less affected by this than many of its competitors, given the group's emphasis on the development of new business. Income from new clients more than offset the impact of lower pricing on the established client base.

In 1989, the first full year of contribution from Stephensons, the brokerage income included in the group's results amounted to almost £4.4 million including over £700,000 earned from clients previously serviced by Devitt group companies. Excluding this, income was 40% higher than the full year 1988 total, and although the expansion of Stephensons' business inevitably led to an increase in expenses, profitability increased over the 1988 level. Stephensons' results therefore fulfilled our expectations at the time of its acquisition in the first half of 1988.

1990 prospects

It is likely that the competitive pricing environment will continue in 1990, whilst Stephensons' client base may be vulnerable to the effects of a recession in the UK. 1990 results will include a full year's contribution from the client base brought in with the Devitt acquisition, and a continued high new business production is expected to more than compensate for any erosion in the underlying income base. We therefore look for an increased contribution to group results in 1990.



SBJ Financial Services Limited



opposite:

JANE WALLIS, A DIRECTOR OF
SBJ & ASSOCIATES LIMITED,
KEEPS IN TOUCH WITH A
CLIENT DURING A RECENT
REFURBISHMENT OF THE
COMPANY'S OFFICES

SBJ Financial Services Limited is the holding company of the group's principal interests in the fields of employee benefits consultancy, and personal financial planning.

Its subsidiary, SBJ & Associates Limited, is a specialist employee benefit consultant. It provides advice to corporate clients on pension schemes, death and long term disability packages and private medical insurance.

SBJ & Associates also provides a full pensions administration service, including the maintenance of membership records, the calculation of retirement and death benefits and the operation of the trustees' bank accounts. The complexity of occupational pension schemes, mainly resulting from the substantial growth in legislation over the past decade, has increasingly led employers to subcontract administration to specialist companies such as SBJ & Associates. It has been able to use additional systems capability, put in place at the end of 1988, to benefit from this trend.

There has been increasing demand for personal financial advice to senior executives of client companies and in response to this need SBJ & Associates has recruited additional specialists.

SBJ Financial Services has a 35% interest in Kingsgate Consultancy Limited, an employee benefit consultancy, and a 25% interest in John Lamb Group Limited, a personal financial planning consultancy.

1989 results

The year saw a continuing high demand for skilled professional advice on pensions. Income of SBJ & Associates rose by over 40% and profits also rose significantly to make a material contribution to group profits.

Turnover of Kingsgate Consultancy rose strongly in its first full year of operation. John Lamb Group suffered a serious fire in July 1989 which had an inevitably disruptive effect on its activities.

1990 prospects

During 1990 SBJ Financial Services intends to concentrate further on its main area of activity, the provision of employee benefits consultancy services. The level of legislative activity is likely to be maintained in 1990 with a Social Security Bill currently proceeding through Parliament which will impose yet more obligations on occupational pension schemes. This will lead to a sustained demand for expert advice which we expect to result in a continued high level of activity for our employee benefits interests.

Devitt Insurance Services Limited

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Devitt Insurance Services Limited is the holding company for the group's interests in high volume personal insurance broking business. This includes motor and motorcycle insurance, travel insurance and other insurances marketed to consumers through clubs, affinity groups, dealers, trade associations and professional groupings. In some areas – notably the insurance of motorcycles and caravans – Devitt Insurance Services has a major share of the UK market. In most areas of activity the company has underwriting authority from insurers to accept business on their behalf.

The company began trading on 1 January 1990 and was formed from operating units previously part of SBJ Devitt Limited and located in Whitechapel, at Stratford in East London, and in Birmingham. During the early months of 1990, the Whitechapel operations have been physically transferred to Stratford, where the motor and motorcycle units have been based for some time, and this will soon be followed by a transfer of the operations from Birmingham. It is expected that by consolidating all operations together in one location, it will be possible to develop the portfolio of products sold and to improve the efficiency of the operations, which are dependent on computer systems developed to handle a high volume of transactions.

1989 saw the first upturn in motorcycle registration since 1980 and motor car sales remained buoyant. 1990 may, however, be affected by the uncertainties in the UK economy, and the overall market for this company's products could decline. Nevertheless, it is expected that increased sales activity and cost savings will more than compensate for any erosion of the business base, and this subsidiary is expecting to make a higher contribution to group results than did its component parts in 1989.

Report of the directors

The directors present their Report and the audited Financial Statements for the year ended 31 December 1989.

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Principal activities

The company acts as a holding and management company for a group of companies whose principal activities are those of insurance and reinsurance broking and the provision of advice on pensions, other employee benefits and personal financial planning.

Significant group developments

With effect from 30 March 1989 the group acquired 14.6% of the issued share capital of its subsidiary SBJ & Associates Limited, thus increasing its shareholding to 85.4%. The shares were acquired from certain of the company's executives. The consideration of £333,000 was satisfied by the issue of 107,334 10p ordinary shares and £88,000 in cash.

On 15 May 1989 the group acquired the whole of the issued share capital of Devitt Group Limited for a consideration of £20.62 million satisfied by the issue of 8,928,246 10p ordinary shares. Devitt Group Limited was a holding company for a number of insurance broking companies including two Lloyd's insurance brokers, Meacock Samuelson & Devitt Limited – then Meacock Samuelson & Devitt (Reinsurance Brokers) Limited – and SBJ Devitt Limited – then Howson F Devitt & Sons Limited. Meacock Samuelson & Devitt Limited specialises in non-marine excess of loss reinsurance broking in the Lloyd's and London insurance market. Prior to a restructuring of the group on 1 January 1990, SBJ Devitt Limited provided a wide range of broking services in the fields of UK non-marine insurance, including professional indemnity, international marine and non-marine, travel, financial services, bloodstock and motor.

