

RESTATED 2017 RESULTS FOR IFRS 15 AND NEW SEGMENT STRUCTURE (UNAUDITED)

As announced in the Full Year results on 28 February, Jardine Lloyd Thompson Group plc (“JLT” or “the Group”) has today published a restatement of its Full Year and Half Year 2017 financial results, following the implementation of IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”), effective from 1 January 2018, and the new segmental reporting structure adopted on 1 April 2018. The purpose of this publication is to provide restated comparative figures in advance of the Group’s 2018 Half Year results to be announced on 26 July 2018. The restated figures below are in line with the previous guidance provided in February 2018.

IFRS 15 addresses revenue recognition for customer contracts, with particular focus on aligning revenue recognition with the separate and distinct performance obligations to the customer. The new standard requires that revenue and the related costs are only recognised when the performance obligation has been satisfied and the customer obtains control of the asset. In certain service agreements this will defer the recognition of revenue compared to the previous accounting standards, but the Group will correspondingly defer the related costs for work performed and recognise a fulfilment cost asset where such costs are expected to be recovered. The standard replaces IAS 18 “Revenue” and IAS 11 “Construction Contracts” and related interpretations.

In line with previous guidance, the implementation of IFRS 15 reduced the Group’s Full Year 2017 underlying trading profit by £4.5 million to £209.2 million, and for the Half Year 2017 by £0.9 million to £109.1 million. At a segmental level, the implementation of IFRS 15 has some seasonal impact, primarily at the Half Year, due to a realignment of operating costs with corresponding revenues as required in the new accounting standard; this occurs across all three business units of Specialty, Reinsurance, and Employee Benefits. On a Full Year basis however, this effect is less pronounced at a segmental level and the Group’s trading margins are largely unaffected.

The Group has also been restructured into three trading divisions: Global Specialty, Global Reinsurance, Global Employee Benefits, and Head Office.

The new segmental reporting structure, together with the IFRS 15 restatement, are shown below.

Twelve months ended 31 December 2017 financial results

£m	Total Revenue			Underlying Trading Profit ²			Underlying Trading Margin ²		
	As reported		Restated for IFRS 15	As reported		Restated for IFRS 15	As reported		Restated for IFRS 15
	Old segments	New segments ¹		Old segments	New segments ¹		Old segments	New segments ¹	
Risk & Insurance	1,065.8	-	-	197.9	-	-	19%	-	-
Global Specialty	-	838.2	838.9	-	156.1	154.7	-	19%	18%
Global Reinsurance	-	227.6	227.4	-	41.8	41.5	-	18%	18%
Global Employee Benefits	320.2	320.2	314.9	50.1	50.1	47.3	16%	16%	15%
Head Office	-	-	-	(34.3)	(34.3)	(34.3)	-	-	-
Total	1,386.0	1,386.0	1,381.2	213.7	213.7	209.2	15.4%	15.4%	15.1%

Six months ended 30 June 2017 financial results

£m	Total Revenue			Underlying Trading Profit ²			Underlying Trading Margin ²		
	As reported		Restated for IFRS 15	As reported		Restated for IFRS 15	As reported		Restated for IFRS 15
	Old segments	New segments ¹		Old segments	New segments ¹		Old segments	New segments ¹	
Risk & Insurance	540.8	-	-	108.7	-	-	20%	-	-
Global Specialty	-	391.3	392.9	-	57.6	60.2	-	15%	15%
Global Reinsurance	-	149.5	146.9	-	51.1	43.8	-	34%	30%
Global Employee Benefits	149.1	149.1	152.0	17.9	17.9	21.7	12%	12%	14%
Head Office	-	-	-	(16.6)	(16.6)	(16.6)	-	-	-
Total	689.9	689.9	691.8	110.0	110.0	109.1	15.9%	15.9%	15.8%

¹Risk & Insurance has been split into Global Specialty and Global Reinsurance. All Specialty businesses are a part of Global Specialty and JLT Re and Insurance Management form Global Reinsurance.

²Underlying results exclude exceptional items.

IFRS 9 “Financial Instruments” (“IFRS 9”), effective 1 January 2018, is the new accounting standard setting out rules on classification and measurement of financial assets and financial liabilities, and impairment. The impact of the application of IFRS 9 on the Group’s results and retained earnings is not material and no restatement of 2017 has been performed.

The Consolidated Income Statement, Alternative Income Statement and Segment Information are included below.

ENQUIRIES

Jardine Lloyd Thompson Group plc

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CONSOLIDATED INCOME STATEMENT

