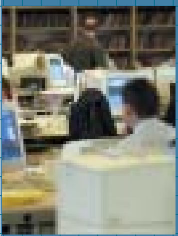


Jardine Lloyd Thompson Group plc

Annual Report & Accounts 2002

JARDINE LLOYD THOMPSON
Group plc

Turnover up 11% to £388.1 million 2001 : £349.7 million

Trading profit up 31% to £79.1 million 2001 : £60.2 million

Profit before tax, exceptional items and goodwill amortisation up 21% to £101.8 million 2001 : £84.3 million

Profit before tax up 28% to £100.2 million
2001 : £78.3 million

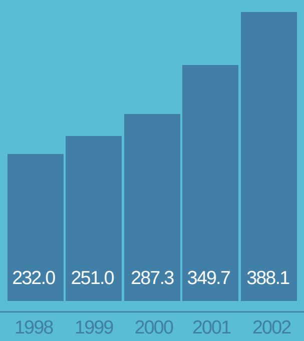
Diluted earnings per share up 33% to 33.8p 2001 : 25.5p

Diluted earnings per share before exceptional items and goodwill amortisation up 16% to 34.7p 2001 : 30.0p*

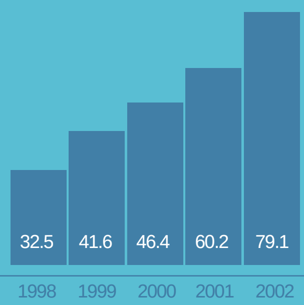
Dividend up 16% to 18.5p (net) per share 2001 : 16.0p

*Prior to restatement for FRS 19

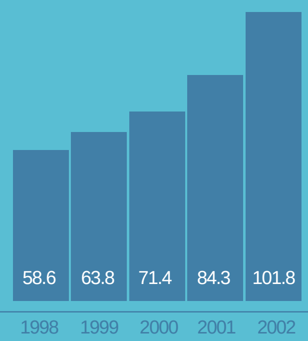
Trading profit up 143% in four years



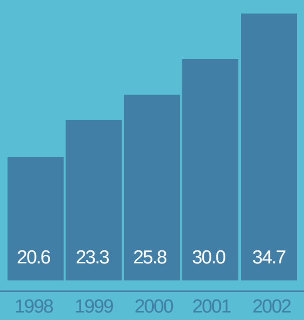
Turnover (£m)



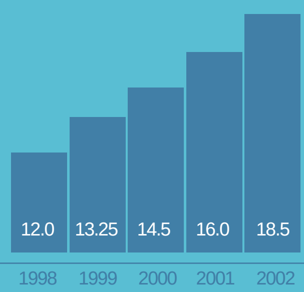
Trading Profit (£m)



Profit before tax* (£m)



Diluted EPS* (p)



Dividend per share (p)

Financial highlights

*Before exceptional items and goodwill amortisation

2002 was another great year for JLT. We won business around the world and further reduced our expense ratio. **We also created a more flexible group structure, exploiting opportunities in both Risk & Insurance and Employee Benefits.** The management team which has been behind five years of strong growth is absolutely determined to build on the success of the last five years. The personal touch and commitment to clients that has always distinguished us remain integral to who we are, and compared to our competitors, we're agile, with plenty of room to grow further.

I am very pleased to report that Jardine Lloyd Thompson continued its unbroken record of year on year growth in 2002 with profit before goodwill amortisation, exceptional items and taxation increasing 21% to a record £101.8 million.

Turnover grew by 11% to £388.1 million (2001: £349.7 million) and the Group's trading profit, defined as turnover less expenses and excluding goodwill amortisation, grew by 31% to £79.1 million (2001: £60.2 million).

These results should be considered both in absolute terms and in the context of the global economic and financial climate. Most major stock markets ended 2002 down for the third year in succession and many of our clients are suffering industry-specific problems, as well as operating in weak global and local economies. Insurers have been significantly affected by the fallout from financial markets; many have raised new capital whilst others now operate without the surpluses that had been the norm for these companies.

As expected, the hard insurance market continued throughout 2002 and we believe it will continue in this manner for at least the next two years.

For both Risk & Insurance and Employee Benefits there remains enormous potential for JLT to increase market share and our track record bears testimony to our ability to deliver growth even in challenging economic or market conditions.

The Group's senior executives, led by Steve McGill, who became Chief Executive at the start of 2002, kept the company focused on its core businesses during this difficult time and their success in this regard is detailed in the operational reviews. The senior management team worked hard during 2002 to develop and refine the operating strategy and structure of the Group and to grow the business organically.

The board was augmented by the appointment of three additional independent non-executives in January 2002; Geoffrey Howe, Tony Hobson and Bob Scott. Our new colleagues have introduced fresh perspectives on JLT from their considerable and varied business experience.

Group Strategy

At the beginning of the year the Group's operational structure was reorganised into two business groups: Risk & Insurance and Employee Benefits.

The Risk & Insurance Group comprises JLT's worldwide insurance, reinsurance broking and risk services activities. During 2002 we have continued working to maximise the potential benefits from synergies within the group, together with the ongoing development of new business in each of our chosen sectors, including the creation of specific industry focus groups to co-ordinate our skills and resources.

The Employee Benefits Group consists of pension administration, outsourcing, employee benefits consultancy and US group marketing activities. This business, which complements our Risk & Insurance activities, is characterised by long-term contracts and is not subject to insurance market cycles. We continue to see excellent potential for future growth in this area.

Pensions

The transitional provisions of the accounting standard, FRS 17 ("Retirement Benefits"), require us to disclose, by way of a note to the financial statements, the net deficit on our defined benefit pension schemes at 31st December 2002, calculated in accordance with the principles laid down in the standard. As noted previously, FRS 17 adopts a market value approach to the measurement of retirement benefits and requires expanded disclosures, but does not require implementation of any change in measurement approach until the year ended 31st December 2005. The relevant information is set out in note 31 to the attached financial statements.

Exceptional Items

The exceptional items reflect an adjustment to property provisions and the impact of disposals of non-core businesses undertaken during the year.

Dividends

Subject to shareholder approval, a final dividend of 11.0p (net) per share for the year to 31st December 2002 will be paid on 2nd May 2003 to shareholders on the register at 4th April 2003. This brings the total dividend for the year to 18.5p (net) per share, an increase of 16%.

Prospects

Notwithstanding the uncertain economic background in the major markets in which JLT operates around the world, we enter 2003 with real confidence in our ability to deliver future growth in our chosen business sectors.

We have a highly professional and dedicated workforce with a reputation for achieving effective and rapid solutions to our clients' needs, the delivery of which is all the more important in these challenging times.

For both Risk & Insurance and Employee Benefits there remains enormous potential for JLT to increase market share and our track record bears testimony to our ability to deliver growth even in challenging economic or market conditions.

Ken Carter

Ken Carter
Chairman
10th March, 2003

I am delighted to report that JLT has responded exceptionally well to the challenges of a turbulent business environment to deliver yet another year of strong progress. As a Group, we once again achieved double-digit percentage growth in revenue, profit before tax and diluted earnings per share. Our shareholders have seen total shareholder return of some 11% for the year and 377% over the past five years, putting JLT at the top of all FTSE 350 companies over that period.

We pride ourselves on the highest levels of professionalism and integrity, combined with senior-level attention to clients and relationships.

Our profit surpassed £100 million for the first time in our history and we achieved over 20% growth in year on year profits for the first time since JLT's formation. At the same time, we carefully managed our overheads reducing our expense ratio to our long-term target of 80%.

Profitability through organic growth

JLT's achievements over the year cannot simply be attributed to increased insurance commissions in the current hard insurance market, they also reflect organic growth achieved through new business wins and the benefits of a well managed business.

In our main operating areas, Risk & Insurance overcame a very demanding operating environment and our Employee Benefits business is now well positioned to succeed in a growing market place. In this year's Report & Accounts we have for the first time included more detailed operational reviews for each of our business groups. These provide greater detail of our activities and an in-depth review of the progress of each area in 2002, set against the background of the industry in which it operates.

Real alternative to large global brokers

The Risk & Insurance Group produced a very strong result. Revenue for continuing operations increased by 16% to £313.6 million with new business and penetration providing most of the growth. Every business within Risk & Insurance improved its trading margin, demonstrating our growing strength and confidence as an international force that provides a real alternative to the largest global brokers.

Employee Benefits' revenue was flat at £74.5 million. Strong underlying growth in our core business of Actuarial, Consulting and Pension Administration was masked by an unexpectedly fast fall off in pensions review business in the second half of the year. The pensions review business, an income stream always recognised as having a limited life, has reduced significantly over the past two years. Against this background, our results for Employee Benefits were very creditable and provide a firm foundation on which to build. Revenue from long-term contracts won in 2002 has started to flow through and will benefit the results from 2003. These are the early successes from a strong new business pipeline which we believe will enable us to meet the ambitious targets we set for this business.

Growing demand for personal attention

Whilst many parts of the insurance industry have concentrated on building the size and scale of their businesses, JLT has continued to focus on quality and durability. In a world of giant organisations with a broad array of services, our success proves there is a growing demand for a firm that operates on a more personal scale, whilst still achieving industry-leading results. We pride ourselves on the highest levels of professionalism and integrity, combined with senior-level attention to clients and relationships.