On 26 May 1989 the group acquired 100% of the 'A' shares of SBJ North America Limited – then named MBB Limited – the consideration for which was satisfied by the issue on 14 February 1990 of 108,700 10p ordinary shares. The company places insurance in the London and international insurance markets for risks primarily relating to clients located in North America.

On 23 August 1989 the group acquired the minority shareholdings of 23.8% in its subsidiary SBJ Non-Marine Reinsurance Brokers Limited. The shares were acquired from certain of the company's executives. The consideration of £521,000 was satisfied by the issue of 209,000 10p ordinary shares and a cash payment of £26,000.

On 12 October 1989 the group acquired the minority shareholding of 25% in its subsidiary Roger Major & Co Limited from Mr RS Major. The consideration of £100,000 was satisfied by the issue of 42,735 10p ordinary shares.

On 31 December 1989 the group disposed of its subsidiary Crockford Devitt Underwriting Agencies Limited, a Lloyd's members' agent which had been acquired as part of Devitt Group Limited. The consideration received was approximately £1.45 million in cash and a further sum of up to £177,000 will be paid on the liquidation of Howson Devitt (Agencies) Limited, a non-trading subsidiary of Crockford Devitt Underwriting Agencies Limited.

Review of business and future developments

The group's business and future developments are commented upon in the chairman's statement on pages 5 to 9 and in the review of activities on pages 11 to 20.

Report of the directors

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Results and dividends

The results for the year are shown on page 28.

The directors recommend a final dividend of 8.0p per share amounting to £2,335,000. Together with the interim dividend of 3.0p per share paid on 2 November 1989 this represents a total dividend of 11.0p net per share, which with the related tax credit available to shareholders resident in the United Kingdom is equivalent to 14.67p (1988: 13.33p) gross per share. Subject to confirmation at the Annual General Meeting to be held on 15 May 1990, the final dividend will be paid on 24 May 1990 to shareholders on the register at the close of business on 6 April 1990.

Retained profit of £1,224,000 (1988: £105,000) will be transferred to reserves.

Directors

The directors of the company at 31 December 1989, together with their interests in the company's share capital, which are beneficial unless shown otherwise, are listed below. Unless otherwise indicated, the directors held office throughout the year. G W Burrill resigned as a director on 17 May 1989.

Director	Fully paid ordinary shares of 10p each		Options over ordinary shares of 10p each	
	Date of appointment		Date of appointment	
	or 1 January 1989	31 December 1989	or 1 January 1989	31 December 1989
W M Barratt	42,367	42,367	51,000	101,000
B J Bell	27,000	27,000	105,300	130,300
D Beresford Jones	2,026,026	1,740,000	-	-
non-beneficial	40,000	40,000	-	-
G Boden	478,909	478,909	122,500	172,500
J Davies*	31,186	83,498	-	50,000
D J Forcey*	163,276	163,276	-	-
J M Horwell*	403,234	403,234	-	-
A J Keys	373,895	330,000	122,500	172,500
S A Meacock*	339,107	339,107	-	-
G K Moore*	-	-	-	-
G R W Prevost	617,966	492,966	-	-
N K Rice*	82,290	82,290	-	-
W S C Richards	990,000	990,000	-	-
D G Steel	1,596,026	1,496,026	-	-
A A J L Troughton	171,777	460,045	154,200	204,200
non-beneficial	70,000	70,000	-	-
J D Williams	193,111	195,353	184,100	234,100
J C W Wright	68,305	70,547	193,400	243,400
H J Wynn	505,219	405,219	-	-
non-beneficial	75,000	75,000	-	-

*Appointed 30 May 1989.

As consideration for the acquisition of their interests in Devitt Group Limited by the company on 15 May 1989, J Davies, D J Forcey, J M Horwell, S A Meacock and N K Rice were allotted 31,186 shares, 163,276 shares, 403,234 shares, 339,107 shares and 82,290 shares respectively. J Davies also held an option over 45,000 Devitt Group Limited ordinary shares which was exercised on 28 July 1989, and these shares were acquired by the company, the consideration for which was the issue of 70,312 shares.

On 14 February 1990, G K Moore received 43,480 10p ordinary shares as consideration for the purchase by the company of his interest in SBJ North America Limited. With this exception, there have been no changes to the interests of the directors in the company's shares between 31 December 1989 and 6 March 1990.

W M Barratt also holds £115,452 Unsecured Participating Notes 1992. There was no change to this holding from 1 January 1989 to 6 March 1990.

In accordance with the Articles of Association of the company, B J Bell, A A J L Troughton, J D Williams and J C W Wright retire by rotation and, being eligible, offer themselves for re-election as directors. J Davies, D J Forcey, J M Horwell, G K Moore and N K Rice also offer themselves for reappointment as directors. B J Bell, A A J L Troughton, J D Williams and J C W Wright have service contracts with fixed periods expiring on 17 October 1990. J Davies, D J Forcey, J M Horwell and N K Rice have service contracts with fixed periods expiring on 14 May 1991 and G K Moore has a service contract with a fixed period expiring on 25 May 1991.

D G Steel, S A Meacock and G R W Prevost will resign as directors at the conclusion of the Annual General Meeting.

Substantial shareholdings

So far as the directors are aware, other than D G Steel and D Beresford Jones, whose interests amount to 5.1% and 6.0% respectively of the issued share capital, the only other shareholder with an interest of 5% or more of the issued share capital is Ensign Trust plc with 5.8%.

Directors' profit sharing scheme

On 29 March 1989, the directors approved the appointment of a remuneration committee whose terms of reference included the design and implementation of a profit related bonus scheme for the benefit of certain directors and key employees. The purpose of the scheme is to link the remuneration of these individuals to the growth in the earnings per share of the company. The amounts paid under the scheme and the allocation between participants are discretionary and are determined by the remuneration committee. The scheme supplements existing profit sharing schemes in certain subsidiary companies in which a number of directors also participate.

