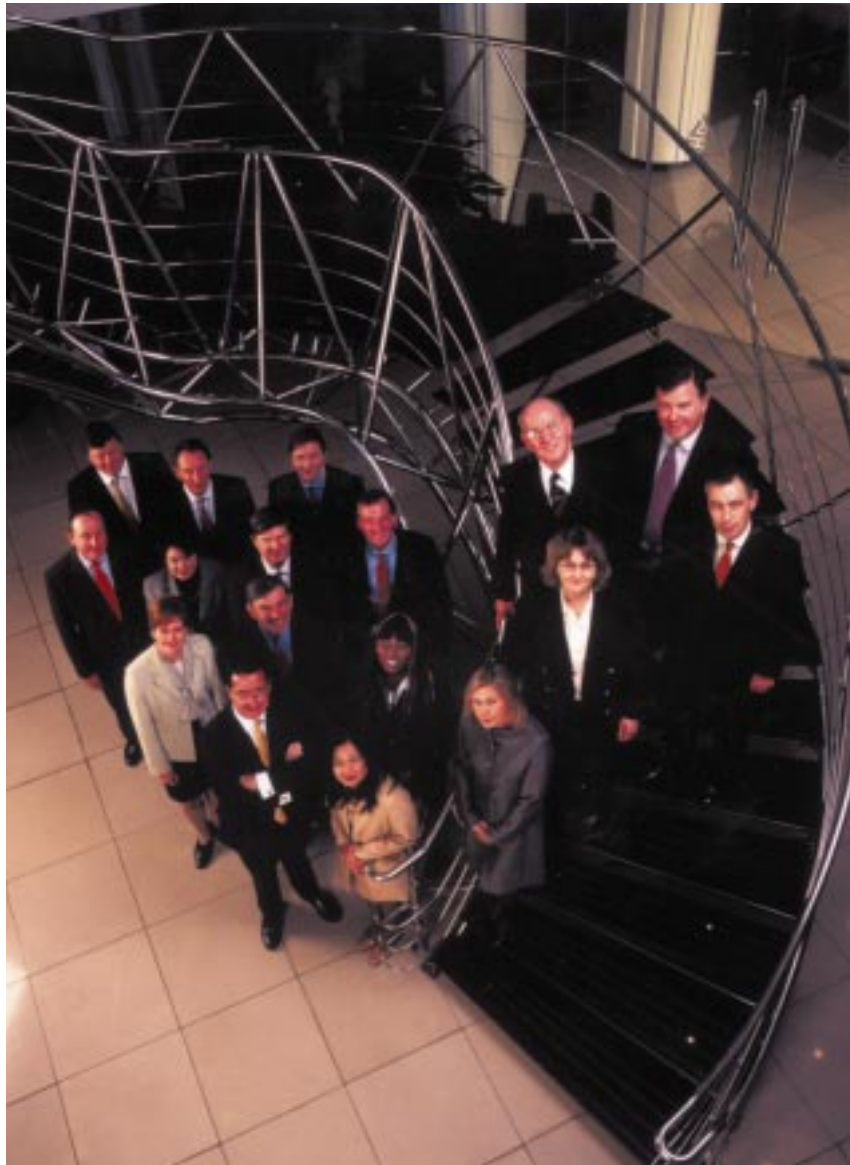


Annual Report 1999

JARDINE LLOYD THOMPSON  
Group plc



Our colleagues,  
individually and  
collectively, are our  
great strength.  
Wherever they  
operate –  
whether in the  
UK or overseas  
– they are all JLT  
people, who  
identify with our  
company, our  
philosophy and  
our goals.

**Ken Carter**  
Chief Executive

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## Focusing on innovation

## Section 2

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# Financial Highlights

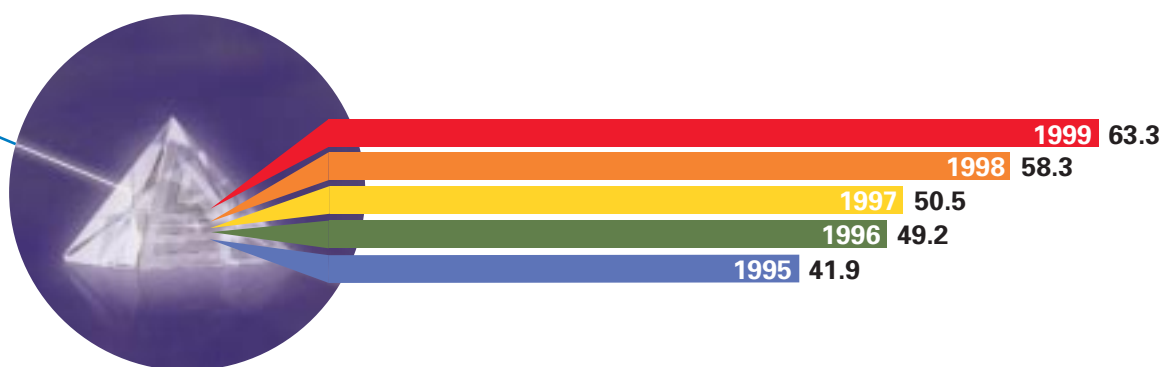
For the year ended 31st December, 1999

	1999 £'000	1998 £'000	Growth %
TURNOVER	250,987	232,001	8
INVESTMENT AND OTHER INCOME	18,400	22,646	(19)
TRADING EXPENSES (Excluding exceptional items)	209,939	199,765	5
OPERATING PROFIT (Excluding exceptional items)	59,448	54,882	8
PROFIT BEFORE TAXATION (Excluding exceptional items)	63,270	58,308	9
EARNINGS PER SHARE (Excluding exceptional items)	23.4p	20.7p	13
FULLY DILUTED EARNINGS PER SHARE (Excluding exceptional items)	23.0p	20.4p	13

Note: Comparative figures for 1998 are shown before restatement to comply with FRS 12. (see note 14 on page 45)

## Profit before tax £m

Excluding exceptional items



These figures combine the pre-merger results of JIB Group and Lloyd Thompson Group and exclude exceptional items and also the US corporate retail operations from which JIB Group withdrew in 1995. The figures stated for 1998 and previous years are those originally published prior to the restatement dealt with in these financial statements in relation to FRS 12.



**Steve McGill**  
Chief Executive  
Risk Solutions

**Ken Carter**  
Chief Executive

**George Stuart-Clarke**  
Finance Director

**John Hastings-Bass**  
Chief Executive  
Corporate Risks &  
Services

**John Barton**  
Chairman



# Chairman's Statement

JLT's impressive performance during the first half of the year continued in the second half with profit before tax and exceptional items increasing by 9% to £63.3 million (1998: £58.3 million before restatement). Insurance market conditions continued to be challenging, with growth in profits contained by low interest rates and the continuing strength of sterling.

Competition has remained intense and it is a great tribute to the Group that we have been able to increase the rate of revenue growth in the second half of the year to 10%. Revenue for the year was £251 million, an increase of 8% over 1998 on a comparable basis. The Group's continued focus on managing costs has improved our trading profit – defined as turnover less expenses – by 27%, more than offsetting the fall in interest earnings.

At the beginning of 1999 the Group was reorganised into three core business areas: Risk Solutions, Corporate Risks and Services. This has proved to be an effective and efficient method of managing the Group as each of these business areas has faced differing conditions and challenges during the year.

In Risk Solutions, outstanding growth in new forms of business – including the further development of alternative risk transfer ("ART") products – was underpinned by a strong performance in its core insurance broking activities and overall revenues increased by 12%. Risk Solutions has gained important new clients in almost every area of its business in the last year. Its ability to win new business and increase revenues and profitability highlights the value that clients attribute to Risk Solutions' services.

Corporate Risks & Services enjoyed a satisfactory performance in several of their business areas. Overall, this business group achieved revenue growth of 5% and much planning has been done that will bring benefits in the future. During 1999 we established a new centre in Singapore with the twin objectives of managing and supporting our Corporate Risks businesses in Asia and building synergy with the rest of the Group. We also acquired the outstanding minority interests in our companies in Australia and the Philippines and made further investment in Indonesia in order to enable us to benefit fully from the greater opportunities afforded by the new operating structure.

Our balance sheet has continued to strengthen and our sound financial position gives us great flexibility and provides a solid platform for future growth.

Although our industry has gone through relatively little structural change during the year, we can expect renewed change in the future. In the US the passing of the Financial Services/Modernization Act opens the prospect of alliances between the banking and insurance sectors which may take the consolidation we have seen in our markets to new levels.

Our position as the only significant quoted UK broker has proved to be a positive advantage. We have continued to win substantial new business while retaining and expanding relationships with existing customers. This trend has continued into 2000 with a very high level of activity in all of our operations and new opportunities arising to win business and employ highly talented staff.

## Dividends

A final dividend of 7.75p (net) per share for the year to 31st December, 1999 will be paid on 15th May, 2000, to shareholders on the register on 14th April, 2000 (subject to shareholder approval). This gives a total dividend for the year of 13.25p (net) per share compared with 12p (net) for 1998.

## Exceptional Items

As well as requiring the restatement of the comparative profit and loss figures for 1998, the adoption of FRS 12 also necessitated a revision of the amounts previously recognised as provisions for future rental costs in respect of surplus properties and deferred consideration in order to reflect the time value of money. The discounting of such provisions resulted in an operating exceptional credit of £4.1 million, offset in part by the creation of an additional provision for future rental costs of £1.7 million.

The sale and costs associated with the closure of certain small, non-core businesses resulted in net non operating exceptional costs of approximately £0.5 million.

## Comparative figures for 1998

The figures for 1998 have been restated to comply with FRS 12 as explained in note 14 on pages 45 and 46.

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## **Board**

John Lloyd has retired from the Board with effect from 29th February, 2000 although he continues as Executive Chairman of JLT Risk Solutions. David Corben, Dennis Guy and Jonathan Marland also retired from the Board on the same date; we are pleased to report that each will continue to serve the Group in a consultancy role, focusing on maintaining and developing key client relationships.

The Board is indebted to each of these directors for their significant contribution and support to the success of the Group through an exciting and challenging period in its development. We look forward to their ongoing association with the Group in the years ahead.

## **Staff**

Yet again our people have proved through their commitment and hard work that they are able to perform to the highest standards in a very demanding market place. These results are a testimony to the continuing dedication of a highly successful workforce.

## **Prospects**

The year 2000 will see continuing change in our markets worldwide. Although there are clear signs that insurance rates are rising in certain sections of the market, it is too early to predict the effect on our business. However, we are confident that our existing strong client base will provide a solid platform for continued growth which will be enhanced by the expansion of our ART business. Additionally, our developing e-commerce strategy is expected to form an important part of the Group's future development. We continue to believe that our unique position in the market will enable us to thrive and produce continued growth in both revenues and profitability for our shareholders.

John Barton  
Chairman

10th March, 2000

# Chief Executive's Review



I am pleased with the successful result achieved by JLT for 1999, continuing the growth reported in the first half. In a year when most insurance markets remained soft, the Group increased its revenue by 8% from £232 million to £251 million. We continued to control expenses, resulting in the Group's trading profit rising by 27% from £32 million to £41 million and the profit before tax and exceptional items increasing by 9% from £58.3 million to £63.3 million on a comparable basis before restatement.

## Group Strategy

These results have been achieved purely through organic growth and demonstrate the success of our new strategy and operating plan adopted at the start of 1999. In essence, the Group's strategy is to focus on three core businesses: Risk Solutions, serving clients who require professional advice and an innovative transactional service; Corporate Risks, serving clients who require a full risk management service; and Services, whose clients wish to outsource affinity group marketing, employee benefits, claims and insurance fund administration. Considerable effort and energy has been directed at implementing the new operating structure that flowed from this strategy. We are encouraged by the positive response throughout the Group as we made the fundamental change of moving from a geographic to a functional structure. It is a further credit to our colleagues that growth in 1999 was achieved during this period of change.

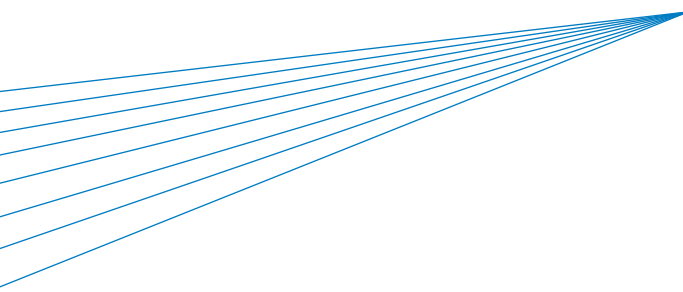
## Risk Solutions

The Risk Solutions business group consists of JLT Risk Solutions Ltd, which comprises our very substantial London based insurance, reinsurance and alternative risk transfer ("ART") businesses, together with our reinsurance business in America, our captive management and specialty broking businesses in London, Bermuda and Sweden and those overseas representative offices whose business is handled in the London market.

Risk Solutions was created in March 1999 in the belief that all clients will expect product innovation and standards of service of the highest levels. Risk Solutions is designed to meet and exceed these expectations in every aspect of its business.

By building on its traditional strengths and taking advantage of the changing dynamics of global financial and insurance markets, Risk Solutions can provide clients with products and services that address risk in its widest sense. ART combines risk consultancy with execution and is fast developing as a form of business that bridges financial and insurance solutions and markets. By applying financial market techniques to conventional insurance products, clients can benefit from the best aspects of both.

In 1999 Risk Solutions increased its revenues by 12% from £104 million to £117 million. The improvement was achieved across the company. Energy, Marine, Cargo and Construction business units all won significant new clients and there were excellent results from Casualty, Property and Reinsurance. Financial Risks and Special Risks together grew their business by more than 50%.



Whilst conventional insurance products remain its core business, Risk Solutions' ability to transcend the traditional boundaries of insurance through the use of ART and related products affords the prospect of quality growth in earnings in the future. Annual revenue from this source is now some £16 million and grew by 60% during 1999.

Elsewhere in this business group Jardine Sayer, our American reinsurance business, again achieved excellent growth, as did Triangle, the Bermuda-based captive management and specialty broking business and Agnew Higgins Pickering & Company, our London based energy specialist. Financial Solutions in Bermuda and Sweden maintained revenue for the year.

In 1999, Risk Solutions improved its profitability and achieved a trading margin of 27%.

## Corporate Risks & Services

This group is responsible for two core businesses. Included within Corporate Risks are our offices in the UK, Ireland, Canada, Australia and Brazil, all of which achieved satisfactory brokerage growth. Also included in Corporate Risks is our business in Asia, which suffered the delayed impact of the economic problems that surfaced in 1997. Overall, Corporate Risks brokerage grew marginally by 2% from £68.5 million to £70.1 million. Our associate in France, SIACI, which also operates within this business group, enjoyed another successful year.

In Services, our Affinity Group Marketing businesses in America achieved growth, while the UK business maintained its position. In Employee Benefits, our UK business achieved double digit revenue growth, while Claims and Insurance Fund administration in Australasia, Canada and the UK achieved significant growth. Overall, Services income grew by 8% from £59.5 million to £64.1 million – a creditable performance in the circumstances.

In the USA, two businesses with combined revenue of £5.3 million were sold in January 2000, in line with the programme started in 1998, of disposing of businesses in markets where we were unlikely to become leaders or achieve a meaningful industry position.

Within Corporate Risks & Services much work was done last year to establish the unified approach that these businesses need in order to succeed in the future. Our aim is to create, through a combination of organic growth and selective acquisitions, core businesses with the appropriate critical mass.

Our e-commerce strategy is to generate further growth by investing in two distinct areas. An internal unit is focusing on e-commerce applications for affinity groups and e-business applications for process efficiency. In parallel with this, we are seeking alliances with pure web businesses which need traditional support functions. We expect our investment in these areas to be in the region of £10 million over the next three years.

In 1999, Corporate Risks & Services achieved a trading margin of just over 10%.

## Insurance Markets

For most of 1999 insurance markets continued to be very soft. Towards the end of the year, parts of the reinsurance market began to harden and by the end of the year this change began to affect some areas of the direct market. In London, rates are hardening in certain lines but conditions differ from market to market. Rates are hardening in Australia but not in Asia and have started to rise in the French market where this trend is likely to be reinforced following the storms at Christmas.

We believe that a sea-change has occurred in insurance markets. Whilst there are still instances of unrealistic pricing, the vast majority of professional insurers are now trying to rectify the situation. Our role, acting in our clients' best interests, is to continue to create deals that represent the best terms available and are sustainable over time. During the soft insurance market the traditional practice of incentive commissions escalated and it is to be hoped that this practice will now be changed by insurers in order to reinstate a level playing field for the ultimate benefit of all clients. We continue to adopt a policy of complete transparency in respect of such commissions, which accounted for 2% of revenue in 1999.

## The Future

The prospects for JLT today are brighter than for many years. After the consolidation that has taken place in the insurance broking industry, our future as an independent and growing company is established. As I reported last year, this led the Group to re-evaluate its strategy, resulting in the changes introduced at the beginning of 1999. Since then our position within the industry has continued to strengthen on the back of the financial success achieved in 1998 and again in 1999. We are driven both by our own desire to succeed and by our clients. Those clients who have supported us for many years, as well as those who have joined us more recently, value the JLT method of working with them to solve their problems. We have had some remarkable successes in the last year and more opportunities open up for us almost daily.