As we grow, we maintain this balance between service and success by concentrating on the areas we know best, being discerning about acquisitions and acting in a transparent and open manner both internally and externally. Senior executives in JLT are close to the business. This is core to our culture and is an approach that delivers optimal products and services to our clients. It also improves communication and ensures clarity and a sense of purpose and determination. We are focused on being the best in our chosen sectors. Our success proves there is a real and growing demand for our particular approach. As we develop, these qualities remain a priority, as it is these that really differentiate JLT from its competitors.

chief executive's review

Taking no risk is the biggest risk of all

The continued threat of terrorism and political unrest, along with natural disasters linked to climate change, spectacular corporate failures and stock market falls, have created much uncertainty. Caution is a natural and sensible reaction to current events, but for business to take no risk is the biggest risk of all. Our position at the heart of the risk business will provide us with many opportunities to grow.

We are confident that we will continue to make significant progress by providing quality advice to clients, helping them to see risk in perspective, balance risk and reward and ultimately to restore the confidence that helps create business success. These are challenging but exciting times for JLT and I fully expect we will have another very successful year in 2003.

Our staff are key to our success and our ambitions as a firm.

Balance is key to success

One of the keys to our sustained success has been our ability to balance the needs of the key stakeholders in our business. As we continue to grow we recognise the importance of maintaining this balance if we are to establish ourselves as the leader in our business.

JLT aims to deliver quality results for all its stakeholders – clients, staff and shareholders. However, everything flows from the needs of our clients. Striving to exceed their expectations is the bedrock on which our business has been built.

Staff key to ambitions

Our staff are key to our success and our ambitions as a firm, therefore striving to be recognised as the employer of choice in our industry is simply a logical strategy for a firm that seeks to develop itself as a quality leader in its business. We provide an environment in which all our people can demonstrate and develop their skills and share in the rewards that their success generates.

I am of course immensely proud of JLT and its achievements. JLT has a great future ahead for its clients, its employees and its shareholders and we remain very confident about our future prospects.

Steve McGill

Stephen P McGill
Chief Executive
10th March, 2003

JLT has responded exceptionally well to the challenges of a turbulent business environment to deliver another year of strong progress.

Our shareholders have seen total shareholder return of 377% over the past five years, putting JLT at the top of all FTSE 350 companies over that period.

Our concentration on quality rather than quantity in every aspect of our business means that clients can access the best that JLT has to offer from all our offices.

Risk & Insurance revenue for continuing operations increased by 16% in 2002 to £313.6 million as a result of strong performances from every part of the business.

As one of the world's largest insurance brokers we provide a diverse range of services within the insurance and reinsurance broking field.

The common feature of all aspects of our business is that we operate in areas where we are, or can be, market leaders. We want our services to make a positive difference for our clients, delivering value for money at every level.

Our income derives from a mixture of fees, paid by clients for the services we provide, and commissions paid by insurers when we introduce a risk to them. Our policy is to be open with clients about our remuneration and we aim to make a profit on every transaction which reflects the true value to the client of the skills we deploy.

As in previous years, incentive commissions received from insurers for 2002 accounted for less than 2% of our revenue.

We continue to consolidate our strong international team with expert resources in the world's major industrial regions. Our concentration on teamwork and quality in every aspect of our business means that clients can access the best that JLT has to offer from all our offices.

Risk Solutions

Risk Solutions again demonstrated its strength at the heart of our international Risk & Insurance group. Revenue of £192.7 million showed an increase of 18% on the previous year with a trading margin of 31%. In London Accident & Health, Cargo, Casualty, Construction, Energy, Marine Reinsurance, Aviation and Property all produced excellent results. Financial & Professional Risks, our new professional liability unit, had an excellent first full year.

Agnew Higgins Pickering, the London based specialist natural resources broker, also produced another strong performance.

Risk Solutions is based in London, the world's most influential insurance market. From here we provide specialist insurance and reinsurance services to a wide range of international corporate clients. But Risk Solutions also operates outside the UK from a number of separate offices in the world's main insurance markets.

In Bermuda our team had an outstanding year delivering excellent results due to our strong presence on the island and high profile relationships with Bermudian insurers and reinsurers.

In the US we continued to expand our reinsurance operation JLT Re Solutions, which now has five offices across the United States.

Much of our business emanating from the US is from independent regional brokers seeking a partner who can assist them in competing with and beating the global brokers in international insurance markets.

We are working hard to expand our relationships with regional brokers whilst at the same time strengthening our Capital Risk business, thereby enabling us to compete on a number of fronts against the giant global brokers.

We are continuing to develop our captive management operations from our offices in Bermuda, Cayman, Vermont, Singapore and Guernsey.

UK/Ireland

Revenues of £40.6 million were up only 7.4% on the year, reflecting our decision to discontinue or outsource certain lines of business which were hampering profitability. Adjusting for the effects of such changes, underlying growth of 12% was achieved. As a result of these actions it is pleasing to report the improvement in our trading margin to 22%. We have worked hard to reinforce a strong sales culture throughout the business and have established a strong new business pipeline. We are optimistic about our prospects for 2003.

Risk Solutions revenue up
18%
to £192.7m

Risk & Insurance revenue up
16%
to £313.6m

JLT Asia has offices in 9 countries across the region and is a leading provider of risk solutions and corporate services in the Asian market.

Our Risk & Insurance business within Jardine Lloyd Thompson UK encompasses mainly retail insurance broking activities to small to medium sized corporate clients as well as private individuals through innovative affinity schemes such as Expacare and Compass, facilities for expatriate healthcare and holiday and home parks respectively.

Australia & New Zealand

Australia and New Zealand made excellent progress in 2002 with revenue of £38.5 million, up 21%, and a trading margin of 26%. Although the Australian economy is expected to weaken we are optimistic about opportunities in 2003 as we continue to strengthen our position in the region.

In Australia and New Zealand JLT operates out of 17 offices. We focus on five core services namely affinity, corporate, natural resources, construction and risk services.

Asia

In Asia JLT's revenue grew 8% to £29.4 million and a trading margin of 22% reflects a good result despite the continued weakness of the region's economies.

JLT has offices in 9 countries across the region and is a leading provider of risk solutions and corporate services in the Asian market. JLT has a long established presence in the Asian market through its relationship with Jardine Matheson.

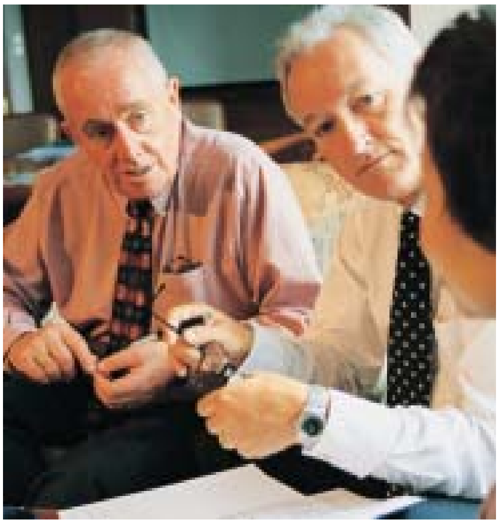
Employing over 600 professionals, JLT Asia offers its corporate clients a wide range of specialist insurance and reinsurance services including expertise in alternative risk transfer and captive management.

Canada

In Canada, revenue at £10.7 million was up 16% and the trading margin increased from 16% to 20%. Operating out of 7 offices, we provide a range of insurance services to corporate clients in industries as diverse as forestry, energy and public sector. We are also a leading provider of professional indemnity coverage to lawyers, architects, surveyors and engineers.

SIACI

SIACI continued to achieve good growth in revenue and profit. JLT Group has a 31% shareholding in the SIACI Group which is headquartered in Paris and has offices in 6 European countries.



Insurance market overview

Premiums for most buyers of insurance and reinsurance have been increasing since 2000 and many clients have seen further significant increases in premium through 2001 and 2002. The impact of the September 11th attacks; the need to strengthen reserves to offset the poor underwriting results from the soft insurance market of the late 1990s; and falling investment returns have all taken their toll on insurers' balance sheets. With investment returns appearing unlikely to improve substantially in 2003 and a challenging outlook for the global economy as a whole, underwriters must focus on underwriting profitably in order to restore adequate capital levels. Despite some high profile losses, the overall returns for 2002 indicate that insurers have started to recover some of the lost ground.

So far 2003 has not seen the same level of rate increases as 2002 and, in our view, the current upswing is at or near its peak in many areas of business. At this point in the pricing cycle, there has traditionally been a fairly rapid reduction in pricing. However, due to the combination of factors outlined above, we believe that prices are likely to remain around their current levels throughout 2003 and 2004. Despite numerous injections of capital into new insurance and reinsurance ventures, the continuing low investment returns and historically low levels of capital reserves have the effect of limiting aggregate capacity which reduces the scope for competition to apply downward pressure on rates.

This is a market for the skilled operator. Clients must strike a careful balance between the cost of retaining risk and transferring it. Insurers must underwrite at a profit to rebuild capital reserves in an unfavourable investment climate. A broker's success depends on its ability to react rapidly to the often fleeting opportunities that such turbulent market conditions present, whilst at the same time maintaining excellent service levels and providing continuity for clients.

In a difficult and volatile marketplace, clients look to JLT to provide effective and rapid solutions to their insurance needs. JLT was well positioned in 2002 not only to retain its existing business but also win new clients. We expect this trend to be even more pronounced in 2003.

employee benefits operational review

The formation of the Employee Benefits group at the beginning of 2002 underscored the scale of our activities after the acquisition of Burke Ford and Abbey National Benefit Consultants. It continues the JLT strategy of building a first class business complementing the Group's Risk & Insurance activities. Key characteristics of the business include long-term contracts which give sustainability of future revenue and business activities which are not impacted by insurance market cycles.