Two directors, G Boden and A J Keys, have agreed that their participation in the scheme will be in substitution for the bonus arrangements which formed part of their service contracts with the company. These arrangements have therefore been waived.

Profit sharing share scheme

In view of the restructuring of the group during the year, the directors have decided not to allocate funds to the Trustees of the profit sharing share scheme in respect of the year ended 31 December 1989.

Report of the directors

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Tangible assets

Details of the principal changes in tangible fixed assets are shown in note 12 on page 35.

On 24 November 1989, the group exchanged contracts for the sale of its freehold interest in Stephenson House in Gravesend, Kent for £1,215,000. Completion took place on 28 March 1990. The sale has been recorded in the group's 1989 accounts.

Stephenson House was acquired as part of the acquisition of SBJ Stephenson Group Limited in June 1988 at which date the property was valued at £875,000. The Gravesend offices of Stephenson Corporate Risks Limited and Stephenson Financial Services Limited continue to be located in Stephenson House.

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.

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.

Share capital

On 12 May 1989 the authorised share capital of the company was increased from £3,000,000 to £3,900,000. During the year 9,287,315 10p ordinary shares were issued in the circumstances set out on page 21. A further 108,700 10p ordinary shares were issued on 14 February 1990 in connection with the acquisition in 1989 of the group's interest in SBJ North America Limited.

Details of outstanding options over the company's shares are set out in Note 23 on page 39.

Charitable donations

The group made charitable donations of £44,000.

Special business at the Annual General Meeting

1 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 14 in the Notice of Meeting for the Annual General Meeting on page 46 proposes that the above amount be paid to the Conservative Party.

2 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 otherwise than in accordance with the pre-emption rights of section 89(1) of the Companies Act 1985.

The directors consider that it would be in the company's interest for a resolution in similar terms to be proposed 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 number 15 in the Notice of Meeting.

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

3 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 expire at the conclusion of this year's Annual General 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 number 16 in the Notice of Meeting, proposes that the company be authorised to purchase up to 2,918,111 10p ordinary shares representing 10% of the issued share capital 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.

There is no present intention to exercise this authority, and the directors will only do so when they believe it is in the best interests of the company. The authority will lapse at the conclusion of the Annual General Meeting of the company in 1991 when the directors intend to seek renewal of the authority.

Auditors

The Auditors, Neville Russell, Chartered Accountants, have signified their willingness to continue in office and their reappointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board
C R S Birrell ACA
Secretary

6 April 1990

Bankside House
107 - 112 Leadenhall Street
London EC3A 4AP

Accounting policies

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The principal accounting policies of the group are summarized below:

Basis of consolidation

The consolidated financial statements, which have been prepared under the historical cost convention, incorporate the financial statements of the company and its subsidiaries made up to 31 December 1989 and its share of the results and post-acquisition reserves of associated companies.

The financial statements include the results of subsidiary and associated companies 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 s228(7) of the Companies Act 1985.

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

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

Turnover

Net retained brokerage is credited when the relevant premium is payable, irrespective of the inception date or the period of the policy. In relation to business where the group has an obligation to service future claims, a provision has been made towards 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.

Interest income

Interest on deposits and fixed interest investments is accounted for on an accruals basis.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Freehold land and buildings are depreciated on a straight line basis at 2% per annum. Leasehold tangible assets are amortised on a straight line basis over the period of the lease or ten years, whichever is the shorter. Vehicles and equipment are depreciated on a straight line basis over their estimated useful lives, varying from 10% to 25% per annum.

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 in respect of the tax effect of all timing differences, to the extent that it is probable that a liability will crystallize in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

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 1989 was £1 = \$1.61 (31 December 1988: £1 = \$1.81).

Gains and losses arising from foreign exchange transactions are credited or charged to the profit and loss account. Contracts for the future sale of foreign currency are accounted for on maturity.

Insurance debtors and creditors

Insurance debtors and creditors include amounts due from or to each party with whom the group settles in the normal course of business.

Subsidiary and associated companies

Investments in subsidiary and associated companies 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.

Consolidated profit and loss account
for the year ended 31 December 1989

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	Notes	1989 £000	1988 £000
Turnover	1	21,355	10,001
Expenses	2	19,455	8,611
Operating profit		1,900	1,390
Other income	5	4,566	2,238
Share of results of associated companies		365	99
Profit on ordinary activities before taxation	1	6,831	3,727
Tax on profit on ordinary activities	7	2,511	1,432
Profit on ordinary activities after taxation		4,320	2,295
Profit attributable to minority shareholders		108	94
Profit before extraordinary items		4,212	2,201
Extraordinary items	8	209	(175)
Profit attributable to shareholders	9	4,421	2,026
Dividends	11	3,197	1,921
Retained profit for the year	25	1,224	105
Earnings per share	10	16.41p	11.70p

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Balance sheets

at 31 December 1989

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		Group		Company	
		1989	1988	1989	1988
	Note:	£000	£000	£000	£000
Fixed assets					
Tangible assets	12	4,186	2,874	463	356
Investment in subsidiaries	13	—	—	8,164	5,803
Investment in associated companies	14	701	469	155	110
Other fixed asset investments	15	150	157	150	147
		5,037	3,500	8,932	6,416
Current assets					
Debtors	16	89,816	19,975	786	166
Investments	17	2,989	990	—	—
Cash at bank	18	41,271	19,332	2,945	2,199
		134,076	40,297	3,731	2,365
Creditors: amounts falling due within one year	19	129,670	35,926	4,033	1,587
Net current assets/(liabilities)		4,406	4,371	(302)	778
Total assets less current liabilities					
		9,443	7,871	8,630	7,194
Creditors: amounts falling due after more than one year	20	1,215	1,347	1,215	1,295
Provisions for liabilities and charges	21	304	117	—	—
Minority interests		109	145	—	—
		7,815	6,262	7,415	5,899
Capital and reserves					
Called up share capital	22	2,907	1,979	2,907	1,979
Share premium account	24	811	—	811	—
Reserves	25	4,097	4,283	3,697	3,920
		7,815	6,262	7,415	5,899