Restated for the impact of IFRS 15

	6 months ended 30 June 2017 Reported £'000	6 months ended 30 June 2017 Restated £'000	12 months ended 31 December 2017 Reported £'000	12 months ended 31 December 2017 Restated £'000
Fees and commissions	686,912	688,738	1,378,554	1,373,689
Investment income	3,021	3,021	7,474	7,474
Total revenue	689,933	691,759	1,386,028	1,381,163
Salaries and associated expenses	(423,083)	(424,502)	(861,189)	(858,813)
Premises	(35,564)	(35,564)	(70,625)	(70,625)
Other operating costs	(105,469)	(106,862)	(213,862)	(215,952)
Depreciation, amortisation and impairment charges	(16,668)	(16,668)	(36,491)	(36,491)
Operating profit	109,149	108,163	203,861	199,282
Analysed as:				
Operating profit before exceptional items	110,040	109,054	213,743	209,164
Acquisition and integration costs	(1,022)	(1,022)	(2,605)	(2,605)
Net litigation costs	-	-	(9,067)	(9,067)
Net gains on disposals	-	-	1,835	1,835
Other exceptional items	131	131	(45)	(45)
Operating profit	109,149	108,163	203,861	199,282
Finance costs	(13,520)	(13,520)	(27,327)	(27,327)
Finance income	1,567	1,567	2,978	2,978
Finance costs - net	(11,953)	(11,953)	(24,349)	(24,349)
Share of results of associates	2,051	2,051	2,149	2,149
Profit before taxation	99,247	98,261	181,661	177,082
Income tax expense	(28,730)	(28,951)	(52,980)	(52,002)
Profit for the period/year	70,517	69,310	128,681	125,080
Profit attributable to:				
Owners of the parent	68,316	67,163	118,378	114,822
Non-controlling interests	2,201	2,147	10,303	10,258
	70,517	69,310	128,681	125,080
Earnings per share attributable to the owners of the parent during the period/year (expressed in pence per share)				
Basic earnings per share	32.4p	31.9p	56.1p	54.4p
Underlying basic earnings per share	32.6p	32.0p	60.0p	58.3p
Diluted earnings per share	31.8p	31.2p	54.7p	53.0p
Underlying diluted earnings per share	31.9p	31.4p	58.5p	56.9p

ALTERNATIVE INCOME STATEMENT

Restated for the impact of IFRS 15

	12 months ended 31 December 2017		
	Underlying profit £'000	Exceptional items £'000	Total £'000
Fees and commissions	1,373,689	-	1,373,689
Investment income	7,474	-	7,474
Salaries and associated expenses	(857,678)	(1,135)	(858,813)
Premises	(70,590)	(35)	(70,625)
Other operating costs	(210,677)	(5,275)	(215,952)
Depreciation, amortisation and impairment charges	(33,054)	(3,437)	(36,491)
Trading profit	209,164	(9,882)	199,282
Finance costs - net	(24,349)	-	(24,349)
Share of results of associates	2,149	-	2,149
Profit before taxation	186,964	(9,882)	177,082

	6 months ended 30 June 2017		
	Underlying profit £'000	Exceptional items £'000	Total £'000
Fees and commissions	688,738	-	688,738
Investment income	3,021	-	3,021
Salaries and associated expenses	(423,470)	(1,032)	(424,502)
Premises	(35,529)	(35)	(35,564)
Other operating costs	(107,038)	176	(106,862)
Depreciation, amortisation and impairment charges	(16,668)	-	(16,668)
Trading profit	109,054	(891)	108,163
Finance costs - net	(11,953)	-	(11,953)
Share of results of associates	2,051	-	2,051
Profit before taxation	99,152	(891)	98,261

SEGMENT INFORMATION

Restated for the impact of IFRS 15 and re-segmentation

12 months ended 31 December 2017	Global Specialty £'000	Global Reinsurance £'000	Global Employee Benefits £'000	Head Office & Other £'000	Total £'000
Fees and commissions	833,027	225,894	314,768	-	1,373,689
Investment income	5,904	1,489	81	-	7,474
Total revenue	838,931	227,383	314,849	-	1,381,163
Underlying trading profit/(loss)	154,563	41,522	47,240	(34,161)	209,164
Operating profit/(loss)	142,767	41,144	49,302	(33,931)	199,282
Finance costs - net	-	-	-	(24,349)	(24,349)
Share of results of associates	-	-	-	2,149	2,149
Profit/(loss) before taxation	142,767	41,144	49,302	(56,131)	177,082
Income tax expense	-	-	-	(52,002)	(52,002)
Non-controlling interests	-	-	-	(10,258)	(10,258)
Net profit/(loss) attributable to the owners of the parent	142,767	41,144	49,302	(118,391)	114,822
Segment assets				2,658,707	2,658,707
Investments in associates				53,055	53,055
Total assets				2,711,762	2,711,762
Segment liabilities				(2,355,865)	(2,355,865)
Total liabilities				(2,355,865)	(2,355,865)

6 months ended 30 June 2017	Global Specialty £'000	Global Reinsurance £'000	Global Employee Benefits £'000	Head Office & Other £'000	Total £'000
Fees and commissions	390,491	146,247	152,000	-	688,738
Investment income	2,390	594	37	-	3,021
Total revenue	392,881	146,841	152,037	-	691,759
Underlying trading profit/(loss)	60,182	43,717	21,730	(16,575)	109,054
Operating profit/(loss)	58,302	43,600	22,838	(16,577)	108,163
Finance costs - net	-	-	-	(11,953)	(11,953)
Share of results of associates	-	-	-	2,051	2,051
Profit/(loss) before taxation	58,302	43,600	22,838	(26,479)	98,261
Income tax expense	-	-	-	(28,951)	(28,951)
Non-controlling interests	-	-	-	(2,147)	(2,147)
Net profit/(loss) attributable to the owners of the parent	58,302	43,600	22,838	(57,577)	67,163
Segment assets				2,619,005	2,619,005
Investments in associates				53,401	53,401
Total assets				2,672,406	2,672,406
Segment liabilities				(2,356,803)	(2,356,803)
Total liabilities				(2,356,803)	(2,356,803)