This business group provides substantial potential in the longer term in what is a very dynamic market place.

2002 revenue for this business group was flat at £74.5m, although the results do mask a strong underlying performance in the UK and the work done in 2002 in both the UK and USA to ensure that this business delivers the results we expect and believe are achievable. Employee Benefits has substantial potential in the longer term in what is a very dynamic market place.

In 2002, we secured a number of large new contracts including the two largest employee benefits contracts won since the creation of JLT in 1997 - one in the UK and the other in the USA. The nature of these long-term contracts is such that revenue does not begin to flow until some months following the appointment and the full benefit from these contracts will be seen in 2003 and beyond.

We have invested considerable resources into business development during 2002 and, as a result, new business opportunities are very encouraging as we enter 2003.

UK/Ireland

In 2002 the Employee Benefit business showed only marginal growth of 2% achieving revenues of £47.5m. The key reason for this was the rapid decline in the second half of the year of our pension review business. Income from pension review business reduced by £3.9m in 2002 compared to 2001. We always knew the opportunity to generate income from the pension review business would be short term, but its decline was more rapid than expected. Importantly, however, this decline was offset by the growing strength of the rest of our Employee Benefits business in the UK which grew 12% compared with 2001.

We have some 700 staff operating from 10 locations across the UK and Ireland offering a broad range of skills and services. These include complex actuarial consulting, the design and administration of corporate benefit programmes for large to mid-sized companies, and services to the insurance company sector.

The activities of the Employee Benefits group in the UK include:

Employee Benefits Consulting which covers pensions, rewards, benefits, actuarial, healthcare and investment consulting activities. This business is more advice-based and fees are charged based on time spent and seniority of personnel on the account.

Our Healthcare division is now a major UK player with leading positions in the education, corporate and international sectors.

Corporate Benefit Administration providing services to companies in the UK who wish to outsource the administration of pension schemes or other insurance-related benefits. Many of these accounts are large-value long-term contracts requiring robust and up-to-date technology.

UK Life & Pensions Administration focusing upon services to UK life companies, where we support customer service management and administration of corporate pension portfolios with a particular emphasis on the more complex group schemes. This is a particular area of future growth for us. There are increasing opportunities to provide solutions for insurers who are keen to outsource functions in a drive to achieve efficiency and focus on their core competencies.

employee benefits operational review

USA

Revenue growth in the USA was flat compared to 2001, impacted by our decision to exit a major account which was not making a contribution to profit. This revenue has now been replaced by new business.

In September, a senior executive from the UK moved to the USA as chief operating officer. The business has been reorganised and strategy is now being developed with emphasis on higher margin business.

In the US we provide a tailored affinity and administration services to the corporate and insurance company sectors. We operate from 3 locations in North America employing some 400 staff.

Within the USA our Employee Benefits activities include:

Product Marketing third party products through corporate and affinity group benefit programmes.

Our principal revenue is from commissions on the products and in some cases, we assume significant administration responsibilities to take an enhanced share.

Medical/Dental Administration handling the administration of medical and dental programmes, including claims.

Throughout 2002 we built our pipeline of new business opportunities and activity levels are very promising coming into 2003.

Employee Benefits – market overview

There is considerable change within the Employee Benefit markets which we are well positioned to benefit from.

Within the UK, the provision of pensions and related services will be affected by the Government's proposed pension reforms in the Green Paper which was published in December 2002. It will provide considerable consulting opportunities, and the ability to differentiate through innovative advice will be paramount after the consultation phase.

Employers need to address a number of employment issues, from the cost and design of pension benefits through to the introduction of more flexible benefits, and this will drive a demand for more creative human resources advice and services.

The UK life insurance industry faces significant challenges and will undoubtedly respond with new operating structures, partnerships and outsourcing relationships as well as responding to the Green Paper with new products.

In the USA, medical and dental benefit cost inflation continue to place huge pressure on employers and on the insurers that underwrite these benefits. Our ability to deliver cost efficient claims administration, claims management and mitigation services will be valued more than ever and will provide increased opportunities.

The USA is also seeing further changes to the funding and cover for healthcare as a direct response to spiralling costs and we are currently analysing the opportunities to support the emerging Health Reimbursement Plan market.

We are already well positioned for these opportunities but are increasing our focus and investment in these key sectors.

The common feature of all aspects of our business is that we operate in areas where we are or can become market leaders.

These are challenging but exciting times, in spite of difficult economic times we are confident of making significant progress by providing quality advice and services to clients.

Basis of Presentation

The Annual Report includes profit and loss account, balance sheets and cash flow for the year ended 31st December 2002, together with comparative figures for the previous year.

In this regard, the comparative figures for 2001 have been restated to reflect the adoption in 2002 of Financial Reporting Standard ("FRS") 19 which requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. The impact is to increase the previously stated level of taxation on profit on ordinary activities by £3.3 million and to reduce the level of profit attributable to shareholders by an equal amount.

Results for 2002

The profit and loss account on page 46 has been prepared in accordance with the requirements of the Companies Act 1985. The alternative profit statement set out in note 2 on page 53 conforms more closely to the approach adopted by the Group in assessing its financial performance and the following comments are probably more easily interpreted by reference to that statement.

Trading profit, represented by turnover less expenses other than goodwill amortisation, increased 31% from £60.2 million to £79.1 million. An increase in turnover of 11% was accompanied by a 7% increase in the level of expenses, resulting in an improvement in the expense ratio from 83% to 80%.

Investment income fell 10%, the impact of lower achieved rates of return and, to a much lesser extent, an unfavourable movement in the sterling/US dollar exchange rate being only partially offset by an increase in the average level of cash balances. This is discussed in more detail later in this review.

The Group's share of operating profit in associates increased from £4.8 million to £5.2 million. The contribution from SIACI which, calculated in accordance with UK accounting principles, represented some £4.9 million of the total, showed an increase of 6%.

The amount of interest payable remained unchanged at £1.5 million, of which £1 million represented the Group's share of interest payable on the borrowings incurred by SIACI in connection with its restructuring at the end of 2000. The balance of the total of £2.1 million shown as 'Interest payable and similar charges' represents the unwinding of discounts relating to provisions and deferred consideration.

Profit on ordinary activities before taxation and exceptional items increased from £81.1 million to £98.6 million, an increase of 22%, or 17% when adjusted to eliminate the effects of currency movements.

The trading performance of the Group and of its two principal business areas, Risk & Insurance Group and Employee Benefits Group, are summarised in more detail in Table 1.

Table 1	Turnover £'m	Trading profit £'m	Trading margin %
Risk & Insurance			
Risk Solutions	192.7	59.6	31
UK/Ireland	40.6	8.8	22
Asia	29.4	6.4	22
Australia & New Zealand	38.5	9.8	26
Americas	12.4	2.3	18
	313.6	86.9	28
Employee Benefits			
UK/Ireland	47.5	5.3	11
USA	27.0	3.0	11
	74.5	8.3	11
Head Office/other			
Head office		(15.1)	
Non-recurring		(1.0)	
		(16.1)	
Total turnover/trading profit	388.1	79.1	20
Investment income		19.7	
Goodwill amortisation		(3.3)	
Share of operating profit in associates		5.2	
Interest payable and similar charges		(2.1)	
Profit on ordinary activities before exceptional items and taxation		98.6	
Exceptional items		(2.5)	
Profits on the sale or closure of operations - exceptional		4.1	
Profit on ordinary activities before taxation		100.2	

Earnings per share

The amortisation of purchased goodwill arising from acquisitions made by the Group since 1st January, 1998 has a significant impact on published earnings, which is reflected in the decision to disclose on the face of the profit and loss account an additional measure of earnings per share that excludes not only the effect of exceptional items but also the impact of goodwill amortisation.

Excluding exceptional items, basic earnings per share increased to 34.1p (up 24% - 16% prior to restatement), while diluted earnings per share increased by the same percentages to 33.0p.

Excluding exceptional items and goodwill amortisation, basic earnings per share increased to 35.7p (up 22% - 15% prior to restatement), while diluted earnings per share increased to 34.7p (up 22% - 16% prior to restatement).

Dividends

The Board proposes a final dividend of 11p per share, which follows an interim dividend of 7.5p per share, making a total for the year of 18.5p per share. This compares with total dividends of 16p per share for the previous year and represents an increase of 16%.

The total dividends of 18.5p per share for 2002 were covered approximately 1.8 times by earnings before exceptional items. (2001 – 1.7 times when restated).

Exceptional items

For 2002 exceptional items represented a net credit of £1.6 million.

In respect of properties that are currently surplus to operational requirements the Group maintains provisions which reflect the difference between the cost of its own lease obligations and the income expected to arise from the subletting of such properties. In the light of increased vacancy rates in the City of London office market, the level of income from subletting is expected to be less than previously assumed and the Group's property related provisions have been increased accordingly, giving rise to an exceptional operating cost of £2.5 million.

During the year the Group completed the sale of its 50% shareholding in Professional Affinity Group Services Limited to its co-shareholder, the British Medical Association, for a consideration of £5 million in cash, which gave rise to a gain of £3.6 million. The disposal or closure of a number of other small, non-core, businesses resulted in an aggregate profit of £0.5 million, giving a total profit on the sale or closure of operations of £4.1 million.

Cash flow

The Group cash flow statement on page 49 has been prepared in accordance with the revised FRS 1, under which 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 summarised cash flow for 2002 set out in Table 2 has been prepared on the latter basis. It shows an increase in the Group's own funds of £39.3 million (2001: increase of £5.8 million, excluding the benefit of £24.6 million of proceeds from a restructuring of the Group's investment in SIACI).