Approved and signed on behalf
of the board on 6/1/1990

D G Steel

A J Keys

Consolidated statement of source and use of funds
for the year ended 31 December 1989

	1989 £000	1988 £000
Source of funds		
Profit on ordinary activities before taxation	5,831	3,727
Extraordinary items before taxation	173	(222)
Adjustments for items not involving the movement of funds:		
– share of profits of associated companies	(365)	(99)
– depreciation	981	409
– profit on disposal of tangible assets	(39)	(69)
Funds generated from operations	7,581	3,746
Funds from other sources		
Proceeds on disposal of tangible assets	1,050	252
Net proceeds of share issues	20,392	3,342
(Decrease)/increase in creditors falling due after more than one year	(132)	1,347
Funds generated	28,891	8,687
Use of funds		
Dividends paid	2,264	1,804
Tax paid	1,640	1,579
Purchases of:		
– Devitt Group Limited (Note 26)	20,622	–
– tangible assets	2,261	1,183
– fixed asset investments	3	–
– interests in other group companies	1,215	4,999
Investment in associated companies	45	576
Funds used	28,050	10,141
Increase/(decrease) in working capital	841	(1,454)
Movements in working capital		
Increase in debtors	43,257	3,456
Increase/(decrease) in investments	1,999	(1,472)
Increase in creditors	(50,734)	(6,629)
Increase in bank and cash balances	6,317	3,191
Increase/(decrease) in working capital	841	(1,454)

Notes to the financial statements

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1 Analysis of turnover and profit	1989	1988
	£000	£000
Turnover by activity:		
-- Insurance and reinsurance broking	19,049	8,519
-- Pensions, other employee benefits and personal financial planning services	2,306	1,482
	<u>21,355</u>	<u>10,001</u>
Turnover by location of client:		
-- United Kingdom	17,660	8,271
-- United States of America	2,500	1,258
-- Other	1,195	472
	<u>21,355</u>	<u>10,001</u>
Profit before tax by activity:		
-- Insurance and reinsurance broking	6,306	3,375
-- Pensions, other employee benefits and personal financial planning services	525	352
	<u>6,831</u>	<u>3,727</u>
It is not practicable to allocate profit before tax by location of client.		
2 Expenses	1989	1988
	£000	£000
Staff costs, including directors' remuneration:		
-- wages and salaries	9,677	4,195
-- social security costs	961	410
-- other pension costs	951	521
	<u>11,589</u>	<u>5,126</u>
Depreciation of tangible fixed assets	981	409
Profit on sale of fixed assets	(39)	(69)
Hire of equipment	70	27
Lease rentals on land and buildings	778	469
Auditors' remuneration	103	80
Interest payable (Note 6)	92	19
Other trading expenses	5,881	2,550
	<u>19,455</u>	<u>8,611</u>

Notes to the financial statements

continued

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3 Remuneration of directors	1989	1988
	<u>£000</u>	<u>£000</u>
Directors' remuneration (including pension contributions)	2,503	870

The directors' remuneration disclosed above includes amounts (excluding pension contributions) paid to:

The chairman	60	35
Highest paid director	349	93

The remuneration of the directors in 1989 has been determined by a remuneration committee of the board. In the case of certain directors, remuneration includes an element related to the profits of the company and certain subsidiary companies.

	<u>1989</u>	<u>1988</u>
	<u>number</u>	<u>number</u>
The number of other directors who received remuneration (excluding pension contributions) in the following ranges were:		
£ Nil - £ 5,000	1	1
£ 5,001 - £ 10,000	1	1
£ 25,001 - £ 30,000	1	2
£ 35,001 - £ 40,000	-	1
£ 40,001 - £ 45,000	1	-
£ 50,001 - £ 55,000	1	-
£ 55,001 - £ 60,000	2	1
£ 60,001 - £ 65,000	1	-
£ 65,001 - £ 70,000	1	-
£ 70,001 - £ 75,000	-	1
£ 75,001 - £ 80,000	-	2
£ 80,001 - £ 85,000	1	2
£ 90,001 - £ 95,000	1	-
£140,001 - £145,000	1	-
£175,001 - £180,000	2	-
£185,001 - £190,000	1	-
£260,001 - £265,000	1	-
£275,001 - £280,000	1	-

In 1988, G Boden, A J Keys and D G Steel waived remuneration amounting to £62,000.

W S C Richards is the sole beneficial shareholder of Tarrakarn Limited which received £40,000 (1988: £16,000) for management services provided by Mr Richards to the group.

With the exception of the above, matters referred to in the report of the directors and in Note 31, no director had an interest in any material contract with the group subsisting during or at the end of the year.

4 Analysis of employees

	<u>1989</u>	<u>1988</u>
	<u>number</u>	<u>number</u>
The average number of persons employed by the group during the year was as follows:		
Management and administration	234	107
Broking and technical	218	98
Total	<u>452</u>	<u>205</u>

	<u>1989</u>	<u>1988</u>
	<u>number</u>	<u>number</u>
The number of senior employees of the company who received remuneration (excluding pension contributions) in the following ranges were:		
£30,001 – £35,000	1	–
£35,001 – £40,000	1	–
£65,001 – £70,000	–	1
£85,001 – £90,000	1	–

5 Other income

	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>
Interest income	4,232	1,640
Income from listed investments	122	137
Profit on sale of listed fixed interest investments	68	23
Rent receivable	58	36
Exchange differences	(181)	402
Dividend from unconsolidated subsidiary	267	–
	<u>4,566</u>	<u>2,238</u>

The dividend from unconsolidated subsidiary was received from Crockford Devitt Underwriting Agencies Limited, which was acquired as part of Devitt Group Limited and was sold on 31 December 1989.