In this age of rapidly evolving technology the human touch remains as important as ever. The advance of e-commerce has added to, rather than detracted from, the personal relationships that are so fundamental to the way in which JLT people deal with clients and insurers alike. We use technology to enhance our business but we never forget the basic principles of trust and confidence that remain the essential characteristics of any successful business relationship.

During 1999, in addition to winning many new clients and developing new insurer relationships, we also welcomed many new colleagues across the Group in various disciplines. The fundamental objectives of JLT are to be the broker of choice for clients and the employer of choice for our industry's most talented professionals.

Our colleagues, individually and collectively, are our great strength. Wherever they operate – whether in the UK or overseas – they are all JLT people, who identify with our company, our philosophy and our goals.

We shall do everything in our power to take advantage of the opportunities before us in 2000 and beyond.

Ken Carter  
Chief Executive  
10th March, 2000

# JLT Risk Solutions

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When we launched JLT Risk Solutions we were already differentiating ourselves from our competitors and the gap is continuing to widen. Increasing competition and the need to control expenses continue to drive consolidation and convergence trends in the insurance industry. These trends have created progressively larger insurance organisations with global reach and enormous capitalisation. But this trend highlights the reactive nature of the industry in general. The vast majority of its participants – insurers and brokers alike – continue to follow each other down the same path.

JLT Risk Solutions will allow us to capitalise on our traditional transactional strengths and expand on our original vision of focusing our business on the needs of our clients. In this respect, the creation of JLT Risk Solutions was part of a continuing evolutionary process. We have always had a reputation for innovative services that address clients' needs. JLT Risk Solutions is responding to the changing economic landscape by developing a range of specialist services for our clients that will keep us at the forefront of our industry.

As many clients become increasingly sophisticated in their management of risk they are challenging the insurance industry to provide an altogether more flexible range of products and solutions.

We are fortunate to have an excellent client base with many world-class corporations who are leaders in their particular field. Many of our clients are rightly demanding, highly sophisticated and challenge us to deliver leading edge solutions.

Management and mitigation of risk in its widest sense is in high demand and JLT Risk Solutions has been using insurance as an alternative form of capital to help our clients.

Our ability to identify clients' needs and then to provide proactive solutions puts JLT Risk Solutions in a unique position, not only in the insurance industry, but also in the wider financial services sector.

As the insurance industry continues a process that reduces the value of its product to that of a commodity, JLT Risk Solutions seeks to create value by transforming that commodity into something much more valuable to our clients.

Steve McGill  
Chief Executive, JLT Risk Solutions

10th March, 2000

# JLT Corporate Risks & Services

JLT Corporate Risks & Services comprises two businesses operating in different markets.

## Corporate Risks

Corporate Risks provides more traditional risk management and broking solutions mainly to the major and mid corporate markets. During 1999 we have brought greater focus to bear on this business. In some areas this has led to internal reorganisation and in others we have taken the decision to exit business as being non core to our strategy. Alongside these changes we have achieved major new business wins.

In Asia revenue was marginally down. This does not reflect an underlying loss of business but rather the delayed effect of the economic crisis in this area. We have strengthened our regional management team in Singapore in order to provide the necessary resource to develop business in Asia as the economy stabilises.

In January 2000, we disposed of two US subsidiaries operating in Excess and Surplus Lines which did not fit with the development of our Service business in this territory. At the same time we have seen excellent growth in our Brazilian operation and in Canada, where our focus is primarily on natural resources, professional liability and construction.

In the UK, Ireland and Australia, growth was achieved in 1999. In 2000 we will be concentrating on improvement in profit margins.

In continental Europe we see opportunities to improve our market share through acquisition, and in conjunction with our associate SIACI, expand our network through alliances with other independents.

## Services

Our Services business provides marketing and technology-based solutions in benefit, affinity group and retained risk fund administration. Clients include insurers, major corporations and municipal authorities, labour unions and trade and professional associations.

In the US, new business wins will impact 2000. Our Australian operation showed significant growth as the traditional local government business has expanded into outsourcing for major corporations.

In the UK, Jardine Reeves Brown, our employee benefits business, showed both top and bottom line growth and our caravan account delivered a particularly strong result.

We have been giving careful consideration to the development of our internet strategy. Nowhere does this have more relevance than in our Services business. The combination of our existing skills in the affinity arena with internet solutions will expand the scope of services we can provide to our clients into new areas of e-commerce. In addition there is the opportunity to enhance our existing operations by achieving greater processing efficiencies through the use of e-business. In 2000, we will make a significant investment in this area that may include acquisitions and the formation of new alliances.

John Hastings-Bass  
Chief Executive, JLT Corporate Risks & Services

10th March, 2000

# Financial Review

## Basis of Presentation

The requirement for the period under review is to produce figures for the year ended 31st December, 1999, together with comparative figures for the previous year, and the Annual Report includes profit and loss, balance sheet and cash flow figures for those periods.

However, the comparative figures now presented for the year ended 31st December, 1998 have been restated to reflect the adoption of Financial Reporting Standard (“FRS”) 12, which sets out the principles of accounting for provisions, contingent liabilities and contingent assets. As such, they differ quite significantly in some respects from those originally published.

During the course of 1998 some £7.0 million of previously existing general provisions were reclassified as specific provisions or accruals, while a further £0.7 million of general provisions was released and included within the profit for that year. In contrast, FRS 12 requires that all such general provisions be included within shareholders’ funds as at the beginning of 1998, with the corresponding creation of specific provisions and accruals and the reversal of the release to profit being shown as a charge to the profit and loss account for the year, thereby reducing the previously stated profit by a total of £7.7million. There is no net effect on the level of shareholders’ funds as shown in the closing balance sheet as at 31st December, 1998.

The restatement of the comparative figures has no economic impact. Therefore, rather than compare the actual profit and loss figures for 1999 with the restated figures now shown for 1998, any relevant comparisons drawn in the review are by reference only to the profit and loss account for 1998 as originally published, which is reproduced on page 45 of the Report and Accounts.

The adoption of FRS 12 has also required the disclosure as provisions of amounts previously included within current liabilities. To that extent, the level of provisions for liabilities and charges shown in the restated balance sheet as at 31st December, 1998 is greater than that originally published, with the corresponding figure as at 31st December, 1999 also showing a consequent increase, offset, in each instance, by a corresponding reduction in current liabilities.

## Results for 1999

Trading profit, represented by brokerage and fees less expenses, increased by 27% from £32.2 million to £41.0 million. An increase in brokerage and fees of 8% was accompanied by a 5% increase in the level of expenses, resulting in an improvement in the expense ratio from 86.1% to 83.6%.

Investment income declined by 19%, due to a combination of lower achieved rates of return and a reduction in the level of funds available for investment. This is discussed in more detail later in this review.

The contribution from associates was substantially unchanged at £5.2 million, increased contributions from SIACI and Professional Affinity Group Services being offset by a reduction in the total contribution from the smaller associates.

Calculated in accordance with UK accounting principles, the contribution from SIACI, which represented some £4.2 million of the total contribution from associates, showed an increase of 5% over 1998, rising to 6% in constant currency terms.

The amount of interest payable to banks and in respect of finance leases declined significantly from £1.8 million to £0.5 million, reflecting the repayment of external debt at the end of 1998. The balance of the total of £1.4 million shown as ‘Interest payable and similar charges’ on the face of the profit and loss account represents the unwinding of provision discounting.

Profit before taxation, adjusted to exclude the effect of both operating and non-operating exceptional items, increased from £58.3 million to £63.3 million, an increase of 9%, or 8% when adjusted to eliminate the effects of currency movements and of acquisitions and disposals.

## Earnings Per Share

All earnings per share figures, including those for earlier accounting periods which have been restated where necessary, are calculated in accordance with FRS 14.

Excluding the effect of exceptional items, basic earnings per share increased by 13% from 20.7p to 23.4p while diluted earnings per share increased by the same percentage from 20.4p to 23.0p.



## Dividends

The Board proposes a final dividend of 7.75p per share, which follows an interim dividend of 5.5p per share, making a total for the year of 13.25p per share. This compares with total dividends of 12p per share for the previous year and represents an increase of 10%.

The total dividends of 13.25p per share for 1999 were covered approximately 1.8 times (1998 – 1.7 times) by earnings before exceptional items.

## Exceptional Items

As well as requiring the restatement of the comparative profit and loss figures for 1998, the adoption of FRS 12 also necessitated a revision of the amounts previously recognised as provisions for future rental costs in respect of surplus properties in order to reflect the time value of money. The discounting of such provisions resulted in an operating exceptional credit of £3.9 million, offset in part by the creation of an additional provision for future rental costs of £1.7 million. A further minor operating exceptional of £0.1 million arose in connection with the discounting of deferred consideration due in respect of earlier acquisitions.

The sale of the yacht insurance broking activities of Jardine Maritime gave rise to a non-operating exceptional credit of £0.3 million, which was more than offset by costs totalling £0.8 million associated with the closure, disposal or prospective disposal of other small, non-core businesses, resulting in net non-operating exceptional costs of approximately £0.5 million.

## Cash Flow

The Group cash flow statement on page 34 has been prepared in accordance with the revised FRS 1. Under FRS 1 cash is narrowly defined as cash in hand and deposits (less overdrafts) repayable on demand. Moreover, it requires no distinction to be made between the Group's own funds and the fiduciary funds generated by the large cash flows associated with insurance broking transactions. The Group's cash flow performance is probably better understood by excluding such fiduciary funds and by referring to the movement of the Group's own net funds, defined as cash and investments, less borrowings.

The following summarised cash flow has been prepared on the latter basis and shows on that basis a decrease in the Group's own funds during 1999 of £21.4 million.

	£'m
Profit before taxation & exceptional items	63.3
Capital expenditure in excess of depreciation	(0.4)
Payments in respect of provisions	(14.0)
Purchase of employee benefit trust investments	(4.7)
Working capital movements	(10.7)
Net outflow on acquisitions & disposals	(10.6)
Tax paid	(20.5)
Dividends paid	(23.8)
<b>Net cash outflow from operations</b>	<b>(21.4)</b>
Net cash at 1st January, 1999	332.9
Net cash outflow from operations	(21.4)
Net fiduciary cash outflow	(26.6)
<b>Net cash at 31st December, 1999</b>	<b>284.9</b>

## Acquisitions & Disposals

During 1999 the cost of acquisitions amounted to £11.0 million, of which some £9.3 million related to the purchase of the former minority interests in the Group's subsidiaries in Australia and the Philippines and an increased investment in Indonesia. Save for £0.1 million of deferred consideration, such cost was entirely funded in cash from the Group's own resources. Goodwill in respect of acquisitions amounted to £9.5 million, which will be amortised over 20 years in accordance with normal accounting policy. During the same period proceeds from disposals – described earlier under "Exceptional Items" – amounted to £0.2 million.

## Foreign Exchange

The Group's major transaction exposure arises in respect of the US dollar revenue earned in the UK, where it accounts for approximately 59% of total revenue. The results of the Group are therefore highly sensitive to changes in the sterling/US dollar exchange rate, each one cent movement translating into a change of approximately £0.5 million in profit before tax. The Group therefore adopts a prudent approach to the management of this exposure by maintaining a rolling hedging programme based on the use of forward foreign exchange contracts and, to a lesser extent, options, with the objective of selling forward a minimum of 50% of US dollar income

## Financial Review

projected to arise during the following 12 months and 25% of that expected to arise over the subsequent 12 months.

In 1999 the Group achieved a rate of US\$1.60, which compared favourably with the average rate during the year of US\$1.62.

At the end of 1999, and in accordance with Group policy, some 74% of the US dollar revenue forecast to arise in 2000 was hedged at an average rate no worse than US\$1.62, i.e. assuming the exercise of options at the least favourable rate, while for 2001 some 25% of US dollar revenue expected to arise in 2001 was hedged at an average rate also no worse than US\$1.62.

The Group's major translation exposures are to the US dollar, the French franc and Australian dollar. Profits arising on overseas subsidiaries are not hedged, although translation into sterling at the average of month-end rates tends to mitigate the effect of currency movement.

The effect of exchange rates on the Group's results for 1999 and 1998 is summarised in the following table:

	12 months to 31.12.99	12 months to 31.12.98	12 months to 31.12.97
<b>Conversion of US\$ income earned in the UK at achieved rates</b>	1.60	1.61	1.56
Average rates for translation – US\$	1.62	1.66	1.64
– Aus\$	2.53	2.63	2.22
– FrF	9.95	9.82	9.58
	<b>December 1999 £m</b>	<b>December 1998 £m</b>	
<b>Currency effects on profit before tax</b>			
Non-sterling income earned in UK subsidiaries	1.1	(2.8)	
Non-local currency income earned in overseas subsidiaries	(0.2)	0.8	
Sub-total	0.9	(2.0)	
Translation of profits of overseas subsidiaries	0.6	(3.5)	
<b>Total exchange effect</b>	<b>1.5</b>	<b>(5.5)</b>	

## Investment Income

The Group's investment income arises from its holdings of cash and investments including fiduciary funds. At the year end, cash and investment balances amounted to £289 million, denominated principally in sterling (38%) and US dollars (56%).

The Group manages its cash and investment balances substantially in the form of deposits with prime banks and other short term money market instruments, in accordance with an investment and counterparty policy agreed by the Board and, in respect of fiduciary funds, all relevant regulatory guidelines.

During the year the Group adopted a formal interest rate policy designed to reduce the variation from year to year in sterling and US dollar interest earnings by establishing a hedging programme based on the use of forward rate agreements matched by underlying deposits/investments. The Group would normally expect to hedge 50% of interest earnings projected to arise during the following 12 months and 25% of those expected to arise during the subsequent 12 months but, depending on market conditions, the hedged position may vary between 25% and 75% of projected interest exposure and may be extended to 3 years in duration.

Investment income for 1999 amounted to £18.4 million, a decrease of 19% compared to 1998. The decrease was due to a combination of lower achieved rates of return on US dollars (5.2% compared with 5.6%) and sterling (5.8% compared with 7.0%) and a lower level of average funds available for investment following repayment of external debt at the end of 1998 and the cost of acquisitions during 1999. This was offset to a small extent by a favourable movement in the sterling/US dollar exchange rate.

The relative effects on investment income are summarised below:

	£'m	£'m
1998 Investment income		22.6
<i>Effect of:</i>		
Decreased average investment balances	(2.0)	
Exchange rate movements	0.3	
Lower interest rates	(2.5)	
		(4.2)
1999 Investment income		18.4

## Accounting Developments

The most significant development during 1999 was the adoption of FRS 12 and its effects on the comparative figures for 1998 and on the reporting of interest payable, operating exceptional items, and the level of provisions for liabilities and charges for 1999 and these have already been discussed in the appropriate sections of this review.

The only other FRS adopted during 1999, FRS 13, is concerned with the disclosure of information on derivatives and other financial instruments. The FRS requires both narrative and numerical disclosures. Various narrative disclosures, which are intended to describe the role that financial instruments have in changing the risks faced by the Group, including its objectives and policies in using financial instruments to manage such risks, are contained elsewhere in this review and in the Directors' Report on page 20. The related numerical disclosures, which show how these objectives and policies were implemented and provide supplementary information for evaluating any actual or potentially significant exposures, are contained in note 32 on pages 61 to 63.

## Year 2000

Although it is recognised that the impact on IT systems of Y2K may be felt not only on 1st January but also during the succeeding months, both the date change itself and 29th February passed uneventfully with no adverse consequences for the Group.

George Stuart-Clarke

Finance Director

10th March, 2000

# Directors

## **R J O Barton, CA**

*Chairman*

John Barton, 55, joined the Jardine Matheson group in 1976, and was Chief Executive of Jardine Insurance Brokers, latterly JIB Group plc, between 1984 and 1997. He was appointed a director and Chairman of the Company in February 1997. He is a non-executive director of BNB Resources PLC, Hammersons plc, WH Smith Group plc and a director of the General Insurance Standards Council.

## **C G R Leach**

*Joint Deputy Chairman – non-executive*

Rodney Leach, 65, was Chairman of Jardine Insurance Brokers, latterly JIB Group plc, between 1988 and 1997. He was appointed non-executive joint Deputy Chairman of the Company in February 1997. He is a member of the Audit & Compliance Committee and Chairman of the Remuneration Committee. Other directorships include Jardine Matheson Holdings Limited, Matheson & Co., Limited and other Jardine Matheson group companies. He is a non-executive director of HSBC Republic Holdings (Luxembourg) SA and Robert Fleming Holdings. He is also a trustee of the British Library.