The increased inflow of funds in 2002 compared with 2001 is due in part to the increase in profit before taxation and exceptional items and in part to the absence from working capital movements in 2002 of one-off effects that had a significant impact in 2001 (pension scheme pre-funding of £6.2 million and a transitional increase in non-insurance debtors of £6.6 million).

Table 2

	12 months to 31 Dec 2002 £'m	Restated 12 months to 31 Dec 2001 £'m
Profit before taxation & exceptional items	98.6	81.1
Goodwill amortisation	3.3	3.2
Capital expenditure in excess of depreciation	(3.3)	(2.9)
Payments in respect of provisions	(5.8)	(8.3)
Purchase of employee benefit trust investments in excess of amortisation	(2.2)	(2.9)
Proceeds from SIACI restructuring	-	24.6
Working capital movements	0.7	(14.6)
Net inflow/(outflow) from acquisitions & disposals	4.3	(1.2)
Tax paid	(22.9)	(19.0)
Dividends paid	(33.4)	(29.6)
Net cash inflow from operations	39.3	30.4
Net cash at 1st January	390.4	313.4
Net cash inflow from operations	39.3	30.4
Net fiduciary cash (outflow)/inflow	(18.4)	62.4
Re-classification as debt of Burke Ford contingent consideration	-	(15.8)
Net cash at 31st December	411.3	390.4

Foreign exchange

The Group's major transaction exposure arises in respect of US dollar revenue earned in the UK, where it accounts for approximately 52% (2001 – 53%) of total revenue. The Group results are therefore highly sensitive to changes in the sterling/US dollar exchange rate, each one cent movement translating into a change of approximately £0.9 million in profit before tax. The Group 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 projected to arise during the following 12 months and 25% of that expected to arise over the subsequent 12 months.

In 2002 the Group achieved a rate of US$1.47, compared with the actual average rate for the year of US$1.50, reflecting the extent to which in 2002 the Group benefited from the effect of the hedging programme.

At the beginning of 2003 some 87% of the US dollar revenue forecast to arise in 2003 was hedged at an average rate of US$1.47 while for 2004 59% was hedged at the same average rate of US$1.47.

The Group's major translation exposures are to the US dollar, the Euro and the 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 movements.

The relative effects on the Group's profit before tax of the most significant transaction and translation exposures are summarised in Table 3.

Table 3		12 months to 31 Dec 2002	12 months to 31 Dec 2001	12 months to 31 Dec 2000
Conversion of US$ income earned in the UK at achieved rates		1.47	1.52	1.59
Average rates for translation	- US$	1.50	1.44	1.52
	- Aus$	2.78	2.80	2.61
	- Euro	1.59	1.62	1.65
		£'m	£'m	
Currency effects on profit before tax				
Non-sterling income earned in UK subsidiaries		3.8	4.9	
Non-local currency income earned in overseas subsidiaries		0.1	0.1	
Sub-total		3.9	5.0	
Translation of profits of overseas subsidiaries		(0.5)	(0.2)	
Total exchange effect		3.4	4.8	

Investment income

The Group's investment income arises from its holdings of cash and investments including fiduciary funds. Equivalent average cash and investment balances during the year amounted to £488 million (2001- £449 million) denominated principally in US dollars (48%), sterling (36%) and Australian dollars (7%).

The Group manages its cash and investment balances in the form of deposits with prime banks, money market funds 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.

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. However, depending on market conditions, the hedged position for the initial 12 month period may vary between 25% and 75% of projected interest exposure whilst that for the subsequent 12 months may vary between zero and 50%. The hedging programme may also be extended to 3 years in duration.

Investment income for 2002 amounted to £19.7 million, a decrease of 10% compared with 2001. A 9% increase in the level of funds available for investment was insufficient to offset the impact of lower achieved rates of return, particularly on US dollars (3.5% compared with 4.7%), but also sterling (5% compared with 5.3%) and Australian dollars (4.8% compared with 5%) and, to a much lesser extent, the effect of an unfavourable movement in the sterling/US dollar exchange rate.

The relative effects on investment income are summarised in Table 4.

Table 4	£'m
2001 investment income	21.8
Effect of:	
Average cash balance variance	2.4
Foreign exchange variance	(0.3)
Interest yield variance	(4.2)
2002 investment income	19.7

Accounting Developments

In November 2000 the Accounting Standards Board issued FRS 17 (Retirement Benefits), replacing SSAP 24 (Accounting for Pension Costs). Although FRS 17 is expected to apply in full to the Group's accounts in 2005, certain disclosures are required in the intervening transition period. These disclosures are included within note 31 on pages 76 to 79.

In this regard it is important to emphasise that the deficit of £125.8 million in the Group's defined benefit schemes calculated in accordance with FRS17 – which after tax would translate into a balance sheet liability of £87.6 million – is based upon (a) the market value of the scheme assets as at a particular date – in this case 31st December, 2002 – which inevitably reflects the short-term volatility associated with equity markets, and (b) a value for the liabilities of the schemes based on discount rates – the yields on AA-rated corporate bonds – that do not reflect the actual composition of assets within the schemes. As such, FRS 17 does not in itself provide a basis for assessing the long term adequacy of the schemes or the long term cost to the Group of funding them.

It is recognised, however, that fundamental influences such as increased life expectancy and lower real rates of return on investment will necessitate a higher level of funding and the Group is in the process of formulating a response to such developments that strikes an appropriate balance between the interests of scheme members, the company and its shareholders.

The only Financial Reporting Standard adopted for the first time in 2002 – FRS 19 (Deferred Tax) – requires full provision to be made for deferred tax assets and liabilities arising from temporary timing differences and the comparative figures for 2001 have, as already indicated, been restated accordingly.

We strive to deliver excellent performance relating to the broader principles of Corporate Social Responsibility, including the workplace, the environment and the wider community.

> Our Lady's Primary School in Limehouse, London

1 The Sunday Times Award
2 Children's Christmas Party
3 Zöe's Place

At Jardine Lloyd Thompson, Corporate Social Responsibility (CSR) is an important consideration in terms of both our day to day business decisions and our long term strategy.

We strive to deliver excellent performance relating to the broader principles of CSR, including the workplace, the environment and the wider community.

The workplace : our people are without question our most important asset and this shapes our approach towards the many diverse issues which affect employees in the workplace. From recruitment to retirement policies we are dedicated to becoming the employer of choice, creating an environment where everyone can contribute to and benefit from our success. Our UK employee flexible benefits scheme, Choices, reflects our understanding that no one employee is the same. We operate in a diverse world and we ensure that our workforce reflects that diversity.

We also understand that balancing the demands of work and personal life is becoming increasingly difficult. We recognise the duties we have towards our employees and continually strive to place our employee's health and welfare at the top of the agenda. Alongside this, development of our people is of prime importance to us, which is why we choose to invest considerable time and resources in training and development activities, supporting the achievement of key business objectives.

In 2002, JLT Risk Solutions entered into the Sunday Times "100 Best Companies To Work For" awards, where we achieved an impressive 10th place.

The community : our community involvement and our employee volunteers' efforts contribute to the achievement of our key business goals, supporting our on-going commitment to be the employer of choice.

Our community programme encourages staff to actively volunteer to 'get involved' by helping the communities in which we operate through a range of initiatives. In the UK we are a national member of Business in the Community (BitC); with a wide spread of our offices across the UK, we are ideally placed to participate in the initiative. At Jardine Lloyd Thompson UK, employees are offered the opportunity to donate up to a day per year volunteering to help in the local community.

Since the terrorist events of September 11, 2001, JLT Re Solutions, based in the United States, has supported the activities of the booster clubs formed by the US Air Forces 621st Air Mobility Operations Group and the 305th Security Forces Squadron. With increased overseas deployments and extended stays of military personnel, the booster clubs use the funds raised to organise events and activities, which all help to boost the morale of the troops and their families during these stressful times.

Examples of our community involvement are;

- A team from one of our London offices spent a day painting and decorating a temporary accommodation home in Camberwell. The home is dedicated to supporting the ex-homeless to get them off the street and into permanent housing.
- 5 members of the Liverpool office helped to plant new gardens at a local baby hospice, Zöe's Place. Situated in West Derby, Liverpool, Zöe's Place is the first baby hospice in the country to care for babies who have multiple special needs, and offers respite and palliative terminal care to infants and their parents.
- Within London, we are directly involved in the Lloyd's Community Programme with 'Our Lady's Primary School' in Limehouse, London, into which we contribute actively and financially. Activities include an IT Partnering Scheme, providing IT training to Teachers, Secretaries and Teaching Assistants and the development of E-Mentoring and Mentor Support programmes.
- In December, over 400 children and grandchildren of JLT employees joined in the festive family fun at the children's Christmas party based at JLT's London Head office.

Charitable donations and match giving : the Group has continued to support a wide range of charitable projects throughout 2002. Our staff take part in a large number of local and national fund raising charity events and our Group Charities Committee matches the money raised by these employee events.

The environment : JLT considers respect for the environment to be an integral business responsibility. The achievement of a high standard of environmental awareness is essential to assist in sustaining and keeping in balance the environment and environmental resource.

To this end JLT has set the following guidelines within the Group to:

- carefully manage waste so as to minimise its production where possible or suitably disposing of it through recycling schemes;
- control polluting emissions;
- ensure appropriate regulatory compliance;
- design and operate facilities taking into account the efficient use of energy and materials;
- encourage the adoption of these guidelines by contractors acting on behalf of the Company.