6 Interest payable

	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>
Interest payable on Unsecured Participating Notes 1992 (Note 20)	88	19
Other interest payable	4	–
	<u>92</u>	<u>19</u>

Notes to the financial statements

continued

7 Tax on profit on ordinary activities	1989	1988
	£000	£000
United Kingdom Corporation tax at 35% (1988: 35%)	2,149	1,323
Tax on franked investment income	66	-
Prior year adjustments	(76)	-
Deferred taxation (Note 21)	209	64
Associated companies	163	45
	2,511	1,432

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

8 Extraordinary items	1989	1988
	£000	£000
Profit on sale of freehold property	324	-
Loss arising on closure of Canadian subsidiary	(40)	-
Costs of unoccupied premises arising following relocation	(124)	-
Costs arising from termination of joint venture	-	(136)
Professional fees incurred in respect of <i>unconcluded acquisition</i>	-	(86)
Other	13	-
	173	(222)
Attributable taxation	36	47
	209	(175)

9 Profit attributable to shareholders

Of the figure of £4,421,000 (1988: £2,026,000) shown in the consolidated profit and loss account, £4,106,000 (1988: £1,993,000) has been dealt with in the financial statements of Steel Burrill Jones Group plc.

10 Earnings per share

Basic earnings per share is calculated by apportioning the profit before extraordinary items of £4,212,000 (1988: £2,201,000) over the weighted average number of shares in issue during the year of 25,665,455 (1988: 18,805,982).

Fully diluted earnings per share has not been shown as the effect of dilution is not material.

11 Dividends	1989	1988
	£000	£000
Interim paid 3.0p per share (1988: 2.7p)	862	519
Final proposed 8.0p per share (1988: 7.3p)	2,335	1,402
Total paid and proposed 11.0p per share (1988: 10.0p)	3,197	1,921

HJ Wynn waived his entitlement to the interim and final dividend for 1988 on his then shareholding in the company of 580,219 shares amounting to £58,000.

12 Tangible fixed assets	Land and buildings			Fixtures, equipment	
	freehold	long leasehold	short leasehold	and vehicles	Total
The group	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost					
At 1 January 1989	878	-	321	3,245	4,444
Additions	9	37	-	2,215	2,261
Acquisition of subsidiary companies	-	-	10	2,656	2,666
Extension of lease	-	297	(297)	-	-
Disposals	(887)	-	-	(376)	(1,263)
At 31 December 1989	<u>-</u>	<u>334</u>	<u>34</u>	<u>7,740</u>	<u>8,108</u>
Depreciation					
At 1 January 1989	10	-	15	1,545	1,570
Charge for the year	18	4	4	955	981
Acquisition of subsidiary companies	-	-	3	1,630	1,633
Extension of lease	-	14	(14)	-	-
Eliminated on disposals	(28)	-	-	(234)	(262)
At 31 December 1989	<u>-</u>	<u>18</u>	<u>8</u>	<u>3,896</u>	<u>3,922</u>
Net book value					
At 31 December 1989	<u>-</u>	<u>316</u>	<u>26</u>	<u>3,844</u>	<u>4,186</u>
At 31 December 1988	<u>868</u>	<u>-</u>	<u>306</u>	<u>1,700</u>	<u>2,874</u>

The company	Land and buildings		Fixtures, equipment	Total
	long leasehold	short leasehold	and vehicles	
	£000	£000	£000	
Cost				
At 1 January 1989	—	297	116	413
Additions	37	—	121	158
Extension of lease	297	(297)	—	—
Transfers	—	—	51	51
Disposals	—	—	(36)	(36)
At 31 December 1989	334	—	252	586
Depreciation				
At 1 January 1989	—	14	43	57
Charge for the year	4	—	65	69
Extension of lease	14	(14)	—	—
Transfers	—	—	19	19
Disposals	—	—	(22)	(22)
At 31 December 1989	18	—	105	123
Net book value				
At 31 December 1989	316	—	147	463
At 31 December 1988	—	283	73	356

Notes to the financial statements
continued

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13 Investment in subsidiaries The company	Investments £000	Loans £000	1989	1988
			Total £000	Total £000
Cost less amounts written off				
At 1 January	5,287	693	5,980	3,603
Additions	22,420	130	22,550	5,714
Disposals	(86)	-	(86)	(89)
Less: goodwill written off	(20,063)	-	(20,063)	(3,248)
At 31 December	7,558	823	8,381	5,980
Less: provisions for diminution in value				
At 1 January	110	67	177	110
Further provisions	35	5	40	67
At 31 December	145	72	217	177
Net book value				
At 31 December	7,413	751	8,164	5,803

Particulars of the principal subsidiary companies are set out on page 44.

14 Investment in associated companies	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Cost less amounts written off				
At 1 January	247	90	110	90
Additions	-	426	-	20
Loans to associated companies	45	150	45	-
Less: goodwill written off	-	(419)	-	-
At 31 December	292	247	155	110
Group share of post acquisition retained earnings				
At 1 January	222	168		
For the year	202	54		
Less: dividend received	(15)	-		
At 31 December	409	222		
Net book value				
At 31 December	701	469		

Particulars of the principal associated companies are set out on page 44.