## **R C Tomkinson, FCA, FCT**

*Joint Deputy Chairman – non-executive*

Robert Tomkinson, 58, has been a non-executive director of the Company since 1987 and a Deputy Chairman since 1992. He is the senior independent director and is Chairman of the Audit & Compliance Committee and a member of the Remuneration Committee. He was Group Finance Director of Electrocomponents PLC, the major electronic and electrical components distribution group, from 1986 until his retirement in 1997. He is non-executive Chairman of Pittards plc, Chairman of the council of the University of Buckingham and a non-executive director of UGC Ltd (the Unipart Group of Companies).

## **K A Carter**

*Chief Executive*

Ken Carter, 56, joined Lloyd Thompson as Chief Executive in 1986. He continued in this role until the merger with JIB Group in February 1997 and is now Chief Executive of Jardine Lloyd Thompson Group. He is registered with the Insurance Brokers Registration Council ('IBRC'). He is a non-executive director of City North Group plc.

## **C Chouraqui (France)**

Claude Chouraqui, 63, was a director of JIB Group plc between 1991 and 1997 and was appointed a director of the Company in February 1997. He is President of our French associate, SIACI SA and Vice Chairman of Francarep SA.

## **A D J B Collins**

Dominic Collins, 43, joined Lloyd Thompson in 1984 and was appointed a director of the Company in 1995. He is Chairman of JLT Corporate Risks & Services and joint deputy Chairman of JLT Risk Solutions. He is registered with the IBRC.

## **J P Hastings-Bass**

John Hastings-Bass, 45, joined the Jardine Matheson Group in 1976. He was a director of JIB Group plc between 1996 and 1997 and was appointed a director of the Company in February 1997. He is registered with the IBRC. He is Chief Executive of JLT Corporate Risks & Services.

### **S P McGill, ACII**

Steve McGill, 42, joined Lloyd Thompson in 1989 and was appointed a director of the Company in December 1996. He is registered with the IBRC. He is Chief Executive of JLT Risk Solutions.

### **Lord Powell of Bayswater, KCMG**

*Non-executive*

Lord Powell, 58, joined the Jardine Matheson group of companies in 1991. He was a non-executive director of JIB Group plc between 1991 and 1997 and was appointed a director of the Company in February 1997. He is a member of the Audit & Compliance and Remuneration Committees. He was previously Private Secretary and adviser on foreign affairs and defence to British Prime Ministers, Baroness Thatcher and the Rt Hon. John Major. His directorships include Jardine Matheson Holdings Limited and other Jardine Matheson group companies, in addition to Arjo Wiggins Appleton, British Mediterranean Airways, LVMH Moët Hennessy Louis Vuitton and Said Holdings. He is also Chairman of the Singapore – British Business Council and President of the China – Britain Business Council.

### **E A R D de Rothschild (France)**

*Non-executive*

Eric de Rothschild, 59, was a non-executive director of JIB Group plc between 1991 and 1997 and was appointed a director of the Company in February 1997. He is a director of SIACI SA, chairman of the supervisory board of Francarep SA and a director of the Rothschild group.

### **T R Sermon, FCIS**

*Non-executive*

Richard Sermon, 53, was appointed a non-executive director in January 1996. He is Chairman of Gryphon Corporate Counsel Limited, a director of Wrightson Wood Associates Limited, non-executive Chairman of Shandwick Consultants Limited and a non-executive director of Newmond plc and The Defence Storage and Distribution Agency, part of the Ministry of Defence. He was previously Chief Executive of Shandwick International plc. He is also Chairman of the Federation of London Youth Clubs and The Home Improvement Trust. He is a member of the Audit & Compliance and Remuneration Committees.

### **G W Stuart-Clarke**

*Finance Director*

George Stuart-Clarke, 51, was appointed Finance Director of the Group in May 1994, having been a non-executive director since May 1991. He was previously Managing Director of Arlington Securities Plc, prior to which he spent twelve years in corporate finance with Hill Samuel & Co. Limited.

# Directors' Report

The Directors submit their report and the audited financial statements for the year ended 31st December, 1999.

## Principal Activities and Business Review

Jardine Lloyd Thompson Group plc is a holding company, the principal subsidiary and associated undertakings of which are engaged in insurance and reinsurance broking. A review of the Group's trading activities and prospects is included in the Chairman's Statement and Chief Executive's Review on pages 7 to 11 and should be read as part of this report.

## Results and Dividends

The financial statements deal with the results of the Group for the year ended 31st December, 1999 which are shown on pages 31 to 65. The profit attributable to shareholders amounted to £44,903,000 (1998: £33,574,000). The directors recommend the payment of a final dividend of 7.75p (net) per share which, together with the interim dividend of 5.5p (net) per share paid in November 1999 amounts to a total dividend of 13.25p (net) per share (1998: 12.0p (net) per share). Subject to shareholder approval, the final dividend will be paid on 15th May, 2000 to shareholders registered at the close of business on 14th April, 2000.

## Fixed Assets

Details of the changes in the fixed assets of the Group are shown in notes 15 and 16 on pages 46 to 47.

## Substantial Shareholders

At the date of this report, the Company had been notified of the following material interests in the issued ordinary share capital:

Shareholder	Ordinary shares	% held
JMH Investments Limited	28,757,494	15.0%
Matheson (Insurance Investments) Limited	19,518,149	10.2%
Boxwick Limited	4,094,400	2.1%
Matheson & Co., Limited	11,394,873	5.9%
Jardine Matheson Holdings Limited	63,764,916	33.3%
SIACI SA	10,346,399	5.4%

JMH Investments Limited, Matheson (Insurance Investments) Limited, Boxwick Limited and Matheson & Co., Limited are wholly owned subsidiaries of Jardine Matheson Holdings

Limited, which has a total interest in 63,764,916 ordinary shares being 33.3% of the issued capital of the Company. Jardine Strategic Holdings Limited is interested in the shares of Jardine Matheson Holdings Limited under Section 203(2)(b) of the Companies Act 1985.

Francarep SA is interested in the shares of SIACI SA under Section 203(2)(b) of the Companies Act 1985.

## Relationship with Jardine Matheson Group Trading

During the year the Group continued to have a number of arm's length trading and non-trading links with Jardine Matheson group companies, the financial implications of which are given in note 33 on page 64.

## Business Services

Jardine Matheson provides internal audit and certain other services to the Group on an arm's length basis.

## Trademark

The Company has entered into a licence agreement with Jardine Matheson (Bermuda) Limited permitting the use of the "Thistle" trademark. Jardine Matheson has the right to terminate the agreement if its interest in the share capital of the Company falls below 30%.

## Banking

The Group deposits a proportion of its cash balances arising from its UK activities with Matheson Bank Limited (a subsidiary of Matheson & Co., Limited) which maintains a highly liquid balance sheet.

## Directors

The directors of the Company listed on pages 18 to 19 served throughout the year.

Mr E J Lloyd retired from the Board on 29th February 2000. However, he continues in his role as Executive Chairman of JLT Risk Solutions. On the same date, Messrs D E Corben, R D Guy and J P Marland also retired from the board and they each continue to serve the Group in a consultancy role, focusing on maintaining and developing key client relationships. The aforementioned all served as directors throughout 1999.

The Directors submit their report and the audited financial statements for the year ended 31st December, 1999.

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### Fixed Assets

Details of the changes in the fixed assets of the Group are shown in notes 15 and 16 on pages 46 to 47.

### Substantial Shareholders

At the date of this report, the Company had been notified of the following material interests in the issued ordinary share capital:

JMH Investments Limited, Matheson (Insurance Investments) Limited, Boxwick Limited and Matheson & Co., Limited are wholly owned subsidiaries of Jardine Matheson Holdings Limited, which has a total interest in 63,764,916 ordinary shares being 33.3% of the issued capital of the Company. Jardine Strategic Holdings Limited is interested in the shares of Jardine Matheson Holdings Limited under Section 203(2)(b) of the Companies Act 1985.

Francarep SA is interested in the shares of SIACI SA under Section 203(2)(b) of the Companies Act 1985.

### Relationship with Jardine Matheson Group

### Trading

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# Directors' Report

## Compliance Statement

### The Board

At the date of this report the Board is comprised of seven executive directors, including the Chairman and Chief Executive, and five non-executive directors. There are established formal procedures for the structure and authorities through which the Board discharges its responsibilities for the direction and management of the Group. The Board meets regularly to review the performance of the Group and to discuss matters which it has reserved to itself for decision, as well as any other matters that are referred to it. It has established a number of standing committees including an Audit & Compliance Committee, a Nominations Committee and a Remuneration Committee. The Audit & Compliance and Remuneration Committees consist wholly of non-executive directors.

The Audit & Compliance Committee is comprised of Robert Tomkinson (Chairman), Rodney Leach, Lord Powell and Richard Sermon. The Committee meets four times a year with the external auditors attending by invitation. The Committee reviews the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management. It reviews accounting policies, financial reporting and external and internal audit reports, providing a forum through which the Group's external auditors, compliance and internal audit functions report to the non-executive directors. The Finance Director and Group Chairman normally attend meetings of the Audit & Compliance Committee but the non-executive directors may also meet privately with the external auditors.

The Remuneration Committee is comprised of Rodney Leach (Chairman), Lord Powell, Richard Sermon and Robert Tomkinson. The Remuneration Committee is responsible for setting the remuneration and terms and conditions of employment of the executive directors of the Company. It also approves the allocations under all long term incentive schemes and share option schemes.

The Nominations Committee is comprised of the Chairman and a minimum of three non-executive directors. Its purpose is to make recommendations to the Board on the appointment of directors of the Company.

The Group Executive Committee is responsible for the management of the Group's operations. It is comprised of six executive directors and three non-board appointees.

The Board acknowledges that it has not complied fully with the Code during the year in the areas of board balance and independence of non-executive directors. The Code requires one third of the Board to be non-executive and the majority of non-executive directors to be "independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement". It also requires a majority of the members of the Audit and Remuneration Committees to be independent.

Two non-executive directors of the Group, Rodney Leach (joint Deputy Chairman) and Lord Powell, are directors of Jardine Matheson Holdings Limited which has a 33.3% interest in the Company. The Board has again reviewed this area and considers that their continued presence on the Board (subject to re-election under the Articles) is in the interests of the shareholders generally as they, together with the remaining non-executive directors, provide the Board with broad international perspectives, valuable contacts and advice from the business community as a whole. The relationship with Jardine Matheson is maintained on an arms-length basis as detailed in note 33 on page 64.

The remaining non-executive directors, namely Robert Tomkinson (joint Deputy Chairman with Rodney Leach), Richard Sermon and Eric de Rothschild are considered by the Board to be independent in the context of the Code definition, irrespective of length of service. The Board has confirmed Robert Tomkinson as the senior independent director pursuant to the Code and he continues to chair the Audit & Compliance Committee and is a member of the Remuneration Committee. In overall terms, following recent changes and review, the Board do not feel it is necessary to revisit the balance of the Board at this time.

### Directors' Remuneration

Full details of directors' remuneration and a statement of the Company's remuneration policy is set out in the Remuneration Report on pages 26 to 29 and note 5 on pages 39 to 41.



The Board believes that the composition of the Remuneration Committee is appropriate to the circumstances of the Company and the continued membership of Jardine Matheson directors is not regarded as detracting from independence of judgement on any relevant issue.

### Relationship with Shareholders

The Board endeavours to maintain a dialogue with institutional shareholders and carries out a programme of meetings and presentations each year following the publication of interim and final results.

At the Annual General meeting, the Chairmen of the Audit & Compliance, Nominations and Remuneration Committees will be available to answer questions.

### Accountability and Audit

#### Directors' Responsibilities

The following statement should be read in conjunction with the Auditors' report on page 30.

The Directors are required to present for each accounting period financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss of the Group for that period and are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. It is also the responsibility of the directors to ensure that arrangements are made for the maintenance of adequate accounting records, to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

#### Going Concern

The Directors consider that the Group and the Company have adequate resources to continue in operational existence in the foreseeable future. Consequently, the financial statements have been prepared on a going concern basis.

#### Internal Control

The Group has adopted the transitional approach for the Combined Code set out in the letter from the London Stock Exchange to listed companies at the end of September 1999 and reports as set out below:

#### Wider Aspects of Internal Control

The Board confirms that it has established the procedures necessary to implement the guidance "Internal Control: Guidance for Directors on the Combined Code". The Board expects these procedures to be fully in place during the first half of 2000.

The formal evaluation and assessment of risk is well established within the Group and has been widened to cover all major geographic locations in which the Group operates. This will form part of the overall review by the Audit & Compliance Committee of the Group's system of internal controls for the year ended 31st December, 2000.

#### Internal Financial Control

Internal financial controls are intended to safeguard the assets of the Group, to prevent and detect fraud and other irregularities and to provide reasonable assurance of the reliability of the financial information used within the business.

The Group conducts its trading activities through subsidiary and associated undertakings.

The overall responsibility for internal financial controls within the Company and its subsidiary undertakings rests with the directors of the Company. Reviewing and monitoring the effectiveness of such controls forms part of the duties of the Audit & Compliance Committee. Monitoring procedures include detailed reviews of operating company systems which are routinely undertaken by internal audit.

The responsibility for internal financial controls within associated undertakings rests essentially with the senior management of those operations, the role of the Group being to monitor its investments and to exert influence, normally through board representation.

# Directors' Report

The present framework of financial controls may be summarised under the following headings:

## Organisational Structure

There are clearly defined areas of responsibility and limits of authority within the Group.

## Financial Reporting

Annual budgets are approved by the Board following detailed reviews by management. The results of the Group are reviewed against budget and reported to the Board on a regular basis.

## Treasury

Treasury policy is reviewed and approved by the Board and a Sub-committee of the Board is responsible for monitoring treasury activity and performance. The Group has adopted policies to cover the key treasury activities of investment of funds, counterparty risk, foreign exchange and interest rate risk.

Cash and investments consist of money market deposits, commercial paper, certificates of deposit and cash funds with prime banks and institutions.

The Group maintains a counterparty policy based on published rating criteria to limit the concentration of funds and the exposure with any one party. Monetary limits are assigned to each counterparty based on an agreed scale in relation to their rating.

The Group adopts a prudent approach to the management of its US dollar foreign exchange exposure by maintaining a hedging programme based on the use of forward foreign exchange contracts and, to a lesser extent, options with the objective of selling forward a minimum of 50% of US dollar income projected to arise during the following 12 months and 25% of that expected to arise over the subsequent 12 months.

Interest rate risk arises on the interest earnings from both own and fiduciary funds held in the Group. The Group policy is to protect its Sterling and US dollar interest earning by maintaining on a rolling 12-month basis a minimum hedged position. Depending on market conditions this minimum can alter between 25% and 75% of projected interest earnings and be extended to 3 years in duration.

## Investment Appraisal

Major items of capital expenditure require Board approval.

The Board is also responsible for the overall strategy of the Group, including acquisitions and related due diligence requirements.

Whilst any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss, the Board places a strong emphasis on adherence to such controls. In this regard the Audit & Compliance Committee has reviewed both the appropriateness of the Group's internal financial controls and their effectiveness in relation to the relevant criteria set out in "Internal Control and Financial Reporting" issued by the Internal Control Working Group in 1994.

## Employment Policies

It is the policy of the Group to provide an environment in which individual talents can excel. Employee involvement is encouraged with wide share ownership and participation in share option schemes.

Employees are kept informed of the performance of the Group and all matters affecting them as employees by means of regular briefings, consultation and newsletters.

The Group is an equal opportunities employer and bases all decisions on individual ability regardless of race, gender, age or disability.

Applications for employment by disabled persons will always be fully considered, having regard to their particular aptitudes and abilities. Should employees become disabled, every effort will be made to ensure that their employment with the Group continues and, in the event that they are unable to continue to work, that their financial interests are safeguarded. It is the intention of the Group that opportunities for training, career development and promotion of disabled persons should, as far as possible, be identical with those for other employees.

## Suppliers

The Group agrees payment terms with suppliers when it enters into contracts for the purchase of goods or services and seeks to abide by those terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At 31st December, 1999 the Company did not have any direct external supplier creditors. The Group does not have a standard or code which deals specifically with the payment of suppliers.

### Transactions with Related Parties

Details in respect of the completion of a transaction pursuant to an existing contractual commitment are set out in note 26 on page 54.

### Millennium

The Board is pleased to report that the precautions taken to protect the Group's systems from difficulties arising from the Millennium have been successful and no significant problems have been reported from any office across the Group. The position will nevertheless be monitored on an ongoing basis.

### Donations

During the period the Group made charitable donations totalling £182,000 (1998: £260,000). No political donations were made by the Group.

### Annual General Meeting

The Notice convening the Annual General Meeting to be held on 5th May, 2000 at 12 noon at the offices of Warburg Dillon Read, 1 Finsbury Avenue, London EC2M 2PP is contained in the circular accompanying this report.

The special business comprises the renewal, within prescribed limits, of (i) the authority of the directors to allot securities of the Company up to the available unissued capital and the disapplication of the statutory pre-emption rights (ii) the authority of the Company to purchase its own shares by way of market purchases and (iii) a waiver of the requirement arising under Rule 9 of the City Code on Takeovers and Mergers, that Jardine Matheson Holdings Limited together with parties deemed to be acting in concert with it be required to make a general offer for the Company by reason of the change in its percentage holding in the capital of the Company arising from any such purchase under (ii) above.