We aim to provide an environment in which all our people can demonstrate and develop their skills.

directors

1 K A Carter
2 C G R Leach
3 S P McGill
4 C Chouraqui
5 A D J B Collins
6 J P Hastings-Bass
7 A J Hobson
8 G M T Howe
9 S L Keswick
10 E J Lloyd
11 R A Scott
12 T R Sermon
13 G W Stuart-Clarke
14 V Y AC Wade

K A Carter : Chairman

Ken Carter, 59, joined Lloyd Thompson as Chief Executive in 1986. He continued as Chief Executive of Jardine Lloyd Thompson Group following the merger with JIB Group in February 1997 until January 2002 when he was appointed Chairman of the Company. He is a non-executive director of City North Group plc.

C G R Leach : Deputy Chairman : Non-executive

Rodney Leach, 68, was Chairman of Jardine Insurance Brokers, latterly JIB Group plc, between 1988 and 1997. He was appointed non-executive deputy Chairman of the Company in February 1997. He is a member of the Audit & Compliance Committee and Chairman of the Remuneration and Nominations Committees. Other directorships include Jardine Matheson Holdings Limited, Matheson & Co., Limited and other Jardine Matheson Group companies. He is a member of the board of the British Library.

S P McGill, ACII : Chief Executive

Steve McGill, 45, joined Lloyd Thompson in 1989 and was appointed a director of the Company in December 1996. He was appointed deputy Chief Executive in January 2001 and Chief Executive of Jardine Lloyd Thompson Group in January 2002. He is Chairman of the Group Executive Committee and is Chief Executive of JLT Risk Solutions.

C Chouraqui (France) : Non-executive

Claude Chouraqui, 66, was a director of JIB Group plc between 1991 and 1997 and was appointed a director of the Company in February 1997. He is Chairman of our French associate, SIACI SA.

A D J B Collins

Dominic Collins, 46, joined Lloyd Thompson in 1984 and was appointed a director of the Company in 1995. He is Chairman of JLT Risk Solutions and a member of the Group Executive Committee.

J P Hastings-Bass

John Hastings-Bass, 48, 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 a member of the Group Executive Committee and Chairman of our Employee Benefits business group.

A J Hobson, FCA : Non-executive
Tony Hobson, 55, was appointed a non-executive director in January 2002 and is Chairman of the Audit & Compliance Committee and a member of the Nominations and Remuneration Committees. He is Deputy Chairman of Northern Foods plc and a non-executive director of HBOS plc and Glas Cymru, acting as chairman of the audit committee of these two companies. A Chartered Accountant, he was previously the Group Finance Director of Legal & General Group plc for 14 years and was the senior independent director of Thames Water plc until its acquisition by RWE.

G M T Howe : Non-executive
Geoffrey Howe, 53, was appointed a non-executive director in January 2002 and is a member of the Audit & Compliance, Nominations and Remuneration Committees. He is a director of The J P Morgan Fleming Overseas Investment Trust plc and Ahli United Bank (UK) plc. He is also an adviser to a number of leading professional service organisations. He was formerly Chairman of Railtrack Group plc, a director and group general counsel of Robert Fleming Holdings and managing partner of Clifford Chance.

S L Keswick : Non-executive
Simon Keswick, 60, was a non-executive director of JIB Group plc between 1988 and 1997 and was appointed a director of the Company in January 2001. Other directorships include Jardine Matheson Holdings Limited, Matheson & Co., Limited and other Jardine Matheson Group companies. He is a director of Hanson PLC and Chairman of The Fleming Mercantile Investment Trust PLC. He is a member of the Audit & Compliance, Remuneration and Nominations Committees.

E J Lloyd
John Lloyd, 47, was one of the founder members of Lloyd Thompson in 1981 and was Chairman of Lloyd Thompson Group plc between 1993 and 1997. He was reappointed a director of Jardine Lloyd Thompson Group plc in January 2002 having previously served on the board between July 1993 and February 2000. He is a member of the Group Executive Committee.

R A Scott, CBE : Non-executive
Bob Scott, 61, was appointed a non-executive director in January 2002 and is a member of the Nominations and Remuneration Committees. He is a non-executive director of the Royal Bank of Scotland Group plc, Swiss Reinsurance Company (Zurich), Focus Wickes Limited, Yell Group Limited, and a trustee of the Crimestoppers Trust. He was previously Group Chief Executive of CGNU plc, a former Chairman of the board of the Association of British Insurers and a member of the Presidents' Committee of the Confederation of British Industry.

T R Sermon, FCIS : Non-executive
Richard Sermon, 56, was appointed a non-executive director in January 1996. He is the Senior Independent Director and member of the Audit & Compliance, Remuneration and Nominations Committees. He is Chairman of Gryphon Corporate Counsel Limited and associated private companies and a non-executive director of The Defence Storage and Distribution Agency. A Chartered Secretary and a member of the Investor Relations Society, he was formerly Chief Executive of Shandwick International plc and previously served as non-executive director of Newmond plc. He is also active in the not for profit sector where he is Chairman of London Youth and of The Home Improvement Trust and a Member of the board of the City and Guilds of London Institute.

G W Stuart-Clarke : Finance director
George Stuart-Clarke, 54, was appointed Finance Director of the Group in May 1994, having been a non-executive director since May 1991. He is a member of the Group Executive Committee. He was previously managing director of Arlington Securities Plc, prior to which he spent twelve years in corporate finance with Hill Samuel & Co. Limited.

V Y A C Wade
Vyvienne Wade, 41, joined JIB Group in 1987 as Group Legal Adviser. A barrister and member of the Inner Temple, she has been Group Legal Director of Jardine Lloyd Thompson Group plc since 1997 and is a member of the Group Executive Committee. She was appointed a director of Jardine Lloyd Thompson Group plc in January 2002.

We enter 2003 with real confidence in our ability to deliver future growth in our chosen business sectors.

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 & reinsurance broking and employee benefits. A review of the Group's trading activities and prospects is included in the Chairman's Statement, Chief Executive's Review and Operational Reviews on pages 2 to 17 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, 2002 which are shown on pages 46 to 85. The profit attributable to shareholders amounted to £67,449,000 (2001: £50,607,000 - as restated for FRS 19). The directors recommend the payment of a final dividend of 11.0p (net) per share which, together with the interim dividend of 7.5p (net) per share paid in October 2002 amounts to a total dividend of 18.5p (net) per share (2001: 16.0p (net) per share). Subject to shareholder approval, the final dividend will be paid on 2nd May, 2003 to shareholders registered at the close of business on 4th April, 2003.

Fixed assets

Details of the changes in the fixed assets of the Group are shown in notes 16 and 17 on pages 62 to 63.

Substantial shareholders

At the date of this report, the Company had been notified of the following major interests, each representing 3% or more of the existing issued ordinary share capital (see table below).

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 31.88% 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.

Shareholder	Ordinary shares	% Held
JMH Investments Limited	28,757,494	14.37%
Matheson (Insurance Investments) Limited	19,518,149	9.76%
Boxwick Limited	4,094,400	2.05%
Matheson & Co., Limited	11,394,873	5.70%
Jardine Matheson Holdings Limited	63,764,916	31.88%
SIACI SA	10,346,159	5.17%

Relationship with Jardine Matheson Group

Trading : during the year the Group continued to have a number of arms-length trading and non-trading links with Jardine Matheson Group companies, the financial implications of which are given in note 34 on page 84.

Business services : Jardine Matheson provides internal audit and certain other services to the Group on an arms-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%.

Directors

The directors shown on pages 30 and 31 held office at the date of this report.

On 1st January, 2002, Ken Carter was appointed Chairman in place of John Barton and Steve McGill was appointed as Chief Executive in place of Ken Carter.

On the same date, Tony Hobson, Geoffrey Howe and Bob Scott were appointed as non-executive directors and John Lloyd and Vyvienne Wade as executive directors. Claude Chouraqui continues on the board as a non-executive director.

Claude Chouraqui, Dominic Collins, Rodney Leach and Richard Sermon will retire in accordance with the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

The service contracts for Messrs Chouraqui, Leach and Sermon are subject to a three month notice provision. The Company is required to give 364 days notice under the service contract with Mr Collins.

Full details of the directors' remuneration and interests are shown in the Remuneration Report. During the period, no director had any material interest in a contract, disclosable pursuant to s.317 Companies Act 1985, to which the Company or any of its subsidiary undertakings was a party.

Share capital

Movements in share capital of the Company during the year ended 31st December, 2002 are set out in note 25 on page 68.

At 31st December, 2002, the authorised share capital of the Company was £12,500,000 of which £9,980,890.15 had been issued. Of the remaining unissued capital, £364,096.80 has been reserved for the exercise of options under the Company's various executive and sharesave share option schemes detailed in note 26 on page 69.

Unissued and unreserved capital at 31st December, 2002 was £2,155,013.05.

Employee share schemes

The Company has established various executive and all employee sharesave option schemes for the benefit of employees within the Group based both in the UK and certain other jurisdictions.

Details of the options outstanding over 7,281,936 ordinary shares of 5p each in the capital of the Company under the various executive and sharesave option schemes are set out in note 26 on page 69.

In addition the Group operates a scheme under an employee benefit trust: the Jardine Lloyd Thompson Restricted Share Scheme ('The Scheme'). The Scheme operates on a discretionary basis under a trust. Executives are granted awards, consisting of options to purchase shares in the Company, normally for a nominal consideration. Options under the Scheme may normally be exercised in full up to seven years from grant but different vesting periods and conditions may be applied in respect of particular awards. The Scheme is also used as deferred bonus vehicle for executives at subsidiary company level.