15 Other fixed asset investments	Group		Company	
	1989	1988	1989	1988
	£000	£000	£000	£000
Unlisted investments at cost	147	147	147	147
Listed investments	3	-	3	-
Lloyd's broking bank deposit	-	10	-	-
	<u>150</u>	<u>157</u>	<u>150</u>	<u>147</u>

16 Debtors	Group		Company	
	1989	1988	1989	1988
	£000	£000	£000	£000
Amounts due within one year				
Insurance debtors	86,080	18,971	-	-
Amounts due from subsidiary companies	-	-	738	95
Amounts due from associated companies	5	49	-	45
Other debtors	1,915	173	-	14
Prepayments and accrued income	1,816	782	48	12
	<u>89,816</u>	<u>19,975</u>	<u>786</u>	<u>166</u>

17 Current asset investments	Group	
	1989	1988
	£000	£000
Unlisted fixed interest investments at market value	<u>2,989</u>	<u>990</u>

18 Cash at bank

Following their reregistration at Lloyd's, the group's Lloyd's broking companies were required to enter into a new trust deed during 1989. This trust deed created a floating charge over the insurance debtors, certain cash and deposit balances and other insurance broking assets in favour of a trustee for Lloyd's and other insurance broking creditors. At 31 December 1989, the sterling equivalent of assets covered by the terms of the trust deed totalled £97,402,000. The relevant insurance broking creditors amounted to £91,140,000. The trust deed is in substitution of the Lloyd's Dollar Trust Fund. At 31 December 1988, the sterling equivalent of cash and deposit balances held in that fund totalled £8,039,000.

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Notes to the financial statements
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19 Creditors: amounts falling due within one year

	Group		Company	
	1989	1988	1989	1988
	£000	£000	£000	£000
Insurance creditors	118,682	31,439	-	-
Amount due to subsidiary companies	-	-	857	-
Amount due to associated companies	8	-	-	-
Corporation tax	1,851	1,523	-	3
Social security costs	58	90	-	-
Other taxation	442	217	51	7
Other creditors	1,450	69	-	-
Accruals and deferred income	4,844	1,186	790	175
Proposed dividend	2,335	1,402	2,335	1,402
	<u>129,670</u>	<u>35,926</u>	<u>4,033</u>	<u>1,587</u>

20 Creditors: amounts falling due after one year

	Group		Company	
	1989	1988	1989	1988
	£000	£000	£000	£000
Unsecured Participating Notes 1992	1,204	1,240	1,204	1,240
Accruals and deferred income	11	107	11	55
	<u>1,215</u>	<u>1,347</u>	<u>1,215</u>	<u>1,295</u>

The Unsecured Participating Notes 1992 were issued during 1988 as part consideration to certain individuals for the acquisition of their shareholdings in SBJ Stephenson Group Limited. Interest payable on the notes is calculated by reference to the profits of SBJ Stephenson Group Limited and its subsidiaries. In 1989 interest amounted to £88,000 and is payable on 30th April 1990. The notes will be redeemed by the group on 30 June 1992, or at the date on which a noteholder leaves the employment of the group, if earlier. The amount payable on redemption will depend on the profits of SBJ Stephenson Group Limited and its subsidiaries in the three years 1989 to 1991, and has a minimum value of £1,204,000 and a maximum of approximately £1,704,000.

21 Provisions for liabilities and charges

	Group	
	1989	1988
	£000	£000
Deferred taxation		
At 1 January	117	29
Movement during the year	209	64
Acquisition of subsidiary companies	(22)	24
At 31 December	304	117
The balance comprises the effect of timing differences arising on:		
Excess of capital allowances over depreciation	20	71
Interest receivable	284	46
	304	117

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

22 Share capital

	Authorised capital £000	Issued capital £000	Ordinary shares of 10p issued and fully paid
At 1 January 1989	3,000	1,979	19,785,097
Increase in authorised capital	900	-	
Issued for acquisition of subsidiaries	-	928	9,287,315
At 31 December 1989	3,900	2,907	29,072,412

23 The 1984 Share Option Scheme

The 1984 Share Option Scheme permits the grant of options during a period of 10 years from 15 May 1984 to any full time employee of a company in the group, including directors. At 31 December 1989 options over 2,781,950 shares (1988: 1,938,950) were outstanding under the Scheme as follows:

Date of grant	Number of shares	Option price	Exercise period
13 May 1985	70,000	181p	13 May 1990 – 12 May 1995
4 October 1985	310,000	202p	4 October 1990 – 3 October 1995
17 April 1987	315,000	235p	17 April 1992 – 16 April 1997
11 May 1987	25,000	264p	11 May 1992 – 10 May 1997
19 April 1988	279,950	162p	19 April 1993 – 18 April 1998
26 April 1988	367,000	184p	26 April 1993 – 25 April 1998
1 July 1988	407,500	197p	1 July 1993 – 30 June 1998
8 September 1988	37,000	213p	8 September 1993 – 7 September 1998
3 May 1989	10,000	221p	3 May 1994 – 2 May 1999
12 June 1989	960,500	234p	12 June 1994 – 11 June 1999

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

Notes to the financial statements

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24 Share premium account	Group		Company	
	1989	1988	1989	1988
	£000	£000	£000	£000
At 1 January	-	-	-	-
Arising from issue of shares	811	-	811	-
At 31 December	811	-	811	-

25 Reserves	Group		Company	
	1989	1988	1989	1988
	£000	£000	£000	£000
Non-distributable				
At 1 January	127	127	1,384	1,384
Transfers	-	-	-	-
At 31 December	127	127	1,384	1,384
Merger reserve				
At 1 January	-	-	-	-
Arising from acquisitions	19,729	3,540	19,729	3,540
Goodwill written off (Note 26)	(18,992)	(3,248)	(18,992)	(3,248)
Acquisition costs written off	(737)	(292)	(737)	(292)
At 31 December	-	-	-	-
Distributable				
Profit and loss account				
At 1 January	4,156	4,616	2,536	2,656
Retained profit for the year	1,224	105	909	73
Goodwill written off (Note 27)	(1,071)	(419)	(1,071)	-
Acquisition costs written off	(339)	(126)	(21)	(126)
Provisions against investment in subsidiaries	-	-	(40)	(67)
Other	-	(20)	-	-
At 31 December	3,970	4,156	2,313	2,536
Total reserves	4,097	4,283	3,697	3,920

26 Acquisition of Devitt Group Limited

On 15 May 1989 the group acquired the whole of the issued capital of Devitt Group Limited for a consideration of £20.62 million satisfied by the issue of 8,928,246 10p ordinary shares to which merger relief applies. The value of assets in the books of Devitt Group Limited at the date of acquisition was £3.90 million. The following table sets out the adjustments to the value of the assets to a figure of fair value to the group of £1.63 million. The acquisition gave rise to goodwill of £18.99 million which has been written off against merger reserves (Note 25).