Save for the allotment of shares under the Company's share option schemes or as may arise with the acquisition of minority interests, the directors have no present intention of utilising the authority under (i) above.

The Directors will only consider making purchases of the Company's shares if they believe that it would be in the best interests of shareholders and would result in an improvement in earnings per share.

### Auditors

It is proposed that PricewaterhouseCoopers be reappointed auditors of the Company, having signified their willingness to continue in office, and a resolution proposing their reappointment will be put to the Annual General Meeting.

By order of the Board

D J Hickman  
Secretary

10th March, 2000

# Remuneration Report

The Remuneration Committee is comprised of four non-executive directors: Mr C G R Leach (Chairman), Lord Powell, Mr T R Sermon and Mr R C Tomkinson. Its terms of reference are to determine the policy of the Company with regard to the remuneration of executive directors and to establish specific packages for each such director. It also considers and approves the recommendations of the Chief Executive (other than in respect of himself) in respect of awards under the Group's share option schemes and long term incentive schemes, and makes awards under the Group's sharesave scheme. The remuneration of the non-executive directors is a matter reserved for the Board.

The Committee is directly accountable to shareholders. The Chairman of the Committee will attend the Annual General Meeting and will be available to answer shareholders' questions regarding remuneration.

## Compliance with the Combined Code

As noted in the Compliance Statement, the Board believes that the composition of the Remuneration Committee is appropriate to the circumstances of the Company and the continued membership of Jardine Matheson directors is not regarded as detracting from independence of judgement on any issue. In determining levels of remuneration, terms and conditions of employment and remuneration policy the Committee has given full consideration to the Code provisions on directors' remuneration.

## Remuneration Policy

The Group operates in a highly competitive sector and its policy on the remuneration of executive directors is to provide terms and conditions which enable it to recruit, retain and motivate individuals of sufficient expertise and commitment to further the success of the Group.

The Committee endeavours to set levels of basic salary and remuneration in line with those in comparable groups, and to reward excellent performance by way of discretionary bonuses whilst ensuring that the executive directors have a long term interest in the Group.

The Company's policy in relation to share option schemes and long term incentive schemes is to provide the necessary mechanisms for employees to participate in the long term success of the Group by schemes which can be operated both in the UK and in overseas jurisdictions where local legislation permits.

The partnership plan, which is explained in the Directors' Report on page 21, rewards performance at both subsidiary company and Group level.

Under the Restricted Share Scheme, awards have been made to certain executive directors to date on the basis of prior year performance targets having been met and such awards, as explained below, are not subject to any further performance criteria upon exercise. In 1999 awards were made under the Restricted Share Scheme to selected executive directors which will be exercisable, on a sliding scale, only if growth in earnings per share exceeds targets as detailed below. It is intended that awards will be made on this basis in 2000 and subsequent years.

The various elements of the remuneration package of executive directors are set out below:

### Basic Salary

Basic salaries and benefits are reviewed annually. In considering appropriate levels of remuneration the Committee considers remuneration data for companies in the same business sector and has given full consideration to the Code provisions on Directors' remuneration.

### Performance Related Remuneration

The performance related remuneration paid to the executive directors is comprised of the following elements:

#### Discretionary Bonus Payments

With the exception of J P Marland, individual discretionary bonus payments are made to the executive directors based on (a) the results of the Group as a whole; (b) where applicable, the results of the relevant business group for which the director has responsibility; and (c) the performance of the individual and his specific contribution to the results.

Mr Marland is entitled to a bonus based on the pre-tax profits of attributable reinsurance business within JLT Risk Solutions Limited. The amount of this bonus for 1999 in excess of £226,000 is deferred and payable to Mr Marland, subject to his continued employment within the Group, in March 2003.

#### Share Option Schemes and Long Term Incentive Schemes

The Company operates various share option schemes detailed in the Directors' Report and under note 25 on page 53.

Certain executive directors are participants in the Jardine Lloyd Thompson Sharesave Scheme, the Jardine Lloyd Thompson Group Executive Share Option Scheme, the various JIB Group executive schemes (now in run off) and the Jardine Lloyd Thompson Restricted Share Scheme. Full details of such participation is set out in note 5 on pages 39 to 41.

As noted in the Directors' Report variable vesting periods and conditions may be applied in respect of particular awards made by the trustees under the Restricted Share Scheme.

#### *Performance related awards*

As detailed in the Annual Report for 1998, following the achievement of performance criteria and targets for 1998, awards of ordinary shares in the Company were made to certain directors under the Restricted Share Scheme on 12th April 1999.

Following the achievement of performance criteria and targets for 1999, it is intended that, subject to trustee approval, awards of ordinary shares in the Company will be made to Mr R J O Barton (50,000 ordinary shares) and Mr S P McGill (100,000 ordinary shares) under the Restricted Share Scheme on or before 6th April, 2000. The awards will be exercisable in March 2003 for nominal consideration, subject to continued employment within the Group. The exercise of the aforementioned awards will not be subject to any further performance criteria.

On 10th September, 1999, further performance related awards of 200,000 ordinary shares under the Restricted Share Scheme were made to each of Messrs. K A Carter, A D J B Collins, J P Hastings-Bass and S P McGill. These awards are exercisable for a nominal consideration in March 2002 subject to achievement of performance criteria noted below.

The performance measure by reference to which options become exercisable is the growth in earnings per share over a three year period compared with the earnings per share of the financial year ending immediately before the options are granted. In order for any of the options to be exercisable, the growth in earnings per share must exceed the growth in the retail prices index by more than an annual average of 2%. All the options will be exercisable if the growth in earnings per share exceeds the increase in the retail prices index by an annual average of 10% or more. If earnings per share performance is between these points, the options will be exercisable on a pro rata basis.

The value of annual awards are based on the aggregate of the participant's base salary and performance bonus for the financial year immediately preceding the grant of the award. Options are granted over shares having a value of up to 200% of a participant's base salary and performance bonus at the time of grant.

The awards made in 1999 will be exercisable in March 2002, dependent upon growth achieved from the year 1998.

The Committee intends to recommend to the scheme trustees that further awards under the Restricted Share Scheme be made to selected executive directors in 2000. These awards will be exercisable in 2003 for nominal consideration subject to achievement of performance criteria. Up to one half of the award will be exercisable in 2003 according to growth in earnings per share achieved in 2000 over 1999 within the target range as set out above and pro-rated as appropriate. The remainder of the award will be exercisable, in 2003, according to the growth achieved over the three year period 2000 – 2002, compared to 1999, again pro rata within the same target range.

# Remuneration Report

## Pensions

With the exception of Messrs R D Guy and G W Stuart-Clarke who had personal pension schemes for the period under review, the executive directors participated in either the Senior Executive section of the Lloyd Thompson Pension and Assurance Scheme or the Jardine Lloyd Thompson Group

Pension Scheme (formerly the Jardine Insurance Brokers Pension Scheme) as set out below. The two schemes were merged with effect from 1st February 1998, preserving benefits under each of the schemes.

The details for each director are set out in the table below:

Name	Age at 31 12 99	Pension scheme	Pension pa accrued at 31 12 98	Pension pa increase due to inflation during 1999	Pension pa increase excluding inflation during 1999	Pension pa accrued at 31 12 99	Contributions payable by director during 1999	Retirement age	Spouse's fraction
R J O Barton	55	JLT	£136,190	£1,498	£9,931	£147,619	£3,500	60	0.500
K A Carter	56	LT	£146,783	£1,615	£25,120	£173,518	£18,125	60	0.667
A D J B Collins	43	LT	£53,269	£586	£13,660	£67,515	£11,250	60	0.667
D E Corben	54	JLT	£221,908	£2,441	£19,542	£243,891	£10,852	60	0.500
R D Guy	53	N/A							
J P Hastings-Bass	45	JLT	£43,383	£477	£6,871	£50,731	£4,415	60	0.500
E J Lloyd	44	LT	£71,841	£790	£10,062	£82,693	£11,875	60	0.667
J P Marland	43	LT	£68,394	£752	£2,849	£71,995	£9,250	60	0.667
S P McGill	41	LT	£18,894	£208	£2,571	£21,673	£4,493	60	0.667
G W Stuart-Clarke	50	N/A							

**Notes to table**

*Pension Scheme*  
LT indicates that the Director was formerly a member of the Lloyd Thompson Pension and Assurance Scheme and continues to accrue benefits on the scale provided by that scheme for service whilst a member of the Jardine Lloyd Thompson Scheme.

JLT indicates that the Director accrues benefits on the scale provided by the Jardine Lloyd Thompson Pension Scheme (formerly the Jardine Insurance Brokers Pension Scheme).

*Pension Increases*  
LT pensions in payment are guaranteed to increase by 5% per annum (subject to Inland Revenue limits).

JLT pensions accrued after 6th April 1997 are guaranteed to increase in payment in line with the Retail Prices Index, subject to a maximum of 5% per annum compound.

*Discretionary Benefits*  
There are no discretionary benefits taken into account when calculating transfer values.

JLT pensions accrued before 6th April 1997 are guaranteed to increase in payment as follows:

- Pension in excess of the Guaranteed Minimum Pension: 3% per annum compound.
- Guaranteed Minimum Pension accrued after 6th April 1988: in line with the Retail Prices Index subject to a maximum of 3% per annum compound.

*Early Retirement Rights*  
With the exception of Mr K A Carter who may retire at 58, the Directors have no guaranteed right to early retirement.

## Pension Allowances Paid by the Group

	Year ended 31st December 1999	Year ended 31st December 1998
	£'000	£'000
G W Stuart-Clarke	32	32
R D Guy	23	23

## Other Benefits

Other benefits comprise life assurance cover equal to four times basic salary, company cars which may be used for private purposes or a cash alternative in lieu thereof, and private medical and permanent health cover for the executive directors and their families.

## Directors' Interests

As shown in note 5 to the financial statements, the executive directors have significant holdings of shares and share options in the Company. The Committee is required to approve the grant of all options which, in the case of those granted under the Jardine Lloyd Thompson Group Executive Share Option Scheme, may only be exercised if there has been sustained improvement in the Company's earnings per share compared with the Retail Price Index.



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### Non-Executive Directors

The non-executive directors receive directors' fees. They do not participate in any bonus or share option schemes, enjoy any pension benefits nor, save for a company car provided to Mr C G R Leach, receive any other benefits. The contracts of employment in respect of the non-executive directors provide for renewable three year terms subject to three months notice provision and retirement by rotation at the Annual General Meeting.

### Service Contracts and Notice Periods

Each of the executive directors has a service contract with the Company. All such contracts can be terminated by the Group giving notice not exceeding one year.

Full details of the components of the remuneration of each director, including information on share options and other benefits, are set out in note 5 on pages 39 to 41.

For and on behalf of the Board

Rodney Leach  
Chairman – Remuneration Committee

10th March, 2000

# Auditors' Report

For the year ended 31st December, 1999

We have audited the financial statements on pages 31 to 65 which have been prepared under the historical cost convention and the accounting policies set out on pages 35 and 36.

## Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on page 23, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 22 and 23 reflects the Group's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

## Basis of Audit Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the Group at 31st December, 1999 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**PRICEWATERHOUSECOOPERS** 

Chartered Accountants and Registered Auditors  
London  
10th March, 2000



# Consolidated Profit and Loss Account

For the year ended 31st December, 1999

	Notes	1999 £'000	1998 £'000
<b>TURNOVER</b>	1	<b>250,987</b>	232,001
Investment income	2	<b>18,400</b>	22,646
<b>OPERATING REVENUE</b>		<b>269,387</b>	254,647
Trading expenses (excluding exceptional items)	3	<b>(209,939)</b>	(204,224)
Operating exceptional items	6	<b>2,358</b>	(3,230)
<b>OPERATING COSTS</b>		<b>(207,581)</b>	(207,454)
<b>OPERATING PROFIT</b>		<b>61,806</b>	47,193
Share of operating profit in associates		<b>5,229</b>	5,217
Non operating exceptional items	7	<b>(463)</b>	3,623
Interest payable and similar charges	8	<b>(1,407)</b>	(1,791)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	1,9	<b>65,165</b>	54,242
Taxation on profit on ordinary activities	10	<b>(19,208)</b>	(18,808)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>45,957</b>	35,434
Minority interests		<b>(1,054)</b>	(1,860)
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>44,903</b>	33,574
Dividends	11	<b>(25,323)</b>	(22,809)
<b>RETAINED PROFIT FOR THE YEAR</b>	27	<b>19,580</b>	10,765
<b>EARNINGS PER SHARE</b>			
Basic	13	<b>24.0p</b>	18.1p
Fully diluted	13	<b>23.6p</b>	17.9p
Basic, excluding exceptional items	13	<b>23.4p</b>	18.3p
Fully diluted, excluding exceptional items	13	<b>23.0p</b>	18.0p

# Balance Sheets

As at 31st December, 1999

	Notes	Group		Company	
		1999 £'000	1998 £'000	1999 £'000	1998 £'000
<b>FIXED ASSETS</b>					
Intangible assets	15	14,741	6,192	-	-
Tangible assets	16	17,087	16,079	-	-
Investments in subsidiary undertakings	17	-	-	26,415	26,415
Investments in associated undertakings	17	14,971	14,924	1,338	1,338
Other investments	17	61	84	-	-
Employee benefit trusts	18	6,266	3,015	86	380
		<b>53,126</b>	40,294	<b>27,839</b>	28,133
<b>CURRENT ASSETS</b>					
Debtors	19	1,572,153	1,473,600	48,557	42,251
Investments and deposits	20	243,914	278,818	-	-
Cash	20	44,906	59,723	1,187	120
		<b>1,860,973</b>	1,812,141	<b>49,744</b>	42,371
<b>CREDITORS</b> – amounts falling due within one year	21	<b>(1,809,286)</b>	(1,746,280)	<b>(38,413)</b>	(35,535)
<b>NET CURRENT ASSETS</b>		<b>51,687</b>	65,861	<b>11,331</b>	6,836
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<b>104,813</b>	106,155	<b>39,170</b>	34,969
<b>CREDITORS</b> – amounts falling due after more than one year	22	<b>(906)</b>	(3,517)	-	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	23	<b>(41,330)</b>	(58,416)	-	-
<b>MINORITY INTERESTS</b>		<b>(780)</b>	(2,437)	-	-
<b>NET ASSETS</b>	1	<b>61,797</b>	41,785	<b>39,170</b>	34,969
<b>CAPITAL AND RESERVES</b>					
Called up share capital	24	9,573	9,516	9,573	9,516
Share premium account	27	9,866	8,057	9,866	8,057
Merger reserve	27	-	-	9,604	9,604
Profit and loss account	27	42,358	24,212	10,127	7,792
<b>SHAREHOLDERS' FUNDS</b>		<b>61,797</b>	41,785	<b>39,170</b>	34,969

Approved by the Board on 10th March, 2000 and signed on its behalf by:

G W Stuart-Clarke

FINANCE DIRECTOR

# Statement of Recognised Gains and Losses

For the year ended 31st December, 1999

	1999 £'000	1998 £'000
<b>PROFIT FOR THE YEAR</b>		
Group companies	41,772	30,573
Share of associates	3,131	3,001
	<b>44,903</b>	33,574
Currency translation differences on foreign currency net investments	(1,580)	654
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>	<b>43,323</b>	34,228

# Reconciliation of Movement in Shareholders' Funds

For the year ended 31st December, 1999

	1999 £'000	1998 £'000
<b>PROFIT FOR THE YEAR</b>		
Group companies	41,772	30,573
Share of associates	3,131	3,001
	<b>44,903</b>	33,574
Dividends	(25,323)	(22,809)
Goodwill movements	146	1,726
Currency translation and other items	(1,580)	1,514
New shares issued	1,866	1,637
<b>NET MOVEMENT IN SHAREHOLDERS' FUNDS</b>	<b>20,012</b>	15,642
Opening shareholders' funds as originally reported	41,785	18,454
Prior year adjustment as explained in note 14 on pages 45 and 46	-	7,689
<b>OPENING SHAREHOLDERS' FUNDS AS RESTATED</b>	<b>41,785</b>	26,143
<b>CLOSING SHAREHOLDERS' FUNDS</b>	<b>61,797</b>	41,785

# Consolidated Cashflow Statement

For the year ended 31st December, 1999

	Notes	1999 £'000	1998 £'000
<b>OPERATING ACTIVITIES</b>			
Net cash inflow from operating activities	28	23,910	33,055
<b>DIVIDENDS FROM JOINT VENTURES AND ASSOCIATES</b>			
Dividends received from associates		1,754	1,661
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest received		18,942	20,816
Interest paid – bank loans		(201)	(1,718)
Interest paid – other loans and finance leases		(146)	(481)
Dividends paid to minority shareholding		(1,316)	(1,434)
<b>TAXATION</b>			
UK corporation tax paid		(14,513)	(5,034)
Overseas tax paid		(6,021)	(6,156)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchase of tangible fixed assets		(7,678)	(6,016)
Purchase of intangible fixed assets		(22)	-
Sales of tangible fixed assets		1,050	1,803
<b>ACQUISITIONS AND DISPOSALS</b>			
Purchase of investments by employee benefit trusts		(4,664)	(1,268)
Purchase of subsidiary undertakings	29	(10,952)	(6,533)
Net cash acquired with subsidiaries	29	109	136
Disposal of businesses	30	196	2,737
Net cash disposed of with businesses	30	(2)	-
Investment in associated undertakings		(41)	(101)
Sale of fixed asset investments		196	270
<b>EQUITY DIVIDENDS PAID</b>			
Dividends paid		(23,807)	(19,865)
<b>NET CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		<b>(23,206)</b>	11,872
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Net cash flows out of/(into) investments and deposits	20	35,053	(10,922)
<b>FINANCING</b>			
Issue of ordinary shares	28	1,866	1,637
Movement in debt	28	(2,128)	(19,806)
Increase/(Decrease) in cash (excluding insurance broking funds)		11,585	(17,219)
(Decrease)/Increase in net insurance broking creditors		(26,719)	17,247
Net insurance broking cash at date of acquisition or disposal		149	-
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(14,985)</b>	28

# Accounting Policies

The Group financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable accounting standards.

## Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiary undertakings at 31st December, 1999. The profits and losses of subsidiary undertakings are consolidated as from the effective date of acquisition or to the effective date of disposal. No separate profit and loss account is presented for the Company, as permitted by S.230 of the Companies Act 1985.

The consolidated profit and loss account includes the income and administration expenses of the Lloyd Thompson Group Employee Share Ownership Plan (“ESOP”) and the balance sheet of the Company and the consolidated balance sheet include the assets and liabilities of the ESOP. Shares in the Company held by the ESOP are shown as fixed asset investments of the Company. Where options over shares are granted at prices below cost less any provision for permanent diminution in value, the difference between such value and the relevant option price is charged as an operating cost on a straight line basis over the period of service of the employees in respect of which the options are granted.

## Goodwill arising on consolidation

When the Company’s shares are issued in respect of an acquisition the share premium account or merger reserve is computed by reference to the market value of the shares at the effective date of acquisition. For acquisitions completed prior to 1st January, 1998, the difference between the cost of acquisition of shares in subsidiary undertakings and the fair value of the separable net tangible assets at that date is written off or added to reserves as goodwill or premium arising on consolidation and would be credited to or charged against reserves on subsequent disposal.

For acquisitions completed on or after 1st January, 1998, any goodwill arising has been stated as an intangible asset on the balance sheet and is amortised to the profit and loss account over a period of 20 years from the date of acquisition, as recommended by FRS 10.

## Foreign currencies

Revenue and expenses expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date on which the transaction occurs or, in the case of transactions covered by related foreign exchange contracts, the rate of

exchange specified in the contract. Assets and liabilities are translated at the rates ruling at the balance sheet date. All exchange differences arising from the settlement of trading transactions are included in the profit and loss account.

## Subsidiary undertakings

Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost less any provisions for permanent diminution in value.

## Associated undertakings

The consolidated profit and loss account includes the Group’s share of the profits of associated undertakings and the consolidated balance sheet includes the investments in associated undertakings at cost, less goodwill written off, plus the Group’s share of post-acquisition reserves.

## Overseas undertakings

The profit and loss accounts and cash flows of overseas subsidiary and associated undertakings are translated into sterling at the average rates of exchange applicable to the relevant periods. The balance sheets of overseas subsidiary and associated undertakings are translated at the rates ruling at the balance sheet dates. Exchange differences arising on the retranslation of the opening net assets of such undertakings and from the translation of their results at average rates are taken to reserves.

## Turnover

Turnover represents retained brokerage and fees receivable. Credit is generally taken for brokerage when the debit note is issued 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. Fees receivable are recognised in the period to which they relate or, where this cannot be determined with reasonable accuracy, on a cash basis.

## Insurance broking debtors and creditors

Insurance brokers normally act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding such legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities in recognition of the fact that the insurance broker is entitled to retain investment income on any cash flows arising from such transactions.

# Accounting Policies

## Investments and investment income

Investments are stated at the lower of cost and market value except where they are held as fixed assets, in which case they are stated at cost less any provision for permanent diminution in value.

Interest on deposits and interest-bearing investments is credited as it is earned.

## Pension costs

Contributions payable in respect of the defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Valuation surpluses and deficits are similarly spread over the service lives of employees in the scheme. The pension charge is calculated on the basis of actuarial advice. Actuarial reviews are normally carried out every three years.

## Deferred taxation

Deferred taxation is accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or asset is expected to be payable or receivable in the foreseeable future. However, no deferred taxation asset is recognised for carried forward tax losses, or to the extent that assets exceed liabilities.

## Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation which is calculated to write off the cost of such assets over their estimated useful lives.

### The principal rates of depreciation are as follows:

Leasehold improvements	between 10% and 20% per annum or over the life of the lease
Furniture and office equipment	between 10% and 20% per annum
Computer equipment	between 20% and 100% per annum
Motor vehicles	between 25% and 33 $\frac{1}{3}$ % per annum

## Leased assets

Assets held under leasing agreements which transfer substantially all the risks and rewards of ownership to the Group are included in tangible fixed assets. The capital elements of the related lease obligations are included in creditors. The interest elements of the lease obligations are charged to the profit and loss account as incurred.

Rental payments made in respect of all other leasing arrangements are treated as operating leases and charged to the profit and loss account.

## Vacant property

Provision is made for the future rental cost of vacant property. In calculating the provision required, account is taken of the duration of the lease and any recovery of cost achievable from subletting.

## Provisions for liabilities and charges

In accordance with the requirements of Financial Reporting Standard 12 (FRS 12) (Provisions, Contingent Liabilities and Contingent Assets) the Group has discounted certain provisions to their present value. The notional interest charge representing the unwinding of the provision discounting is included within "Interest payable and similar charges" in the profit and loss account.

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

## Financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange and interest rate risks. These include forward currency contracts, currency options and forward rate agreements.

Forward rate agreements are held off-balance sheet and receipts and payments on settlement of these instruments are recognised as adjustments to investment income on an accrual basis over the life of the hedge.

Changes to the fair value of foreign exchange contracts held as hedges against transactional exposure are not recognised until the maturity of the contract.

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 1 Segmental information

### TURNOVER

#### *Geographical analysis by location of operation:*

	1999 £'000	1998 £'000
Europe (including UK)	146,468	133,406
Asia Pacific	47,855	45,172
Americas	56,664	53,423
	<b>250,987</b>	232,001

#### *Geographical analysis by source of business:*

Europe (including UK)	92,319	80,871
Asia Pacific	54,863	51,828
Americas	100,683	95,263
Rest of the World	3,122	4,039
	<b>250,987</b>	232,001

	Continuing operations		Exceptional items	Total	
	Group companies	Associates			
	1999 £'000	1999 £'000	1999 £'000	1999 £'000	1998 £'000
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>					
Europe (including UK)	44,037	5,260	1,770	51,067	34,389
Asia Pacific	6,652	(31)	-	6,621	8,601
Americas	8,759	-	125	8,884	13,043
	<b>59,448</b>	<b>5,229</b>	<b>1,895</b>	<b>66,572</b>	56,033
Interest payable	(1,261)	(146)	-	(1,407)	(1,791)
	<b>58,187</b>	<b>5,083</b>	<b>1,895</b>	<b>65,165</b>	54,242

Acquisitions made during the year primarily represent additional investment in existing businesses as explained in note 29 on page 57. As a consequence there is no material effect on the profit on ordinary activities before taxation.

	1999 £'000	1998 £'000
<b>NET OPERATING ASSETS AND LIABILITIES</b>		
Europe (including UK)	51,590	45,284
Asia Pacific	16,540	9,121
Americas	(2,372)	(6,960)
	<b>65,758</b>	47,445
Bank and other loans, loan notes and obligations under finance leases	(3,961)	(5,660)
	<b>61,797</b>	41,785

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 2 Investment income

	1999 £'000	1998 £'000
Interest receivable	18,374	22,491
Dividends on own shares	26	155
	<b>18,400</b>	<b>22,646</b>

## 3 Trading expenses

	1999 £'000	1998 £'000
Salaries and associated expenses	144,873	133,808
Premises	16,750	16,935
Other costs	48,316	53,481
	<b>209,939</b>	<b>204,224</b>

## 4 Employee information

	1999 £'000	1998 £'000
<b>STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION</b>		
Salaries	114,304	106,214
Social security costs	10,038	8,034
Pension costs	8,722	9,026
Other staff costs	11,809	10,534
	<b>144,873</b>	<b>133,808</b>

### ANALYSIS OF EMPLOYEES

	1999	1998
<b>AVERAGE NUMBER OF PERSONS EMPLOYED BY THE GROUP DURING THE YEAR</b>		
Europe (including UK)	1,536	1,541
Asia Pacific	1,044	985
Americas	1,011	967
	<b>3,591</b>	<b>3,493</b>



# Notes to the Financial Statements

For the year ended 31st December, 1999

## 5 Directors' remuneration and interests

### I THE REMUNERATION OF THE DIRECTORS WHO SERVED DURING THE YEAR IS DETAILED BELOW:

Director	Notes	Performance			Total 1999 £'000	Total 1998 £'000	Pensions 1999 £'000	Pensions 1998 £'000
		Salary and fees £'000	related bonuses £'000	Other benefits £'000				
R J O Barton		140	-	17	157	347	24	50
C G R Leach		20	-	5	25	25	-	-
R C Tomkinson		35	-	-	35	35	-	-
K A Carter		362	200	16	578	546	91	78
C Chouraqui		12	-	-	12	12	-	-
A D J B Collins		225	175	17	417	410	56	54
D E Corben (retired 29th February, 2000)		437	90	1	528	528	74	69
R D Guy (retired 29th February, 2000)	4	159	20	240	419	210	23	23
J P Hastings-Bass		180	100	16	296	310	30	29
E J Lloyd (retired 29th February, 2000)		242	125	16	383	369	61	56
J P Marland (retired 29th February, 2000)	1,3	185	394	16	595	580	42	64
S P McGill		225	220	34	479	412	22	21
Lord Powell		12	-	-	12	12	-	-
E A R D de Rothschild		12	-	-	12	12	-	-
T R Sermon		25	-	-	25	25	-	-
G W Stuart-Clarke		160	100	17	277	276	32	32
		2,431	1,424	395	4,250	4,109	455	476

#### Notes

- The remuneration shown above excludes, in the case of Mr J P Marland, a deferred performance bonus of £168,013 earned in respect of the year ended 31st December, 1999 which will be included in remuneration in the year in which it is received by Mr Marland in accordance with the terms of his service contract. The remuneration shown above includes, in the case of Mr. Marland a deferred performance bonus of £167,500 earned in respect of the year ended 30th June 1996.
- The pension contribution shown is taken as the relevant scheme normal cost charged by the employer or Group multiplied by pensionable salary or payments in respect of individual pension plans.
- The accrued pension of the highest paid director at the end of the year is disclosed on page 28.
- Mr R D Guy was paid £218,700 as compensation for loss of office as executive chairman of Jardine Lloyd Thompson Pty Ltd effective 31st December, 1999.

### II THE INTERESTS OF THE DIRECTORS AT 1ST JANUARY, 1999 AND AT 31ST DECEMBER, 1999 IN THE ORDINARY SHARES OF JARDINE LLOYD THOMPSON GROUP PLC ARE SET OUT BELOW:

	31st December, 1999		1st January, 1999	
	Beneficial interest	Non-beneficial interest	Beneficial interest	Non-beneficial interest
R J O Barton	40,000	-	90,000	-
K A Carter	1,127,000	75,000	1,127,000	75,000
C Chouraqui	137,900	-	121,400	-
A D J B Collins	360,000	-	500,000	-
D E Corben	136,380	-	136,380	-
R D Guy	41,400	-	41,400	-
J P Hastings-Bass	23,347	-	23,347	-
C G R Leach	22,500	-	22,500	-
E J Lloyd	1,695,000	-	1,925,000	-
J P Marland	1,805,600	75,000	1,885,600	75,000
S P McGill	3,254,889	-	3,254,889	-
T R Sermon	2,250	-	-	-
G W Stuart-Clarke	23,500	-	23,500	-
R C Tomkinson	7,000	-	7,000	-
	8,676,766	150,000	9,158,016	150,000

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 5 Directors' remuneration and interests (continued)

In addition, executive directors are deemed to be interested in two schemes operated by the Group under employee benefit trusts; the Jardine Lloyd Thompson Restricted Share Scheme ("JLT Scheme") and the Lloyd Thompson Group Employee Share Ownership Plan ("LT Scheme"). The LT Scheme has been operated for the run off of the Company's pre-merger commitments. The JLT Scheme is operated for awards post merger. Both schemes operate similarly on a discretionary basis under a trust.

At 31st December, 1999 ordinary shares held under these two schemes were as follows:

	Ordinary shares	
	JLT Scheme	LT Scheme
Total held by trustees	3,768,478	102,550
of which: <i>allocated</i>	3,245,049	102,500
<i>unallocated</i>	523,429	50

By virtue of the Companies Act 1985, each executive director of the Company, being a member of a class of potential beneficiaries of the above schemes, is deemed to have an interest in all the ordinary shares held by the trustees of the above schemes.

Since the end of the year, at 8th March 2000 (being the latest practicable date prior to the posting of this report), a further 215,000 ordinary shares have been acquired by the trustees of the JLT Scheme which, at 8th March 2000, are unallocated.

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 5 Directors' remuneration and interests (continued)

### III THE HOLDINGS BY DIRECTORS OF OPTIONS OVER ORDINARY SHARES IN THE COMPANY, ARE AS SHOWN BELOW:

	At 1st January, 1999	Granted during the year	Exercised during the year	At 31st December, 1999	Exercise price	Date from which exercisable	Expiry date	Note
R J O Barton	50,000	-	-	50,000	nominal	01 03 00	28 02 04	a)
	-	50,000	-	50,000	nominal	12 04 02	11 04 06	a)
K A Carter	100,000	-	-	100,000	nominal	01 03 00	28 02 04	a)
	-	100,000	-	100,000	nominal	12 04 02	11 04 06	a)
	-	200,000	-	200,000	nominal	01 03 02	09 09 06	a)
	7,991	-	-	7,991	£1.22	01 02 01	31 07 01	b)
A D J B Collins	120,000	-	-	120,000	nominal	30 06 00	06 06 04	a)
	-	100,000	-	100,000	nominal	12 04 02	11 04 06	a)
	-	200,000	-	200,000	nominal	01 03 02	09 09 06	a)
	7,991	-	-	7,991	£1.22	01 02 01	31 07 01	b)
D E Corben	6,624	-	-	6,624	£1.25	01 06 00	31 12 00	b)
R D Guy	161,920	-	-	161,920	£1.296	22 08 94	21 08 01	f)
	80,960	-	-	80,960	£2.3837	23 04 96	22 04 03	f)
J P Hastings-Bass	12,144	-	-	12,144	82.375p	18 07 93	17 07 00	d)
	12,144	-	-	12,144	£2.3837	23 04 96	22 04 03	e)
	40,000	-	-	40,000	£1.60	10 10 97	09 10 04	e)
	6,624	-	-	6,624	£1.25	01 06 00	31 12 00	b)
	7,352	-	-	7,352	£1.22	01 02 03	31 07 03	b)
	100,000	-	-	100,000	nominal	01 03 00	28 02 04	a)
	-	100,000	-	100,000	nominal	12 04 02	11 04 06	a)
	-	200,000	-	200,000	nominal	01 03 02	09 09 06	a)
E J Lloyd	14,139	-	-	14,139	£1.22	01 02 03	31 07 03	b)
	-	100,000	-	100,000	nominal	12 04 02	11 04 06	a)
J P Marland	150,000	-	-	150,000	£2.3633	27 03 95	26 03 02	c)
	7,991	-	-	7,991	£1.22	01 02 01	31 07 01	b)
S P McGill	-	100,000	-	100,000	nominal	12 04 02	11 04 06	a)
	-	200,000	-	200,000	nominal	01 03 02	09 09 06	a)
G W Stuart-Clarke	76,500	-	-	76,500	£1.73	17 11 97	16 11 04	c)
	100,000	-	-	100,000	nominal	01 03 00	28 02 04	a)

- a) These options are held under the Jardine Lloyd Thompson Group Restricted Share Scheme operated in conjunction with an Employee Share Ownership Plan Trust. Awards are generally exercisable between 36 months and 84 months after the date of award. The exercise price is a nominal £1 for the total shares awarded. Performance criteria attach to certain awards, as explained in the Remuneration Report.
- b) Options held under the Jardine Lloyd Thompson Group Sharesave Scheme 1997 (which is a 3 or 5 year savings related share option scheme) or under the JIB Group plc SAYE Scheme 1991 (a 5 year savings related share option scheme).
- c) Options held under the Jardine Lloyd Thompson Group Executive Share Option Scheme.
- d) Options held under the Jardine Insurance Services Limited Executive Share Option Scheme 1987.
- e) Options held under the JIB Group plc Executive Share Option Scheme 1991.
- f) Options held under the JIB Group plc Overseas Executive Share Option Scheme 1991.