At 10th March, 2003, (being the latest practicable date prior to the posting of this report) shares held under this scheme were as follows:

Ordinary shares

Total held by trustees		6,349,057
of which	– allocated	3,904,219
	– unallocated	2,444,838

As part of these schemes, the Company operates a partnership plan which is a long term incentive scheme in which the directors of the Company are not eligible to participate. Participants (who are employees of certain subsidiaries of the Company) share in a proportion of incremental profit growth achieved by both the Group and by the business unit which employs the participant, together with a discretionary element which is based on individual performance. The resultant award may be exercised on a phased basis, between two and seven years after the date of award. The plan utilises the Jardine Lloyd Thompson Restricted Share Scheme by awarding JLT shares under the employee benefit trust. In addition, it utilises a deferred compensation scheme also operating under an employee benefit trust for granting awards in the form of cash and other securities.

The Group has adopted Inland Revenue approved All Employee Share Plans for the Company and certain of its UK subsidiaries.

The schemes operate under the Rules established by the Finance Act 2000 and utilise JLT shares purchased in the market. At the date of this report 370,355 shares are held by the trustees in respect of the schemes established in December 2000 and April 2001.

During the year, 839,630 ordinary shares were subscribed for by the Jardine Lloyd Thompson Group plc Qualifying Employee Share Ownership Trust (the "QUEST") at a market value of £5.0m. These shares are to be allocated to employees in satisfaction of options that may be exercised under the Jardine Lloyd Thompson Sharesave Schemes. The Company provided £5m to the QUEST for this purpose. The cost of this contribution has been transferred by the Company directly to the profit and loss account reserve.

Corporate governance

Compliance with Combined Code : during the year the Company has complied with the provisions set out in the Combined Code (the 'Code') except to the extent disclosed in the Compliance Statement.

The board is reviewing the implications of both the Higgs Report on the role and effectiveness of non-executive directors and of the Smith Report on audit committees, the recommendations of which will be incorporated into the Combined Code for Corporate Governance later in 2003.

We will report on these issues in the Annual Report for next year.

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 seven 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 Committee consists entirely of non-executive directors and its membership during 2002 was Tony Hobson (Chairman), Geoffrey Howe, Simon Keswick, Rodney Leach and Richard Sermon. The Terms of Reference of the committee include all matters indicated by the Combined Code.

The Committee meets at least four times per year. It meets with executive directors and management, as well as separately with both the external and internal auditors, to:

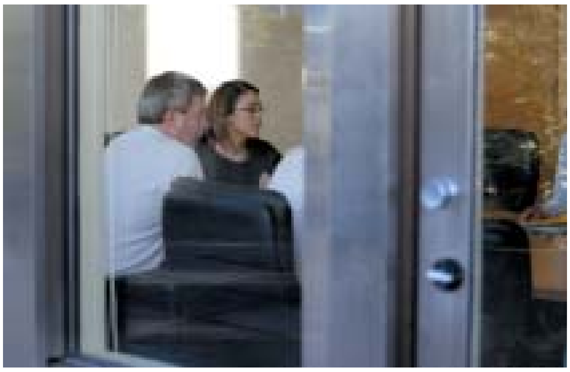
- review and advise the board on the Group's interim and annual financial statements, its accounting policies and on the control of its financial and business risks;
- review the nature and scope of the work to be performed by the external and internal auditors, the results of this audit work and of the response of management;
- make recommendations on the appointment and remuneration of external auditors and to monitor the performance of the auditors;
- monitor the independence of the auditors and, specifically, to establish a policy for the use of the auditors for non-audit services.

The Committee reviews the auditors' independence on an annual basis.

During the year, the Remuneration Committee comprised Rodney Leach (Chairman), Tony Hobson, Geoffrey Howe, Simon Keswick, Bob Scott and Richard Sermon. 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.

During the year, the Nominations Committee comprised Rodney Leach (Chairman), Ken Carter, Claude Chouraqui, Tony Hobson, Geoffrey Howe, Simon Keswick, Bob Scott and Richard Sermon. 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 one non-board appointee.



The board acknowledges that it has not complied fully with the Code during the year with regard to the composition of the Remuneration Committee.

In the context of the Code and its definitions, one half of the board is non-executive and a majority of the non-executives are independent. The four independent non-executive directors are Tony Hobson, Geoffrey Howe, Bob Scott and Richard Sermon. A majority of the Audit & Compliance Committee is independent as required by the Code. Whilst a majority of the Remuneration Committee is independent, it is not wholly comprised of independent directors and in this respect the Group does not comply with the Code.

Rodney Leach (deputy Chairman) and Simon Keswick both served on these committees during the year and both are directors of Jardine Matheson Holdings Limited which has a 31.88% interest in the Company.

The board believes that the continued presence of Messrs Leach and Keswick on the board and its committees (subject to re-election under the Articles) is appropriate and in the interests of the shareholders generally.

The non executive directors bring to the board a wide range of experience and expertise and the knowledge held by Messrs Leach and Keswick from the long standing relationship between Jardine Matheson and JLT is particularly valuable.

The relationship with Jardine Matheson is maintained on an arms-length basis as detailed in note 34 on page 84.

Richard Sermon is the Senior Independent Director.

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 38 to 44.

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 45.

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. These statements 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.

Operating Company controls : the identification and mitigation of major business risks is the responsibility of operating management. Each operating company maintains controls and procedures appropriate to its own business environment while conforming to Group standards and guidelines.

These include procedures to identify and then investigate all types of risk.

Compliance and legal : the group's legal, compliance and quality control departments establish compliance policy and carry out regular audits. The scope of work includes ensuring compliance with laws, regulations and conduct of business which is reported to the board and Audit & Compliance Committee.

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 directors acknowledge that they are responsible for the Group's systems of internal control and for reviewing their effectiveness.

Risk management controls : in accordance with the Code, a process has been established for identifying, evaluating and managing risks faced by the Group. This process has been in place for the full financial year and up to the date the financial statements were approved.

The Group conducts a formal annual "risk profiling" review to identify and profile the significant risks, both operational and strategic, faced by the Group and to review the effectiveness of risk management controls including loss prevention and recovery planning. This exercise involves the senior management across the Group and covers a broad range of risk, including operational, financial/treasury, information technology, health & safety, human resource and legal areas.

Monitoring of risk is facilitated internally by functional management and assurance gained through financial, compliance and quality based auditing. Significant failures are reported to the executive directors to ensure remedial action is taken.

The Group's procedures for the management of risk have been reviewed by the board during the year. The annual risk profiling report has been reviewed by the Audit & Compliance Committee on behalf of the board which is satisfied that appropriate processes and procedures are in place in order to identify and manage the significant risks faced by the Group.

As noted above, the overall responsibility for internal 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 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.

Internal financial controls : 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. Group results 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 review group (reporting to the Finance Director and Audit & Compliance Committee) is responsible for monitoring treasury activity and performance. The Group has policies to cover the key treasury activities of investment of funds, counterparty risk, foreign exchange and interest rate risk.

Cash and investments mostly consist of money market deposits, commercial paper, certificates of deposit and money 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 earnings 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 during the following 12 months and zero and over the subsequent 12 months.

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.

The systems of internal control and risk management procedures are designed to manage rather than eliminate risk and it should be recognised that such systems can only provide reasonable not absolute assurance against material misstatement or loss.

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 and consultation.

The Group is an equal opportunities employer and bases all decisions on individual ability regardless of race, religion, 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, 2002 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.

Donations

During the period the Group made charitable donations totalling £175,000 (2001: £202,000). No political donations were made by the Group.

Annual general meeting

The notice convening the Annual General Meeting to be held on 30th April, 2003 at 12 noon at 6 Crutched Friars, London EC3N 2PH 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; (ii) the disapplication of the statutory pre-emption rights; (iii) the authority of the Company to purchase, for cancellation, its own shares by way of market purchases; and (iv) 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 (iii) 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) and (ii) 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

The auditors, PricewaterhouseCoopers LLP, were appointed by the board in January 2003 to fill the vacancy arising by the resignation of PricewaterhouseCoopers, by reason of the conversion of PricewaterhouseCoopers to a Limited Liability Partnership from 1 January, 2003. Accordingly, Special Notice having been given to the Company pursuant to S.379 and 388(3) Companies Act 1985, it is proposed that PricewaterhouseCoopers LLP 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, 2003

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 Company's policy in relation to share option schemes and long term incentive schemes is to provide the necessary mechanisms for its employees and executive directors 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 operation of these schemes is seen by the Board as an essential tool in aligning the interests of key staff with those of the shareholders.

The Company operates a number of executive and all employee sharesave option schemes for the benefit of its directors and employees. These are summarised in the Directors' Report on pages 33 and 34.

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 available remuneration data relevant to UK public companies and also companies in the same business sector and has given full consideration to the Code provisions on directors' remuneration.

Performance related remuneration

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.

With regard to the proportion between basic salary and performance related remuneration there is no fixed maximum in relation to the latter.

Other benefits

Other benefits include 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. Other benefits include dividend income on shares held in an employee benefit trust.

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 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 Company giving notice not exceeding one year.