	Original balance sheet £000	Revaluation £000	Provision for trading losses £000	Other provisions £000	Accounting policy alignment £000	Fair value to the group £000
Net assets acquired						
Tangible assets	1,446	(32)	(16)	(169)	(196)	1,033
Debtors	27,798	(89)	—	(962)	(177)	26,570
Cash and investments	14,514	1,106	—	—	—	15,620
Creditors	(39,994)	(276)	(994)	(436)	(49)	(41,749)
Provision for liabilities and charges	133	(66)	—	59	30	156
	<u>3,897</u>	<u>643</u>	<u>(1,010)</u>	<u>(1,508)</u>	<u>(392)</u>	<u>1,630</u>

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

Revaluation:

Crockford Devitt Underwriting Agencies Limited was a subsidiary of Devitt Group Limited whose results have not been consolidated in these accounts on the grounds that the control of the company by this group was intended to be temporary. The company was sold on 31 December 1989. No profit or loss has been recorded on disposal and the proceeds, net of tax, of £1.11 million have been taken into account in the cost of the acquisition of Devitt Group Limited.

Provision for trading losses:

This provision covers losses incurred in 1989, and expected to be incurred in future, in respect of the run-off of the business of Devitt (North America) Limited.

Other provisions:

These provisions cover additional provisions for bad and doubtful debts, and provisions for redundancy, accounting and liquidation costs arising as a consequence of the acquisition.

Accounting policy alignment:

These adjustments are made as a result of a change in the depreciation rates and the policy of accounting for brokerage of Devitt Group Limited to bring them into line with those used by the group.

Notes to the financial statements

continued

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27 Goodwill on other acquisitions

The acquisitions of 100% of the 'A' shares of SBJ North America Limited and of minority interests in SBJ & Associates Limited, SBJ Non-Marine Reinsurance Brokers Limited and Roger Major & Co Limited together with further consideration arising in connection with the acquisition in 1988 of SBJ Stephenson Group Limited gave rise to goodwill of £1,071,000 which has been written off.

28 Capital commitments

	1989	1988
	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	160	132
Capital expenditure authorised by the directors which has not been contracted for	230	—

29 Pension commitments

The group operates a number of non-contributory pension schemes for its employees. During 1989, the pension scheme for employees of SBJ Stephenson Group Limited and its subsidiaries was converted from a defined benefit basis to a defined contribution basis. With the exception of the SBJ Devitt Limited Retirement Benefits Scheme covering employees who joined the group at the time of the acquisition of Devitt Group Limited, the group's schemes now operate on a defined contribution basis.

The assets of all the schemes are held separately from those of the group in independently administered funds. In the case of the defined contribution schemes, including that of SBJ Stephenson Group Limited, the cost of contributions payable by the group and its subsidiaries during the year amounted to £717,000 (1988: £521,000).

The SBJ Devitt Limited Retirement Benefits Scheme provides benefits based on final pensionable salary. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group in accordance with the advice of a qualified actuary using a modified projected unit method. The most recent valuation was at 1 July 1989. This showed that the market value of the scheme's assets was £4,027,000, and that the actuarial value of these assets represented 106.8% of the benefits that had accrued to members after allowing for future expected increases in salaries. It was assumed that investment returns would be 9% per annum, and that salary costs would increase at 7% per annum. The pension charge for the period from 15 May 1989 until the end of the year was £234,000, based on a contribution from the group of 17.8% of relevant salaries. The average remaining service life of the membership is 10 years.

30 Forward sale of currency

At 31 December 1989 the group had entered into contracts for the forward sale of US\$17 million between January 1990 and December 1990 at an average rate of US\$1.53 to the pound.

31 Deferred consideration

In connection with the acquisition of SBJ Stephenson Group Limited ("Stephensons") during 1988, Messrs W M Barratt, G Boden, A J Keys and H J Wynn, directors of the company, together with others will receive by the end of May 1990 a deferred consideration to be satisfied by the allotment of ordinary shares of the company at the then ruling market price. The amount of consideration has been calculated by reference to the profit of Stephensons in 1989 adjusted to take account of business transferred to Stephensons following the acquisition of Devitt Group Limited. This aggregate amount payable is £444,272, of which the amount payable to Messrs W M Barratt, G Boden, A J Keys and H J Wynn, is £5,424, £42,618, £42,615, and £317,779 respectively.

During the year the company acquired all the 'A' shares in SBJ North America Limited ("North America") and undertook to purchase from the holders of 'B' shares, at their option, all their shares in North America. The options may be exercised in the years 1993 to 2000 inclusive, the consideration payable being related to the profits of North America. The 'A' shares held by the company entitle the company to receive all dividends declared or paid by North America.

32 Contingent liabilities

The group has provided guarantees of £250,000 to an associated company as security for facilities provided by third parties. The group has given counter guarantees of guarantees provided by banks in relation to the underwriting membership of Lloyd's of two employees, totalling £80,000.

33 Operating lease commitments

Certain group companies have entered into operating lease arrangements. The rentals payable in 1990 under these leases are as follows:

	Land and buildings	Other	Total
	£000	£000	£000
Expiring within one year	24	69	93
Expiring after one year and within five years	476	337	813
Expiring in five or more years	526	—	526
	<u>1,026</u>	<u>406</u>	<u>1,432</u>

Principal group companies

	% holding at 31 December 1989
Subsidiary companies	
Steel Burrill Jones Limited	
– SBJ Marine Reinsurance Brokers Limited	
– SBJ Marine Limited	
– SBJ North America Limited†	
– SBJ Oil & Gas Limited	
Meacock Samuelson & Devitt Limited	
SBJ Stephenson Group Limited	
– Stephenson Corporate Risks Limited	
– Stephenson Financial Services Limited	
SBJ Financial Services Limited	
– SBJ & Associates Limited	85.4
Devitt Insurance Services Limited	
– Devitt (D A Insurance) Limited	
– Douglas Cox Tyrie Limited	
Associated companies	
John Lamb Group Limited	25.0
Kingsgate Consultancy Limited	35.0
Newman and Martin Limited*	22.5
R Mears & Co. (Holdings) Limited*	28.6

† A direct subsidiary of Steel Burrill Jones Group plc

* A direct associate of Steel Burrill Jones Group plc.