No options held by directors lapsed during the year. The middle market price of ordinary shares at 31st December, 1999 was 245.5p and the range during the period 1st January, 1999 to 31st December, 1999 was 169.5p to 281.5p.

With the exception of the above noted directors' interests, no director had any additional interest in the share capital of the Company during the year.

On 3rd March 2000, Messrs. R J O Barton and G W Stuart-Clarke each exercised for a nominal consideration, options over 50,000 ordinary shares held under the Jardine Lloyd Thompson Restricted Share Scheme. These shares were sold by them on the same date at 258p per share.

At 8th March 2000, (being the latest practicable date prior to the posting of this report), no further changes of directors' interests have been notified since the end of the year.

### ANALYSIS OF REALISED SHARE OPTION GAINS

No options were exercised by directors during the year.

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 6 Operating exceptional items

	1999	1998
	£'000	£'000
Discounting of property provisions	3,935	-
Discounting of deferred consideration	124	-
Provision for future rental costs	(1,701)	-
Provision for reorganisation costs	-	(3,230)
	<b>2,358</b>	<b>(3,230)</b>

As explained in note 14 on pages 45 and 46, the implementation of FRS 12 has required that certain provisions be discounted to their present value. The impact on property provisions, including a further provision for future rental costs, has been treated as an operating exceptional item together with the effect on provisions for deferred consideration.

In 1998 the operating exceptional items were a provision for reorganisation and redundancy costs arising from the creation of JLT Risk Solutions Limited.

## 7 Non operating exceptional items

	1999	1998
	£'000	£'000
Sale of Jardine Maritime	341	-
Sale of structured settlements business, Canada	(194)	-
Closure of Environmental Risk Management, Malaysia	(233)	-
Impairment of goodwill	(377)	(1,573)
Sale of Jardine Credit Insurance	-	2,310
Release of provisions	-	2,886
	<b>(463)</b>	<b>3,623</b>

In 1998 Jardine Credit Insurance was sold and the decision was made to dispose of Jardine Maritime. In consequence of that decision, goodwill applicable to Jardine Maritime, which had previously been written off directly to reserves, was eliminated. In addition goodwill applicable to other smaller businesses, from which the Group had decided to withdraw active participation, was also eliminated. In 1999 Jardine Maritime and the structured settlements business in Canada were sold and the Environmental Risk Management business in Malaysia closed.

In 1999 an impairment provision has been established against the carrying value of goodwill in one of the Group's smaller businesses which is in the process of being sold.

The release of provisions in 1998 related to provisions established in 1995 in connection with the disposal of JIB Group's United States property and casualty retail offices.

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 8 Interest payable

	1999 £'000	1998 £'000
Interest payable on bank loans and advances wholly repayable within five years	223	1,267
Interest payable on other loans and finance leases wholly repayable within five years	151	355
Interest payable by Group companies	374	1,622
Share of interest payable by associates	146	169
Notional interest in respect of provision discounting	887	-
	<b>1,407</b>	1,791

## 9 Profit on ordinary activities before taxation

	1999 £'000	1998 £'000
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION IS STATED AFTER CHARGING THE FOLLOWING ITEMS:</b>		
Depreciation and amortisation of owned assets	5,923	5,476
Depreciation of assets held under finance leases	348	447
Operating lease rentals : <i>Land and buildings</i>	13,824	13,198
<i>Plant and machinery</i>	1,135	722
Gain on sale of assets	(373)	(1,499)
Auditors' remuneration	592	599

The auditors' remuneration noted above, relates to the aggregate remuneration of the auditors of the combined operations currently constituted as the Group. Of the auditors' remuneration £77,900 (1998: £70,500) arose in relation to the holding company. In addition, amounts paid to the auditors in respect of non audit work amounted to £177,000 (1998: £268,000).

## 10 Taxation on profit on ordinary activities

	1999 £'000	1998 £'000
UK Corporation tax at 30.25% (1998 – 31%)	11,480	10,533
Overseas taxation	5,805	6,247
Share of taxation of associates	1,923	2,028
	<b>19,208</b>	18,808
Taxation on profit before exceptional items	18,522	18,092
Taxation charge on exceptional items	686	716
	<b>19,208</b>	18,808

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 11 Dividends

	1999 £'000	1998 £'000
Proposed – final dividend 7.75p per share (1998: 7.00p)	14,838	13,322
Paid – interim dividend 5.50p per share (1998: 5.00p)	10,485	9,487
	25,323	22,809

## 12 Holding company profit and loss account

The Company has taken advantage of the exemption contained within Section 230 of the Companies Act 1985 not to present its own profit and loss account. Profit for the year dealt with in the accounts of the Company is £27,670,000 (1998 – £25,443,000).

## 13 Earnings per share

- Basic earnings per share are calculated by dividing the profit after taxation and minority interests by the weighted average number of shares in issue.
- Fully diluted earnings per share are calculated by dividing the profit after taxation and minority interests by the adjusted weighted average number of shares in issue.
- Basic earnings per share, excluding exceptional items, are calculated by dividing the adjusted profit after taxation and minority interest by the weighted average number of shares in issue.
- Fully diluted earnings per share, excluding exceptional items, are calculated by dividing the adjusted profit after taxation and minority interests by the adjusted weighted average number of shares in issue.

The weighted average number of shares in issue has been calculated after excluding the Group's share of SIACI's interest in the share capital of Jardine Lloyd Thompson Group plc together with the shares held by the Trustees of the Employees' Share Ownership Plan Trust in respect of the Jardine Lloyd Thompson Group Restricted Share Scheme.

Following the introduction of FRS 12, the comparative figures for 1998 have been restated in line with the restated profit and loss account as explained in note 14 on pages 45 and 46.

	1999 £'000	1998 £'000
<b>EARNINGS RECONCILIATION</b>		
Profit after taxation and minority interests	44,903	33,574
Operating exceptional items	(2,358)	3,230
Non operating exceptional items	463	(3,623)
Taxation charge on exceptional items	686	716
<b>ADJUSTED PROFIT AFTER TAXATION AND MINORITY INTERESTS</b>	<b>43,694</b>	<b>33,897</b>

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 13 Earnings per share (continued)

	1999 No. of shares	1998 No. of shares
Weighted average number of shares in issue	186,758,407	185,515,330
Effect of outstanding share options	3,455,798	2,358,717
<b>ADJUSTED WEIGHTED AVERAGE NUMBER OF SHARES</b>	<b>190,214,205</b>	<b>187,874,047</b>

## EARNINGS PER SHARE

Basic	24.0p	18.1p
Fully diluted	23.6p	17.9p
Basic – excluding exceptional items	23.4p	18.3p
Fully diluted – excluding exceptional items	23.0p	18.0p

## 14 Comparative restatement

In accordance with the requirements of Financial Reporting Standard 12 (FRS 12), (Provisions, Contingent Liabilities and Contingent Assets) the Group has discounted certain provisions to their present value as explained in the accounting policy in respect of “Provisions for liabilities and charges”.

The profit and loss account impact of the provision discounting has been treated as an operating exceptional item in the year to 31st December, 1999. Certain general provisions which previously existed but are no longer permitted under FRS 12 have been eliminated as prior year adjustments to the shareholders’ funds at 31st December, 1997. The comparative profit and loss account for 1998 has been restated to reflect the creation of specific provisions and accruals together with the elimination of the release of surplus general provisions previously accounted for in 1998. FRS 12 has also required the reclassification of £25,913,000 of current liabilities to provisions for liabilities and charges in the balance sheet at 31st December, 1998, the shareholders funds at that date remain unchanged. Where appropriate, comparative information for 1998 has been restated and the effect on the profit and loss account for 1998 is detailed below.

	Original 1998 £'000	FRS 12 adjustments £'000	Restated 1998 £'000
<b>TURNOVER</b>	232,001	-	232,001
Investment income	22,646	-	22,646
<b>OPERATING REVENUE</b>	254,647	-	254,647
Trading expenses (excluding exceptional items)	(199,765)	(4,459)	(204,224)
Operating exceptional items	-	(3,230)	(3,230)
<b>OPERATING COSTS</b>	(199,765)	(7,689)	(207,454)
<b>OPERATING PROFIT</b>	54,882	(7,689)	47,193
Share of operating profit in associates	5,217	-	5,217
Non operating exceptional items	3,623	-	3,623
Interest payable and similar charges	(1,791)	-	(1,791)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	61,931	(7,689)	54,242

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 14 Comparative restatement (continued)

The restatement of the profit and loss account reflects the following:

	£'000
<b>TRADING EXPENSES (EXCLUDING EXCEPTIONAL ITEMS)</b>	
Accrual for 'Run-off' reinsurance cover	3,751
Reversal of surplus general provision release	708
	4,459
<b>OPERATING EXCEPTIONAL ITEMS</b>	
Provision for reorganisation costs	3,230
	7,689

## 15 Intangible fixed assets

In accordance with FRS 10 (Goodwill and Intangible Assets), goodwill arising on acquisitions made on or after 1st January, 1998 is stated as an intangible asset on the balance sheet and amortised to the profit and loss account over a period of 20 years from the date of acquisition.

Goodwill in respect of acquisitions made prior to 1st January, 1998 remains written off directly to reserves except as noted in note 27 on page 54.

Goodwill is reviewed in accordance with the requirements of FRS 11 (Impairment of Fixed Assets and Goodwill) to determine if any such impairment exists. Where appropriate, any impairment has been recognised and treated as an operating exceptional item to the extent it relates to a continuing business or as a non operating exceptional item to the extent this relates to a business that is to be discontinued.

Impairment is calculated by reference to the estimated future cash flows of the business with an appropriate discount rate where the effect of discounting would be significant.

	1999 £'000
<b>GROUP</b>	
<i>Cost</i>	
<b>AT 1ST JANUARY, 1999</b>	<b>6,479</b>
Exchange adjustment	73
Acquisitions	9,459
Disposals	(28)
<b>AT 31ST DECEMBER, 1999</b>	<b>15,983</b>
<i>Amortisation</i>	
<b>At 1st January, 1999</b>	<b>287</b>
Exchange adjustment	7
Charge for the year	571
Impairment loss	377
<b>AT 31ST DECEMBER, 1999</b>	<b>1,242</b>
<i>Net book value</i>	
<b>AT 31ST DECEMBER, 1999</b>	<b>14,741</b>
At 31st December, 1998	6,192



# Notes to the Financial Statements

For the year ended 31st December, 1999

## 16 Tangible fixed assets

<b>GROUP</b>	Leasehold improvements £'000	Furniture, equipment and motor vehicles £'000	Computer equipment £'000	Total £'000
<i>Cost</i>				
<b>AT 1ST JANUARY, 1999</b>	<b>12,192</b>	<b>16,875</b>	<b>35,803</b>	<b>64,870</b>
Exchange adjustment	132	375	292	799
Additions	1,194	2,345	4,139	7,678
Companies acquired	73	39	84	196
Sold businesses	(4)	(38)	(9)	(51)
Disposals	(1,805)	(3,875)	(1,375)	(7,055)
<b>AT 31ST DECEMBER, 1999</b>	<b>11,782</b>	<b>15,721</b>	<b>38,934</b>	<b>66,437</b>
<i>Depreciation</i>				
<b>AT 1ST JANUARY, 1999</b>	<b>5,642</b>	<b>12,474</b>	<b>30,675</b>	<b>48,791</b>
Exchange adjustment	57	173	221	451
Charge for the year	794	1,543	3,934	6,271
Companies acquired	16	63	-	79
Sold businesses	(4)	(23)	(8)	(35)
Disposals	(1,797)	(3,115)	(1,295)	(6,207)
<b>AT 31ST DECEMBER, 1999</b>	<b>4,708</b>	<b>11,115</b>	<b>33,527</b>	<b>49,350</b>
<i>Net book value</i>				
<b>AT 31ST DECEMBER, 1999</b>	<b>7,074</b>	<b>4,606</b>	<b>5,407</b>	<b>17,087</b>
At 31st December, 1998	6,550	4,401	5,128	16,079

The net book value of tangible fixed assets held under finance leases is as follows:

	1999 £'000	1998 £'000
Furniture, equipment and motor vehicles	1,269	1,150
Computer equipment	-	38
	<b>1,269</b>	<b>1,188</b>

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 17 Investments

GROUP	Associated undertakings			Total £'000	Other investments £'000
	Shares £'000	Advances £'000	Share of retained profit £'000		
<i>Cost</i>					
<b>AT 1ST JANUARY, 1999</b>	<b>8,936</b>	<b>22</b>	<b>6,918</b>	<b>15,876</b>	<b>84</b>
Exchange differences	(1,133)	-	(218)	(1,351)	2
Additions	41	-	-	41	-
Share of retained profit for the period	-	-	1,380	1,380	-
Disposals/repayments	(10)	-	3	(7)	(25)
<b>AT 31ST DECEMBER, 1999</b>	<b>7,834</b>	<b>22</b>	<b>8,083</b>	<b>15,939</b>	<b>61</b>
<i>Provisions</i>					
<b>AT 1ST JANUARY, 1999</b>	<b>952</b>	-	-	<b>952</b>	-
Exchange differences	16	-	-	16	-
Provided in the period	-	-	-	-	-
<b>AT 31ST DECEMBER, 1999</b>	<b>968</b>	-	-	<b>968</b>	-
<i>Net book value</i>					
<b>AT 31ST DECEMBER, 1999</b>	<b>6,866</b>	<b>22</b>	<b>8,083</b>	<b>14,971</b>	<b>61</b>
At 31st December, 1998	7,984	22	6,918	14,924	84

Included within 'Other investments' are investments listed principally on the London Stock Exchange with an aggregate net book value of £8,000 (1998: £9,000) and a market value of £22,000 (1998: £16,000).

Included in 'Associated undertakings' is the 36.77% (1998: 36.77%) interest in SIACI which is listed on the Second Marché of the Paris Stock Exchange with a book value of £12,091,000 (1998: £12,133,000) and a market value of £21.6 million (1998: £25.4 million).

Details of principal subsidiary and associated undertakings are shown in note 34 on page 65.

## COMPANY

During the year, there were no changes to the cost of investments in subsidiary or associated undertakings.

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 18 Employee benefit trusts

The Group operates two schemes under employee benefit trusts: the Jardine Lloyd Thompson Restricted Share Scheme ('JLT Scheme') and the Lloyd Thompson Group Employee Share Ownership Plan ('LT Scheme'). The LT Scheme was operated by the company prior to the merger with JIB Group in 1997 and it is intended that its future operation will be for the run-off of the Company's pre-merger commitments. The number of shares held by the LT Scheme is maintained at the level required to satisfy those commitments. Awards since the merger have been and will continue to be made under the JLT Scheme. Both schemes operate similarly on a discretionary basis under a trust.

In addition the Group operates a Deferred Compensation Scheme represented principally by Unit Trusts. Investments held by this scheme are accounted for in the same way as the 'Own shares' held by the employee benefit trusts and are classified as fixed assets on the balance sheet.

Details of movements during the year are as follows:

	Own shares £'000	Other investments £'000	Group £'000	Company £'000
<b>AT 1ST JANUARY, 1999</b>	<b>2,689</b>	<b>326</b>	<b>3,015</b>	<b>380</b>
Additions	4,558	257	4,815	-
Disposals	(150)	-	(150)	(150)
Charge for the year	(1,327)	(87)	(1,414)	(144)
<b>AT 31ST DECEMBER, 1999</b>	<b>5,770</b>	<b>496</b>	<b>6,266</b>	<b>86</b>

The inclusion within the financial statements of the income, administration expenses, assets and liabilities of the LT Scheme and the provisions representing the charge to operating cost in respect of options over shares granted to employees gave rise to a decrease in consolidated profit on ordinary activities after taxation of £106,000 (1998: increase – £252,000) and an increase in the balance of the profit and loss account as at 31st December, 1999 of £169,000 (1998: increase – £275,000).

## 19 Debtors

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
Insurance debtors	<b>1,544,063</b>	1,443,279	-	-
Other debtors and prepayments	<b>28,090</b>	30,321	<b>103</b>	112
Corporation tax recoverable	-	-	<b>1,539</b>	389
Amounts due from Group undertakings	-	-	<b>46,915</b>	41,750
	<b>1,572,153</b>	1,473,600	<b>48,557</b>	42,251

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 20 Investments, deposits and cash

Investments, deposits and cash includes £21,203,000 (1998: £16,476,000) in respect of cash and deposits held with Matheson Bank Limited, a UK authorised institution under the Banking Act 1987, which is a wholly-owned subsidiary of Matheson & Co., Limited, and £357,000 (1998: £1,592,000) in respect of cash and deposits held with the Jardine Matheson group treasury department.

The Group includes as liquid resources, term deposits of less than a year, certificates of deposit and government securities.