	Contract date	Unexpired term	Notice period	Contractual termination payments
K A Carter	01.01.2002	364 days	364 days	364 days salary and benefits
A D J B Collins	01.03.1997	364 days	364 days	364 days salary and benefits
C Chouraqui	01.01.2002	2 years	3 months	N/A
J P Hastings-Bass	01.03.1997	364 days	364 days	364 days salary and benefits
A J Hobson	01.01.2002	2 years	3 months	N/A
G M T Howe	01.01.2002	2 years	3 months	N/A
S L Keswick	10.01.2001	1 year	3 months	N/A
C G R Leach	06.02.2003	3 years*	3 months	N/A
E J Lloyd	01.03.1997	364 days	364 days	364 days salary and benefits
S P McGill	01.03.1997	364 days	364 days	364 days salary and benefits
R A Scott	01.01.2002	2 years	3 months	N/A
T R Sermon	25.01.2002	2 years	3 months	N/A
G W Stuart-Clarke	01.03.1997	364 days	364 days	364 days salary and benefits
V Y A C Wade	01.07.1988	364 days	364 days	364 days salary and benefits

*Subject to re-election at age of 70

Remuneration Committee

The Remuneration Committee comprises six non-executive directors: Rodney Leach (Chairman), Tony Hobson, Geoffrey Howe, Simon Keswick, Bob Scott and Richard Sermon. Tony Hobson, Geoffrey Howe and Bob Scott were appointed to the Committee with effect from 1st January, 2002.

The terms of reference of the Committee 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 schemes. The remuneration of the non-executive directors is a matter reserved for the board.

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 but not detracting from the goals of Corporate Governance.

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.

During the year, Mr K A Carter (Chairman) and Mr S P McGill (Chief Executive) both provided advice that materially assisted the Remuneration Committee, neither in relation to his own remuneration.

Combined Code compliance

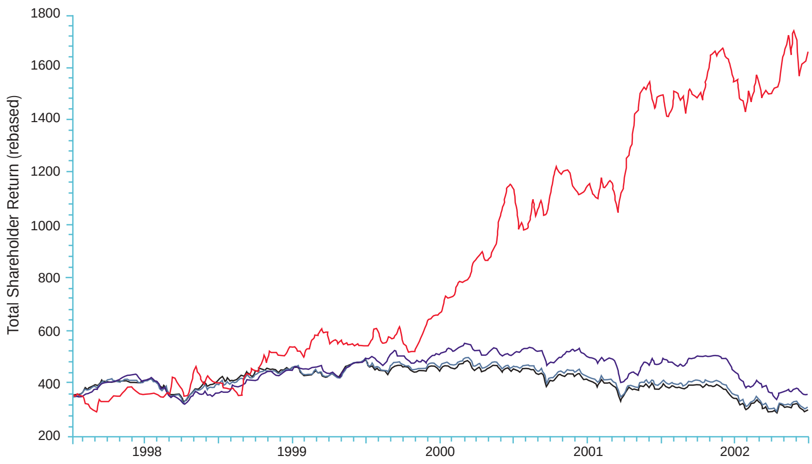
As noted in the Compliance Statement, there is a majority of independent non-executive directors on the Committee.

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's provisions on directors' remuneration.

Performance graph

The Company is required to include a performance graph to measure its performance against corporate indices. JLT has been the best performing stock in the FTSE 350 over the past five years with a total shareholder return of 377% as the graph below demonstrates.

Jardine Lloyd Thompson Total Shareholder Return from 1998 to 2002



Source: DATASTREAM

The graph plots the comparison of the Total Shareholder Return (TSR) of JLT since 1st January 1998 against the TSR of the FTSE 100, 250 and All Share Indices (rebased to JLT's actual TSR value at that date).

Total shareholder return (TSR) refers to share price growth and assumes dividend is reinvested over the relevant period.

TSR return for JLT of 377% over the period compared to a negative total shareholder return of 13% and 11% for the FTSE 100 and All Share Indices and a return of 3.3% for the FTSE 250 Index (source: datastream).

In the opinion of the directors, the FTSE 100, 250 and All Share Indices are the most appropriate indices against which the total shareholder return of JLT should be measured, as there is no directly comparable quoted peer group for the Company in the UK.

Remuneration*

The details of remuneration of those who served as directors during the year is detailed below:

Director	Notes	Salary and fees £'000	Performance related bonuses £'000	Other benefits £'000	Total 2002 £'000	Total 2001 £'000	Pension Allowance 2002 £'000	Pension Allowance 2001 £'000
K A Carter		350	-	117	467	804	-	-
C Chouraqui		25	-	-	25	25	-	-
A D J B Collins		350	200	118	668	536	-	-
J P Hastings-Bass		250	200	121	571	396	-	-
A J Hobson		35	-	-	35	-	-	-
G M T Howe		28	-	-	28	-	-	-
S L Keswick		25	-	-	25	12	-	-
C G R Leach		30	-	5	35	25	-	-
E J Lloyd		300	225	25	550	-	-	-
S P McGill	1, 2	400	360	146	906	639	100	100
R A Scott		25	-	-	25	-	-	-
T R Sermon		30	-	-	30	25	-	-
G W Stuart-Clarke	1	250	200	26	476	396	50	40
V Y A C Wade		200	180	16	396	-	-	-
Total		2,298	1,365	574	4,237	2,858	150	140

Notes 1 : Pension allowance payable to individual directors.
2 : The accrued pension of the highest paid director at the end of the year is disclosed on page 44.

* This table has been audited by PricewaterhouseCoopers LLP

Directors' remuneration and interests

Interests in shares held*

The interests of the directors at 1st January, 2002 and at 31st December, 2002 in the ordinary shares of Jardine Lloyd Thompson Group plc (excluding options and LTIP) are set out below:

	31st December, 2002 Total holding#	1st January, 2002 Total holding#
K A Carter	579,382	885,204
C Chouraqui	137,900	137,900
A D J B Collins	8,423	8,204
J P Hastings-Bass	54,691	42,328
A J Hobson	1,000	1,000
G M T Howe	2,500	-
S L Keswick	2,249	3,598
C G R Leach	22,500	22,500
E J Lloyd	1,132,500	1,157,500
S P McGill	2,504,889	2,504,889
T R Sermon	2,250	2,250
G W Stuart-Clarke	23,932	23,713
V Y A C Wade	491	313
	4,472,707	4,789,399

Mr K A Carter's holding at 31st December, 2002 includes 20,000 shares held non beneficially (2001: 50,000 shares)

In addition, executive directors are deemed to be interested in a scheme operated by the Group under an employee benefit trust, the Jardine Lloyd Thompson Restricted Share Scheme ('JLT Scheme'). This scheme operates on a discretionary basis under a trust.

At 31st December, 2002 ordinary shares held under this scheme were as follows:

		Ordinary shares
Total held by trustees		4,643,021
of which:	Allocated	3,989,808
	Unallocated	653,213

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 scheme, is deemed to have an interest in all the ordinary shares held by the trustees of the above scheme.

Since the end of the year, at 7th March, 2003 (being the latest practicable date prior to the posting of this report), a further 1,791,625 ordinary shares have been acquired by the trustees of the JLT Scheme which, at 7th March, 2003, are unallocated.

Share Option Schemes and Long Term Incentive Plan (LTIP)*

The interests of the directors in the Company's various share option schemes and Long Term Incentive Schemes are as detailed in the tables below:

Option Schemes (excluding LTIP)*

	At 1st Jan 2002	Granted during 2002	Vested during 2002	Exercised during the year	At 31st Dec 2002	Exercise price	Date from which exercisable	Expiry date	Note
K A Carter	100,000	-	100,000	100,000	-	nominal	12 04 02	11 04 06	a)
A D J B Collins	100,000	-	100,000	100,000	-	nominal	12 04 02	11 04 06	a)
J P Hastings-Bass	12,144	-	-	12,144	-	£2.3837	23 04 96	22 04 03	d)
	40,000	-	-	-	40,000	£1.60	10 10 97	09 10 04	d)
	7,352	-	-	-	7,352	£1.22	01 02 03	31 07 03	b)
	100,000	-	100,000	100,000	-	nominal	12 04 02	11 04 06	a)
	3,857	-	-	-	3,857	£2.10	01 07 05	31 12 05	b)
E J Lloyd	100,000	-	100,000	100,000	-	nominal	12 04 02	11 04 06	a)
	14,139	-	-	-	14,139	£1.22	01 02 03	31 07 03	a)
S P McGill	100,000	-	100,000	100,000	-	nominal	12 04 02	11 04 06	a)
	100,000	-	-	-	100,000	nominal	01 03 03	28 02 07	a)
G W Stuart-Clarke	50,000	-	-	-	50,000	£1.73	17 11 97	16 11 04	c)
	50,000	-	-	50,000	-	nominal	01 03 00	28 02 04	a)

* This table has been audited by PricewaterhouseCoopers LLP

Option Schemes (excluding LTIP)* - continued

a) 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 and 84 months after the date of the award. The exercise price is a nominal £1 for the total shares awarded. These options were awarded by way of deferred bonus for the years 1998 and 1999.

As performance criteria for these awards had been achieved prior to granting, the exercise of the awards, subject to the usual 3 year vesting period after grant, is unconditional.

b) Options held under the Jardine Lloyd Thompson Group Sharesave Scheme 1997. This is an all employee Inland Revenue approved scheme to which performance criteria are not attached.

c) Options held under the Jardine Lloyd Thompson Group Executive Share Option Scheme. These options may only be exercised if there has been growth in the earnings per share in excess of RPI for the three consecutive financial accounting periods preceding the date of exercise.

This performance condition has been a feature of this particular scheme since its inception and was refreshed by the shareholders following the merger in 1997. This scheme is used for employees generally, and no new awards are intended to be made to directors of the Company under this scheme going forward.

d) Options held under the JIB Group plc Executive Share Option Scheme. These options are not subject to any performance criteria.