Until 31 December 1989 the business currently handled by SBJ Marine Limited, Devitt (DA Insurance) Limited and Douglas Cox Tyrie Limited was conducted through SBJ Devitt Limited, which is a wholly owned subsidiary of Steel Burrill Jones Group plc.

All subsidiaries and associated companies are incorporated and operate in England. All subsidiaries are wholly owned unless otherwise stated.

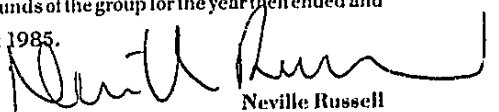
Report of the auditors

Report of the Auditors to the members of Steel Burrill Jones Group plc

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We have audited the financial statements on pages 26 to 44 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 1989 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Neville Russell

Chartered Accountants

6 April 1990

246 Bishopsgate
London EC2M 4PB

Notice of Meeting

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Notice is hereby given that the Annual General Meeting of Steel Burrill Jones Group plc will be held at The Queen's Room, The Baltic Exchange, 14/20 St Mary Axe, London EC3A 8BU on Tuesday, 15 May 1990 at 12.00 noon for the following purposes:

As ordinary business:

- 1 To receive and adopt the Report of the directors and the Financial Statements for the year ended 31 December 1989.
- 2 To declare a final dividend for 1989 of 8.0p per 10p ordinary share.
- 3 To re-elect Mr B J Bell as a director.
- 4 To re-elect Mr A A J L Troughton as a director.
- 5 To re-elect Mr J D Williams as a director.
- 6 To re-elect Mr J C W Wright as a director.
- 7 To reappoint Mr J Davies as a director.
- 8 To reappoint Mr D J Forcey as a director.
- 9 To reappoint Mr J M Horwell as a director.
- 10 To reappoint Mr G K Moore as a director.
- 11 To reappoint Mr N K Rice as a director.
- 12 To reappoint Neville Russell as auditors.
- 13 To authorise the directors to fix the remuneration of the auditors.

As special business:

To consider and if thought fit pass the following resolutions, of which resolution 14 will be proposed as an ordinary resolution and resolutions 15 and 16 as special resolutions:

Ordinary resolution

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

Special resolutions

15 That:

(i) 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 of the Act) pursuant to the authorities conferred by resolution 9 passed at the Annual General Meeting of the company held on 30 April 1986 and by resolution 1(B) passed at the Extraordinary General Meeting of the company held on 13 June 1988 and by resolution 1(B) passed at the Extraordinary General Meeting of the company held on 17 May 1989 or any renewal thereof 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 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; and

(b) the allotment (otherwise than pursuant to sub-paragraph (i)(a) of this resolution) of equity securities up to an aggregate nominal value of £145,362, being 5% of the issued share capital at 31 December 1989.

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(ii) the power hereby conferred shall expire automatically on the conclusion of the next Annual General Meeting following 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:

(iii) the power hereby conferred shall enable the company to make any offer or agreement that would or might require equity securities to be allotted after such power expires and the directors may offer 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; and

(iv) the power conferred by this resolution shall be in substitution for the power conferred by resolution numbered 13 passed at the Annual General Meeting of the company held on 17 May 1989 which is hereby revoked.

16 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 Stock Exchange') of its own 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 2,918,111 ordinary shares, representing 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 the ordinary shares of the company derived from The Stock Exchange Daily Official List for the ten business days prior to the date of the purchase and not less than 10p (in each case exclusive of expenses); and

(iii) the authority hereby given shall, unless previously varied, revoked or renewed, expire at the conclusion of the next Annual General Meeting 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 statement of all transactions of each director and of his family interests in the equity share capital of the company

12-07-90

Notice of Meeting

continued

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and its subsidiaries will be available for inspection during usual business hours at Bankside House, 107-112 Leadenhall Street, London EC3A 4AP from the date of this notice until the date of the meeting.

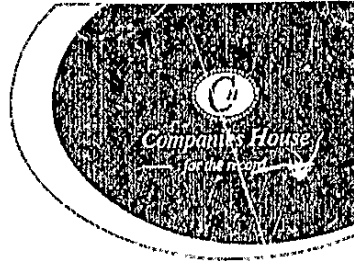
Contracts of service of directors of the company with the company or any of its subsidiaries will be available for inspection on application to the company secretary at Bankside House, 107-112 Leadenhall Street, London EC3A 4AP during the above-mentioned period.

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

6 April 1990

By order of the Board
C R S Birrell ACA
Secretary

Registered Office:
Bankside House
107-112 Leadenhall Street
London EC3A 4AP



Crown Way Cardiff CF14 3UZ
www.companieshouse.gov.uk

NOTICE OF ILLEGIBLE DOCUMENTS

Companies House regrets that documents in this company's microfiche record have pages which are illegible.

This has been noted but unfortunately steps taken to rectify this were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.

COMPANY INFORMATION SUPPLIED BY COMPANIES HOUSE

Companies House is a registry of company information. We carry out basic checks to make sure that documents have been fully completed and signed, but we do not have the statutory power or capability to verify the accuracy of the information that companies send to us. We accept all information that companies deliver to us in good faith and place it on the public record. The fact that the information has been placed on the public record should not be taken to indicate that Companies House has verified or validated it in any way.