In compliance with the requirements of Lloyd's, certain Group companies in the United Kingdom have entered into trust deeds under which their insurance broking account assets are subject to a first floating charge in favour of the Society of Lloyd's for the benefit of their insurance creditors. The charge only becomes enforceable under certain circumstances set out in the deeds. The insurance broking account assets referred to comprise insurance debtors of £1,339,274,000 (1998: £1,316,823,000), and cash and deposits of £187,729,000 (1998: £274,460,000). Insurance creditors of £1,477,151,000 (1998: £1,486,879,000) were secured through this arrangement.

## 21 Creditors – amounts falling due within one year

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank and other loans and overdrafts	2,445	551	-	-
Unsecured loan notes	148	1,157	-	1,050
Insurance creditors	1,730,341	1,656,022	-	-
Amounts owed to Group undertakings	-	-	23,201	20,595
Obligations under finance leases	462	435	-	-
Proposed dividends	14,838	13,322	14,838	13,322
Corporation tax	9,954	12,962	-	-
Other creditors	51,098	61,831	374	568
	<b>1,809,286</b>	<b>1,746,280</b>	<b>38,413</b>	<b>35,535</b>

Other creditors include £1,932,000 in respect of social security and other taxes (1998: £1,958,000) for the Group and Nil (1998: Nil) for the Company.

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 22 Creditors – amounts falling due after more than one year

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank and other loans and overdrafts	-	2,728	-	-
Unsecured loan notes	-	10	-	-
Obligations under finance leases	906	779	-	-
	906	3,517	-	-

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
<b>BANK AND OTHER LOANS AND OVERDRAFTS</b>				
<i>Bank and other loans and overdrafts are repayable as follows:</i>				
Within one year	2,445	551	-	-
Between one and two years	-	2,508	-	-
Between two and five years	-	220	-	-
	2,445	3,279	-	-

At 31st December, 1999 bank and other loans included an unsecured loan of Australian \$6.0 million repayable by 31st December, 2000 and an unsecured loan of Japanese ¥8.0 million repayable by 31st December, 2000.

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
<b>FINANCE LEASES</b>				
<i>Net obligations under finance leases are repayable as follows:</i>				
Within one year	462	435	-	-
Between one and two years	347	359	-	-
Between two and five years	559	420	-	-
	1,368	1,214	-	-

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 23 Provisions for liabilities and charges

	At 1st Jan 1999 £'000	Exchange movements £'000	Utilised in the year £'000	Transfer from/(to) profit and loss account £'000	Discounting £'000	Notional interest charge £'000	At 31st Dec 1999 £'000
Property related provisions	23,232	129	(5,181)	1,701	(3,935)	805	16,751
Lloyd's reconstruction and renewal plan	3,255	-	(1,518)	-	-	-	1,737
Pension holiday provisions	11,324	-	-	(1,734)	-	-	9,590
Pension mis-selling provisions	4,483	-	(609)	-	-	-	3,874
Litigation provisions	9,063	39	(1,588)	(64)	-	-	7,450
Deferred consideration	3,829	40	(1,899)	-	(124)	82	1,928
Reorganisation provision	3,230	-	(3,230)	-	-	-	-
	58,416	208	(14,025)	(97)	(4,059)	887	41,330

In accordance with the requirements of Financial Reporting Standard 12 (FRS 12) the Group has discounted certain provisions to their present value. The profit and loss account impact of the provision discounting has been treated as an operating exceptional item in the year to 31st December, 1999. The notional interest charge, representing the unwinding of the provision discounting, has been included as part of "Interest payable and similar charges" within the profit and loss account. As explained in note 14 on page 45 the balances at 1st January, 1999 have been restated to include items reclassified from current liabilities.

## 24 Share capital

	Number of shares	Nominal value £'000
<b>AUTHORISED</b>		
Ordinary shares of 5p each	250,000,000	12,500
<b>ISSUED</b>		
At 1st January, 1999	190,325,737	9,516
Issued during the period	1,135,220	57
<b>AT 31ST DECEMBER, 1999</b>	<b>191,460,957</b>	<b>9,573</b>

During the year there have been the following changes in the share capital of the company:

- Between 1st January and 31st December, 1999 the Company issued 62,056 ordinary shares for a consideration of £76,391.72 following exercises by former employees of options held under the JIB Group plc SAYE Share Option Scheme 1991 and the Jardine Lloyd Thompson Group Sharesave Option Scheme.
- Between 1st January and 31st December, 1999 the Company issued 1,600 ordinary shares for a consideration of £2,320 following exercises by a former employee of options held under the JIB Group plc Overseas Executive Share Option Scheme 1991 (USA).
- Between 1st January and 31st December, 1999 the Company issued 95,720 ordinary shares for a consideration of £193,824.25 following exercises by executives of options held under the JIB Group plc Overseas Executive Share Option Scheme 1991 (Rest of the World).
- Between 1st January and 31st December, 1999 the Company issued 72,864 ordinary shares for a consideration of £52,998.83 following exercises by executives of options held under the Jardine Insurance Services Limited Executive Share Option Scheme 1987.
- Between 1st January and 31st December, 1999 the Company issued 76,480 ordinary shares for a consideration of £148,774.16 following exercises by executives and former executives of options held under the JIB Group plc Executive Share Option Scheme 1991.
- Between 1st January and 31st December, 1999 the Company issued 826,500 ordinary shares for a consideration of £1,391,977.35 following exercises by executives of options held under the Jardine Lloyd Thompson Group plc Executive Share Option Scheme.

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 25 Employee share option schemes

At 31st December, 1999	Number of shares '000	Subscription prices	Exercisable
<b>JARDINE INSURANCE SERVICES LIMITED</b> Executive Share Option Scheme 1987	185	68p-130p	1999-2001
<b>JIB GROUP PLC</b> Executive Share Option Scheme 1991 (UK)	546	140p-238p	1999-2006
<b>JIB GROUP PLC</b> Overseas Executive Share Option Scheme 1991	1,190	130p-238p	1999-2006
<b>JARDINE LLOYD THOMPSON GROUP PLC</b> Executive Share Option Scheme	5,047	134p-287p	1999-2009
<b>TOTAL EXECUTIVE SCHEMES</b>	6,968		
<b>SHARESAVE SCHEMES (1991 AND 1997)</b>	3,176	122p-125p	2000-2003
<b>TOTAL JARDINE LLOYD THOMPSON GROUP PLC SHARE OPTION SCHEMES</b>	10,144		

### Notes

- i In certain overseas jurisdictions the option price is expressed in local currency equivalent to the above sterling prices.
- ii The option prices are shown to the nearest penny.
- iii In addition to the above, fully paid ordinary shares are held by trustees under employee benefit trusts (see note 18):

<b>Jardine Lloyd Thompson Restricted Share Scheme</b> (allocated – 3,245,049 / unallocated – 523,429)	<b>3,768,478</b>
<b>Lloyd Thompson Group Employee Share Ownership Plan</b> (allocated – 102,500 / unallocated – 50)	<b>102,550</b>

## 26 Minority interests and related party transactions

- i On 5th December, 1997 the Group entered into an option agreement with Mr Henrik Berggren and other key executives ('the Management') to purchase their interests in two companies, JLT Financial Solutions AB ('JLT FS') and Financial Solutions Ltd ('FSL'). JLT owns 31% of the issued share capital of JLT FS but has voting control of the company by reason of its share structure. JLT owns 51% of the issued share capital of FSL. The remaining shares in both companies are owned by the Management.
- ii On 9th February, 1998 the Group entered into an agreement to establish Agnew Higgins & Company Limited, subsequently renamed Agnew Higgins Pickering & Company Limited ('Agnew Higgins'). Under the terms of the Agreement a new company was formed, BGHPW Ltd ('NewCo') in which JLT holds 76% of the voting shares and 15% of the non-voting shares which carry the dividend rights. Andrew Agnew and others ('the Management') hold the balance. The non-voting shares have the entire economic interest in Agnew Higgins.

There is an Option Agreement which contains put and call options in respect of the Management's non-voting and voting shares in NewCo. These may be exercised between March 2003 and March 2005. The consideration payable will be calculated on a formula dependent upon the results of Agnew Higgins for the two financial years prior to exercise, relative to the profits of JLT. The maximum consideration under the Option Agreement will be limited to 6.25% of the then issued share capital of JLT. At the option of JLT, the consideration may be satisfied by cash and/or the issue of new shares in JLT.

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 26 Minority interests and related party transactions (continued)

iii By an agreement dated 23rd June, 1994 between (1) JIB Group plc and (2) Messrs D Reeves, M Brown and T Evans (the 'Grantees') and as a part of the deferred consideration arrangements relating to the sale of RBA Holdings Limited ('RBAH') by, inter alia, the Grantees, put and call options were granted in relation to the remaining minority interests in RBAH held by the Grantees amounting to 18% of the issued ordinary share capital. The options were exercisable in three equal tranches in 1997, 1998 and 1999 with the purchase price payable for the shares subject to the option being calculated by reference to the post tax profits of RBAH in the respective three years preceding the option exercise dates and the Company's P/E ratio. The consideration may be satisfied in either cash, loan notes or by the issue of JIB Group plc shares. At the option of the Grantees ordinary shares in the Company have been substituted for JIB Group shares following the merger.

On 25th March, 1999 JIB Group plc exercised its option to purchase the remaining 0.6% of the total issued share capital of RBAH held by Messrs TJM Evans and MT Brown for a cash consideration of £157,860 and the issue of £190,000 in loan notes calculated in accordance with the formula.

## 27 Reserves

	Share premium £'000	Merger reserve £'000	Profit & loss account £'000	Total £'000
<b>GROUP</b>				
<b>AT 1ST JANUARY, 1999</b>	<b>8,057</b>	-	<b>24,212</b>	<b>32,269</b>
Exchange movement	-	-	(1,580)	(1,580)
Retained profit for the period	-	-	19,580	19,580
Shares issued	1,809	-	-	1,809
<b>GOODWILL MOVEMENTS:</b>				
Disposals	-	-	168	168
Adjustment to prior year estimates	-	-	(22)	(22)
<b>AT 31ST DECEMBER, 1999</b>	<b>9,866</b>	-	<b>42,358</b>	<b>52,224</b>
<b>COMPANY</b>				
<b>AT 1ST JANUARY, 1999</b>	<b>8,057</b>	<b>9,604</b>	<b>7,792</b>	<b>25,453</b>
Retained profit for the period	-	-	2,335	2,335
Shares issued	1,809	-	-	1,809
<b>AT 31ST DECEMBER, 1999</b>	<b>9,866</b>	<b>9,604</b>	<b>10,127</b>	<b>29,597</b>



# Notes to the Financial Statements

For the year ended 31st December, 1999

## 28 Notes to the consolidated cash flow statement

	1999	1998
	£'000	£'000
<b>(A) NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
<b>RECONCILIATION OF PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		
Profit on ordinary activities before taxation	65,165	54,242
Investment income receivable	(18,400)	(22,646)
Interest payable – finance leases	151	133
Interest payable on bank loans	223	1,489
Unwinding provision discounting	887	-
Depreciation	6,271	5,922
Employee benefit trust amortisation	1,413	980
Goodwill amortisation	571	287
Profit on sale of fixed asset investments	(171)	(195)
Profit on sale of business	-	(268)
Profit on sale of tangible fixed assets	(202)	(1,036)
Share of results of associated undertakings	(5,083)	(5,048)
Operating exceptional items	(2,358)	3,230
Non operating exceptional items	463	(3,623)
Decrease in debtors excluding insurance broking balances	1,869	7,080
Decrease in creditors excluding insurance broking balances	(11,066)	(1,471)
Decrease in provisions for liabilities and charges	(15,823)	(6,021)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES (EXCLUDING INSURANCE BROKING FUNDS)</b>	<b>23,910</b>	<b>33,055</b>

	Share capital including premium	Loans and finance lease obligations
	£'000	£'000
<b>(B) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR</b>		
<b>BALANCE AT 1ST JANUARY, 1999</b>	<b>17,573</b>	<b>5,660</b>
Cash flows from financing	1,866	(2,128)
Acquisition or disposal of businesses	-	48
Exchange	-	381
<b>BALANCE AT 31ST DECEMBER, 1999</b>	<b>19,439</b>	<b>3,961</b>

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 28 Notes to the consolidated cash flow statement (continued)

	At 1st Jan 1999	Cashflow	Acquisitions & disposals	Exchange movements	At 31st Dec 1999
(C) ANALYSIS OF NET FUNDS	£'000	£'000	£'000	£'000	£'000
Cash	59,723	(15,241)	107	317	<b>44,906</b>
Investments and deposits	278,818	(35,053)	149	-	<b>243,914</b>
Loan notes	(1,167)	1,026	-	(7)	<b>(148)</b>
Overdrafts	-	12	(12)	-	-
Finance leases	(1,214)	(21)	(36)	(97)	<b>(1,368)</b>
Debts due within one year	(551)	(1,825)	-	(69)	<b>(2,445)</b>
Debts due after one year	(2,728)	2,936	-	(208)	-
	332,881	(48,166)	208	(64)	<b>284,859</b>

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 29 Acquisitions

During the period the following acquisitions and additional investments in existing businesses were completed:

	Cost £'000
Jardine Lloyd Thompson Insurance Brokers Inc – 49% (previous holding 51%) January 1999	2,094
PT Jardine Insurance Brokers Indonesia – 29.9% (previous holding 50.1%) July 1999	621
Jardine Lloyd Thompson Pty Ltd – 20% (Previous holding 80%) July/December 1999	7,216
Other businesses acquired	1,098
	11,029

	1999 £'000	1998 £'000
<b>ASSETS AND LIABILITIES OF BUSINESSES ACQUIRED</b>		
Tangible fixed assets	117	186
Investment in associated undertakings	(7)	-
Insurance broking debtors	122	-
Debtors	180	605
Cash at bank	109	136
Cash at bank – insurance broking funds	149	-
Insurance broking creditors	(283)	-
Creditors	(245)	(708)
Bank overdraft	(12)	-
Term loans	-	(81)
Finance leases	(43)	-
Minority interests	1,483	324
	1,570	462
Goodwill	9,459	6,502
<b>COST OF ACQUISITIONS</b>	<b>11,029</b>	<b>6,964</b>
<b>COSTS OF ACQUISITIONS COMPRISED:</b>		
Cash	10,952	6,533
Deferred consideration	77	431
<b>COST OF ACQUISITIONS</b>	<b>11,029</b>	<b>6,964</b>

All assets and liabilities acquired are stated at their fair value, no adjustment has been made to their book value.

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 30 Disposals

During the year the company sold or closed a number of small businesses, none of which were individually significant.

	1999	1998
	£'000	£'000
<b>ASSETS AND LIABILITIES OF BUSINESSES SOLD OR CLOSED</b>		
Intangible fixed assets	28	-
Tangible fixed assets	16	-
Debtors	95	-
Cash at bank	2	-
Creditors	(18)	379
Finance leases	(7)	-
Minority interests	-	30
	116	409
(Loss)/gain on disposal	(86)	2,578
	30	2,987
Goodwill	166	-
Proceeds	196	2,987
<b>PROCEEDS</b>		
Cash	196	2,737
Deferred consideration	-	250
	196	2,987

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 31 Commitments

	1999	1998
(A) CAPITAL COMMITMENTS	£'000	£'000
Authorised not contracted	152	236
Contracted not provided	33	-
	185	236

## (B) OPERATING LEASE COMMITMENTS

The Group has annual commitments under operating leases as set out below:

	1999	1998
LAND AND BUILDINGS	£'000	£'000
Expiring within one year	395	1,284
Expiring within two to five years	4,553	3,016
Expiring over five years	11,830	11,414
	16,778	15,714
<b>OTHER</b>		
Expiring within one year	740	82
Expiring within two to five years	1,303	735
Expiring over five years	614	-
	2,657	817

## (C) PENSION COMMITMENTS

The Group operates a number of pension schemes throughout the world, most of which are of the defined benefit type and operate on a funded basis.

	1999	1998
TOTAL PENSION COST	£'000	£'000
UK	6,260	6,057
Overseas	2,462	2,969
	8,722	9,026

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 31 Commitments (continued)

### (C) PENSION COMMITMENTS (CONTINUED)

Until 31st January, 1998 the two main schemes that the Company participated in were the Jardine Lloyd Thompson Pension Scheme and the Lloyd Thompson Pension and Assurance Scheme. With effect from 1st February, 1998, the Lloyd Thompson Pension and Assurance Scheme was merged into the Jardine Lloyd Thompson Pension Scheme. The combined scheme continues as the Jardine Lloyd Thompson Pension Scheme. The Lloyd Thompson Pension and Assurance Scheme will cease to exist.

The Jardine Lloyd Thompson Pension Scheme is based in the UK and provides benefits based on Final Pensionable Salary. The assets of the Scheme are held in a trustee administered fund separate from the Company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees working lives with the Company. The contributions are determined by a qualified actuary on the basis of regular valuations using the projected unit method.

The last formal valuation of the Jardine Lloyd Thompson Pension Scheme was undertaken at 1st February, 1998 by a qualified actuary employed by a group company. At that date, the market valuation of the Scheme's assets, excluding insured annuities, was £147,753,000 and the actuarial value of these assets represented 107% of the value of the benefits that had accrued to members after allowing for expected future increases in salary. The most influential assumptions underlying the valuation of the Scheme were that investment return would exceed the annual rate of increase in pensionable salaries by 2% per annum and that pensions would increase in accordance with the Scheme rules.

A total provision of £9,590,000 has been made at the balance sheet date and represents the excess of the accumulated pension costs over the amount funded. The Scheme's costs to the Group for the period was £6,260,000 net of the adjustments to contributions resulting from the valuations. The contribution rate has been determined using the projected unit credit method

The principal overseas schemes are the Jardine Insurance Brokers Inc - Incentive Savings Plan and the Jardine Insurance Brokers Inc - Employee Retirement Plan. The former is a defined contribution scheme. Employees may contribute up to 15% of their salary up to a maximum imposed by law (\$10,000 in 1999) and the Group contributes at a rate of 40% of each 1% contributed by the employee up to a maximum contribution of 4%. The latter is a defined benefit scheme.

The pension cost is assessed in accordance with the advice of professionally qualified actuaries. The latest actuarial valuation was at 31st December, 1999 using the projected unit credit method. The main assumption used to set the contributions rates was that the annual rate of investment return exceeded the annual rate of increase in pensionable earnings by 4.5%. The aggregate market value of the scheme's assets at the valuation date was US\$38,965,841 and the actuarial value of these assets represented 139% of the accrued liabilities at that date.

### (D) FORWARD FOREIGN EXCHANGE CONTRACTS AND OPTIONS

In the normal course of business the Group enters into forward foreign exchange contracts and options to hedge its exposure to currency exchange differences on future brokerage income. At 31st December, 1999 the Group had contracts amounting to a principal value of £92,474,000 (1998: £55,431,000).

### (E) OTHER FINANCIAL COMMITMENTS

In the normal course of business the Group enters into forward interest rate agreements to hedge its exposure to interest rate movements on cash balances held. At 31st December, 1999 the Group had outstanding contracts amounting to £72,812,000 (1998: £80,161,000).

### (F) CONTINGENT LIABILITIES/GUARANTEES

In the normal course of business the Group has received certain claims for which provision, where appropriate, has been made in these accounts. As at 31st December, 1999, the Company has given no guarantees in respect of subsidiary companies' indebtedness (1998: £2,508,000).

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 32 Derivative and Other Financial Instruments

### FINANCIAL INSTRUMENTS

This note contains disclosures as required under FRS 13, Derivatives and other Financial Instruments:

The Group's financial instruments other than derivatives, comprise cash, short term deposits, negotiable money market investments, borrowings, finance leases and provisions in respect of property commitments. Short-term debtors and creditors (other than borrowings) have been excluded from the following disclosures.

As explained on pages 15 to 17 of the Financial Review and page 24 of the Director's Report, the Group enters into derivative transactions to manage the fluctuations in currency and interest earnings that arise from changes in foreign exchange and interest rates. The Group uses forward foreign exchange contracts, currency options and forward rate agreements matched by underlying investments to manage these risks.

The Group finances its operations principally by the cash generated by operating companies and to a lesser extent by the use of borrowings and finance leases.

### INTEREST RATE AND CURRENCY PROFILE OF FINANCIAL ASSETS/ FINANCIAL LIABILITIES

The Group's financial liabilities consist of short-term borrowings, finance leases, loan notes and provisions to cover property commitments. The following table provides an analysis of the borrowings between fixed and floating elements:

CURRENCY	Total gross borrowings £'000	Floating rate £'000	Fixed rate £'000	Other financial liabilities £'000	Weighted average fixed rate as at 31st Dec 99	Weighted average time fixed years
Sterling	228	228	-	13,786	-	-
Australian dollars	3,546	2,397	1,149	-	7.15%	1.7
Other	187	48	139	2,965	5.90%	4.5
<b>TOTAL</b>	<b>3,961</b>	<b>2,673</b>	<b>1,288</b>	<b>16,751</b>	<b>-</b>	<b>-</b>

Other financial liabilities represent property provisions under which no interest is paid. Floating rate borrowings bear interest approximating to LIBOR plus an agreed margin.

The maturity profile of the carrying amounts of the Groups' financial liabilities as at 31st December, 1999 is as follows:

	Borrowings/ overdrafts £'000	Finance leases £'000	Loan notes £'000	Other financial liabilities £'000	Total £'000
Within 1 year	2,445	462	148	3,148	6,203
Between 1 and 2 years	-	347	-	2,838	3,185
Between 2 and 5 years	-	559	-	10,765	11,324
<b>TOTAL</b>	<b>2,445</b>	<b>1,368</b>	<b>148</b>	<b>16,751</b>	<b>20,712</b>

As at 31st December the Group has undrawn committed borrowing facilities of £20m due for renewal in December 2000.

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 32 Derivative and Other Financial Instruments (continued)

Cash and investments consist of money market short-term deposits, commercial paper, certificates of deposit and money market funds. The following table takes account of the interest rate hedges that were entered into by the Group:

CURRENCY	Total cash and investments £'000	Floating rate £'000	Fixed rate £'000	Weighted average fixed rate as at 31st Dec 99	Weighted average time fixed years
Sterling	109,968	78,150	31,818	6.18%	1.8
US dollars	158,828	135,163	23,665	5.88%	1.5
Other	20,024	20,024	-	-	-
<b>TOTAL</b>	<b>288,820</b>	<b>233,337</b>	<b>55,483</b>	<b>-</b>	<b>-</b>

Cash and investments bear interest approximating to the currency LIBOR.

## FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Set out below is a comparison by category of book and fair values of all the Group's financial assets and liabilities as at 31st December, 1999:

	Book value £'000	Fair value £'000
Borrowings/overdrafts	(2,445)	(2,445)
Finance leases	(1,368)	(1,368)
Loan notes	(148)	(148)
Other financial liabilities - property provisions	(16,751)	(16,751)
Cash and investments	288,820	288,820
Forward rate agreements, used to manage interest rate risk	-	(531)
Foreign exchange options used to manage foreign exchange risk	-	(29)
Foreign exchange forward rate contracts	-	(19)

The fair value for property provisions has been calculated on the basis of present values of future cash flows using an appropriate discount reflecting market rates.

The fair value on cash, deposits, money market instruments and funds, bank borrowings and overdrafts approximates to the carrying value given the short maturity of the instruments.

Fair values of forward rate agreements, foreign exchange options and foreign exchange forward contracts are based on the market price of comparable financial instruments as at the balance sheet date.



# Notes to the Financial Statements

For the year ended 31st December, 1999

## 32 Derivative and Other Financial Instruments (continued)

### CURRENCY EXPOSURES

As explained on page 15 of the Financial Review the Group's major transaction exposure arises in respect of the US dollar revenue earned in the UK, where it accounts for approximately 59% of total UK revenue. The Group therefore adopts a prudent approach to the management of this exposure by maintaining a rolling hedging programme using forward contracts and options.

The currency exposure of the Group's net monetary assets/(liabilities) is shown in the table below. Such exposures comprise the monetary assets and monetary liabilities that are not denominated in the operating (or functional) currency of the operating unit involved.

Functional currency of operation	Sterling £'000	US Dollars £'000	Canadian Dollars £'000	Australian Dollars £'000	Other £'000	Total £'000
Sterling	-	14,616	430	1,120	2,579	18,745
Hong Kong dollars	79	8,168	-	10	0	8,257
Singapore dollars	(198)	4,240	-	-	(3,636)	406
Other	174	1,608	-	(6)	-	1,776
<b>TOTAL</b>	<b>55</b>	<b>28,632</b>	<b>430</b>	<b>1,124</b>	<b>(1,057)</b>	<b>29,184</b>

As at 31st December, 1999 the Group also held open forward contracts and currency options totalling £92,474,000 taken out to hedge future US dollar revenue earned in the UK.

### GAINS AND LOSSES ON INSTRUMENTS USED FOR HEDGING

The Group enters into forward foreign exchange contracts and options to manage the currency exposures that arise from its earnings denominated in foreign currency. It also uses forward rate agreements to manage its interest rate exposures. Changes in the fair value of instruments used for hedging are not recognised in the financial statements until the hedged position matures.

Unrecognised gains and losses on hedges at the period end are as follows:

	Gains £'000	Losses £'000	Net Total £'000
<b>UNRECOGNISED GAINS / (LOSSES) ON HEDGES AS AT 1ST JANUARY, 1999</b>	1,910	(237)	1,673
Gains/(losses) in previous years recognised in 1999	1,679	(193)	1,486
Gains/(losses) in previous years not recognised in 1999	231	(44)	187
Gains/(losses) in 1999 not recognised in 1999	377	(1,143)	(766)
<b>UNRECOGNISED GAINS/(LOSSES) ON HEDGES AS AT 1ST JANUARY, 2000</b>	608	(1,187)	(579)
<i>Of which</i>			
Gains/(losses) expected to be recognised within one year	503	(935)	(432)
Gains/(losses) expected to be recognised after one year	105	(252)	(147)

### FINANCIAL INSTRUMENTS USED FOR TRADING PURPOSES

The Group does not trade in financial instruments.

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 33 Jardine Matheson Group

In the normal course of business the Group undertakes, on an arm's length basis, a variety of transactions with the Jardine Matheson group and its associates. Set out below are the details of the income and expenditure deriving from these transactions.

	1999	1998
	£'000	£'000
<b>INCOME</b>		
<b>BROKERAGE FEES AND COMMISSIONS</b>		
Jardine Matheson group	2,126	2,736
Associates of Jardine Matheson group	664	424
Interest receivable	1,032	2,444
	<b>3,822</b>	<b>5,604</b>
<b>EXPENDITURE</b>		
Administrative expenses – paid	358	867
Administrative expenses – recovered	-	(15)
	<b>358</b>	<b>852</b>

# Notes to the Financial Statements

For the year ended 31st December, 1999

## 34 Principal subsidiary and associated companies

The following were the principal subsidiary and associated undertakings at 31st December, 1999. Unless otherwise shown, the capital of each company is wholly owned, is in ordinary shares and the principal country of operation is the country of incorporation/registration. Where a company is not wholly owned, the percentage of the capital held is shown in brackets.

	Country of incorporation/registration	Notes
<b>SUBSIDIARY UNDERTAKINGS</b>		
<b>Insurance Broking</b>		
Jardine Corretagem de Seguros Ltda (85%)	Brazil	
Jardine Lloyd Thompson Insurance Brokers Inc	Philippines	
Jardine Lloyd Thompson Ireland Limited	Eire	
Jardine Lloyd Thompson UK Limited	England	a
Jardine Reeves Brown Limited	England	c
Jardine Thompson Graham Asia Pte Limited	Singapore	
Jardine Lloyd Thompson Pty Limited	Australia	
Jardine Lloyd Thompson Limited	New Zealand	
Jardine Lloyd Thompson Canada Inc.	Canada	
Jardine Insurance Agency Limited	Japan	
Jardine Lloyd Thompson Limited	Hong Kong	b
Jardine Insurance Brokers Pte Limited	Singapore	
Jardine Insurance Brokers (Thailand) Limited (49%)	Thailand	c, d
Jardine Insurance Brokers Taiwan Limited	Taiwan	
PT Jardine Insurance Brokers Indonesia (80%)	Indonesia	
Horan, Goldman Companies Inc.	USA	
Jardine Group Services Corporation	USA	
Administrative Consultants Inc.	USA	d
Flood Underwriters of the Southeast, Inc.	USA	
Jardine Sayer & Company Inc. (90%)	USA	c
JLT Risk Solutions Limited	England	
Agnew Higgins Pickering & Company Limited	England	
Specialty Risk Broking Limited (99.6%)	England	f
Financial Solutions Limited (51%)	Bermuda	
JLT Financial Solutions AB (31%)	Sweden	e
Triangle Holdings Limited	Bermuda	
Triangle Brokerage Limited	Bermuda	
Triangle Insurance Management Limited	Bermuda	
<b>Group Insurance</b>		
Eagle & Crown Limited	Bermuda	
Secure Limited	Bermuda	
<b>Managing General Agent</b>		
Intermediary Insurance Services Inc.	USA	
Jardine MacNeill, Inc.	USA	
<b>Intermediate Holding Company</b>		
JIB Group plc	England	
JMIB Holdings BV	Netherlands	
JLT Holdings Inc. (99.9%)	USA	d
HG Holding Corporation	USA	
<b>Associated Undertakings</b>		
Professional Affinity Group Services Limited (50%)	England	
Cosmos Jardine (Europe) Limited (40%)	England	
SIACI SA (36.77%)	France	
Kris Jardine Insurance Services Sdn Bhd (30%)	Malaysia	
Anton Jardine Holdings Limited (26.25%)	England	
LTO Limited (20%)	Bermuda	

### Notes

Share capital divided into:

- a ordinary and deferred shares
- b ordinary and redeemable preferred shares
- c ordinary and preferred shares

- d 100% of Common Stock owned by the Group
- e two classes of ordinary share (the Group holds 81.8% of the voting shares)
- f ordinary and A shares (which have income rights).

# Five Year Review

Calendar year 31st December

	1995	1996	1997	1998	1999
	£'000	£'000	£'000	£'000	£'000
<b>TURNOVER</b>	242,331	228,040	225,823	232,001	<b>250,987</b>
Investment income	23,939	22,526	19,976	22,646	<b>18,400</b>
<b>OPERATING REVENUE</b>	266,270	250,566	245,799	254,647	<b>269,387</b>
Trading expenses	(226,854)	(205,177)	(199,743)	(199,765)	<b>(209,939)</b>
<b>OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS</b>	39,416	45,389	46,056	54,882	<b>59,448</b>
Operating exceptional items	(9,936)	(16,222)	(29,822)	-	<b>2,358</b>
<b>OPERATING PROFIT</b>	29,480	29,167	16,234	54,882	<b>61,806</b>
Share of operating profit in associates	4,576	5,267	6,047	5,217	<b>5,229</b>
Non operating exceptional items	(59,857)	-	-	3,623	<b>(463)</b>
Interest payable	(2,102)	(1,478)	(1,586)	(1,791)	<b>(1,407)</b>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	(27,903)	32,956	20,695	61,931	<b>65,165</b>
Taxation on profit on ordinary activities	(14,558)	(13,750)	(15,330)	(18,808)	<b>(19,208)</b>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>	(42,461)	19,206	5,365	43,123	<b>45,957</b>
Minority interests	(1,913)	(2,225)	(2,216)	(1,860)	<b>(1,054)</b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS</b>	(44,374)	16,981	3,149	41,263	<b>44,903</b>
Dividends	(16,857)	(26,020)	(18,749)	(22,809)	<b>(25,323)</b>
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>	(61,231)	(9,039)	(15,600)	18,454	<b>19,580</b>
<b>EARNINGS PER SHARE EXCLUDING EXCEPTIONAL ITEMS</b>	13.80p	16.90p	17.00p	20.70p	<b>23.40p</b>
<b>DIVIDENDS PER SHARE:</b>					
Lloyd Thompson Group plc	9.25p	19.25p	-	-	-
JIB Group plc	7.50p	8.50p	-	-	-
Jardine Lloyd Thompson Group plc	-	-	10.00p	12.00p	<b>13.25p</b>

The figures stated for 1998 and previous years are those originally published prior to the restatement dealt with in these financial statements in relation to FRS 12.

# Advisers

## Auditors

PricewaterhouseCoopers  
Chartered Accountants,  
Southwark Towers,  
32 London Bridge Street,  
London SE1 9SY

## Principal Bankers

National Westminster Bank  
City of London office,  
1 Princes Street,  
London EC2R 8PB

Bank of America NT & SA  
1 Alie Street,  
London E1 8DE

## Registrars and transfer office

IRG plc  
Bourne House,  
34 Beckenham Road,  
Beckenham,  
Kent BR3 4TU  
020 8639 2000

## Stockbrokers

Warburg Dillon Read  
1 Finsbury Avenue,  
London EC2M 2PP  
020 7567 8000

# Shareholder Information

## Financial calendar

Ex dividend date	10th April, 2000
Record date	14th April, 2000
Annual General Meeting	5th May, 2000
Final dividend payable	15th May, 2000
Interim results announced	August, 2000
Interim dividend payable	November, 2000

## Dividend Mandates

Shareholders who wish dividends to be paid directly into a bank or building society account should contact IRG plc or complete the dividend mandate form attached to their dividend cheque.

## Secretary and registered office

### D J Hickman FCIS

6 Crutched Friars,  
London EC3N 2PH  
Telephone: 020 7528 4444  
Facsimile: 020 7528 4185

*Company Registration Number 1679424*







**JARDINE LLOYD THOMPSON**  
Group plc

Registered office

6 Crutched Friars, London EC3N 2PH.

Telephone 020 7528 4444 Facsimile 020 7528 4185 [www.jltgroup.com](http://www.jltgroup.com)

Company Registration Number: 1679424