This scheme is in run-off, being that operated by JIB Group plc prior to the merger with LT in 1997 and no new awards have been made since 1996.

No options held by directors lapsed during the year.

Long term incentive plan*

Awards to directors made under the long term incentive plan are set out in the table below:

	At 1st Jan 2002	Date of grant	Number granted during 2002	Market value on date of grant pence	Number vested during 2002	Market value on date of vesting pence	Exercised during the year	At 31st Dec 2002	Exercise price	Date from which exercisable	Expiry date
K A Carter	200,000	10 09 99	-	273.5	200,000	598.5	200,000	-	nominal	01 03 02	09 09 06
	200,000	01 03 00	-	255.5	-	-	-	200,000	nominal	01 03 03	28 02 07
A D J B Collins	200,000	10 09 99	-	273.5	200,000	598.5	150,000	50,000	nominal	01 03 02	09 09 06
	100,000	01 03 00	-	255.5	-	-	-	100,000	nominal	01 03 03	28 02 07
	100,000	23 03 01	-	453.0	-	-	-	100,000	nominal	23 03 04	22 03 08
	-	21 03 02	100,000	615.5	-	-	-	100,000	nominal	21 03 05	20 03 09
J P Hastings-Bass	200,000	10 09 99	-	273.5	200,000	598.5	150,000	50,000	nominal	01 03 02	09 09 06
	50,000	23 03 01	-	453.0	-	-	-	50,000	nominal	23 03 04	22 03 08
	-	21 03 02	50,000	615.5	-	-	-	50,000	nominal	21 03 05	20 03 09
E J Lloyd	-	21 03 02	50,000	615.5	-	-	-	50,000	nominal	21 03 05	20 03 09
S P McGill	200,000	10 09 99	-	273.5	200,000	598.5	200,000	-	nominal	01 03 02	09 09 06
	100,000	01 03 00	-	255.5	-	-	-	100,000	nominal	01 03 03	28 02 07
	150,000	23 03 01	-	453.0	-	-	-	150,000	nominal	23 03 04	22 03 08
	-	21 03 02	125,000	615.5	-	-	-	125,000	nominal	21 03 05	20 03 09
G W Stuart-Clarke	100,000	23 03 01	-	453.0	-	-	-	100,000	nominal	23 03 04	22 03 08
	-	21 03 02	35,000	615.5	-	-	-	35,000	nominal	21 03 05	20 03 09
V Y A C Wade	50,000	01 03 00	-	255.5	-	-	-	50,000	nominal	01 03 03	28 02 07
	50,000	23 03 01	-	453.0	-	-	-	50,000	nominal	23 03 04	22 03 08
	-	21 03 02	25,000	615.5	-	-	-	25,000	nominal	21 03 05	20 03 09

* This table has been audited by PricewaterhouseCoopers LLP

The performance measure by reference to which options become exercisable is the growth in earnings per share (before exceptional items and goodwill amortisation) 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 Price 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 Price 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.

Up to one half of the awards granted on 21st March, 2002 will be exercisable in 2005 according to growth in earnings per share achieved in 2002 over 2001 within the target range as set out above and pro-rated as appropriate. The remainder of the award will be exercisable, in 2005, according to the growth achieved over the three year period 2002 – 2004, compared to 2001, again pro-rata within the same target range. On the basis of the results for 2002, 50% of the performance related awards made in March 2002 will be exercisable in March 2005, the balance of 50% will be exercisable according to the growth achieved over the said three year period.

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 Remuneration Committee intends to recommend to the scheme trustees that further awards under the Restricted Share Scheme be made to selected executive directors in 2003. These awards will be exercisable in 2006 for nominal consideration subject to achievement of the aforementioned performance criteria.

The performance related awards under the schemes which were made in 2000 became fully exercisable from 1st March, 2003, the growth in earnings per share between 2000 and 2002 having exceeded the percentage increase in the Retail Price Index by more than an annual average of 10%.

The said awards made in 2000 were to Messrs. K A Carter (200,000 shares), A D J B Collins (100,000 shares), S P McGill (100,000 shares) and Mrs V Y A C Wade (50,000 shares).

There have been no variations in the terms and conditions of scheme interests during the year.

Gains made on share options and LTIP*

The table below shows the gains made by individual directors from the exercise of share options during 2002.

The gains are calculated as at the exercise date, although the shares were retained in certain cases.

	Options exercised (number of shares)	Date of exercise	Market value £	Gain £'000
K A Carter	100,000	12.08.02	5.93	593
	200,000	15.08.02	6.14	1228
A D J B Collins	100,000	12.08.02	5.93	593
	150,000	12.08.02	5.93	889
J P Hastings-Bass	100,000	12.08.02	5.93	593
	150,000	12.08.02	5.93	889
	12,144	04.12.02	6.28	47
E J Lloyd	100,000	12.08.02	5.93	593
S P McGill	100,000	13.08.02	5.98	598
	200,000	13.08.02	5.98	1196
G W Stuart-Clarke	50,000	13.12.02	6.46	323

The middle market price of ordinary shares at 31st December, 2002 was 668.5p and the range during the period 1st January, 2002 to 31st December, 2002 was 564.0p to 700.0p.

Since 1st January 2003 the trustees of the Jardine Lloyd Thompson Group plc All Employee Share Plan have acquired 42 shares on behalf of each of the following directors; A D J B Collins, J P Hastings-Bass and G W Stuart-Clarke.

On 3rd February, 2003 Mr J P Hastings-Bass and Mr E J Lloyd exercised their options over 7,352 and 14,139 shares respectively at £1.22 per share, under the Jardine Lloyd Thompson Group Sharesave Scheme.

On 24th February 2003, Mr A D J B Collins exercised his award over 50,000 shares under the Jardine Lloyd Thompson Group Restricted Share Scheme, the shares where sold on the same day for £6.325 each.

On 24th February 2003 Mr E J Lloyd entered into a stock loan agreement with Dresdner Kleinwort Wasserstein Securities Limited (DKWS) under which he has lent to DKWS 250,000 of his shares for the period of the agreement. These shares will be re-delivered to Mr Lloyd at a future date. In addition Mr Lloyd has entered into a transaction with DKWS which has the effect of hedging his exposure to movements in the market price of 250,000 of his shares. The terms of the hedging transaction entitle DKWS to opt for cash or physical settlement at the maturity of the hedging transaction. In the event that physical settlement is applicable, Mr Lloyd will deliver 250,000 to DKWS.

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

At 7th March, 2003 (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.

* This table has been audited by PricewaterhouseCoopers LLP

Pensions*

Mr S P McGill and Mr G W Stuart-Clarke received personal pension allowances during 2002. In addition, certain executive directors participated in either what was formerly 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:

	Age at 31/12/ 2002	Pension scheme	Pension p.a. accrued at 31/12/02	Pension p.a. increase due to inflation during 2002	Increase in pension p.a. increase excluding inflation during 2002	Transfer value of accrued pension as at 31/12/2002	Transfer value of accrued pension as at 31/12/2001	Contributions payable by director during 2002	Increase in transfer value less directors' contributions payable during 2002	Retirement age	Spouse's fraction
Mr K A Carter	59	LT	£276,474	£4,476	£8,696	£6,168,955	£5,807,578	Nil	£361,377	58	0.667
Mr A D J B Collins	46	LT	£105,319	£1,440	£19,189	£797,556	£897,978	£17,500	(£117,922)	60	0.667
Mr J P Hastings-Bass	48	JLT	£82,096	£1,123	£14,893	£567,266	£638,080	£6,153	(£76,967)	60	0.500
Mr E J Lloyd	47	LT	£125,728	£1,897	£12,255	£1,020,189	£1,264,516	£15,000	(£259,327)	60	0.667
Mr S P McGill	44	LT	£30,113	£464	£2,338	£222,988	£284,945	£4,837	(£66,794)	60	0.667
Mr G W Stuart-Clarke	53	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mrs V Y A C Wade	41	JLT	£51,508	£668	£11,564	£266,867	£284,479	£4,903	(£22,515)	60	0.500

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 Pension 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 6 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 6 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 6 April, 1988:	in line with the Retail Prices Index subject to a maximum of 3% per annum compound.

Retirement rights: The Directors have no guaranteed right to early retirement.
Mr K A Carter exercised his right to draw his pension from 1st January 2002 and from that date no further contributions to the scheme were made on his behalf.

Transfer value: The accrued pension entitlement is the amount that the director would receive if he/she retired at the end of the year.
The increase in the accrued entitlement is the difference between the accrued benefit at the year end and that at the previous year end.

All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer value of the accrued entitlement represents the "cash equivalent" of the director's pension benefits which would be offered by the Trustees of Jardine Lloyd Thompson Pension Scheme to another pension scheme as consideration for the other scheme taking on the liability for providing the director's pension benefits at retirement. The transfer value itself does not represent an actual sum payable to the individual director as part of pay and, therefore, cannot be added meaningfully to annual remuneration.

The increase in the transfer value less directors' contributions is the increase in the transfer value of the accrued benefits during the year after deducting the director's personal contributions to the scheme.

Pension allowances payable to directors*

	Year ended 31st December 2002 £'000	Year ended 31st December 2001 £'000
S P McGill	100,000	100,000
G W Stuart-Clarke	50,000	40,000

* This table has been audited by PricewaterhouseCoopers LLP

For and on behalf of the board

Rodney Leach
Chairman – Remuneration Committee
10th March, 2003

Independent auditors' report

to the members of Jardine Lloyd Thompson Group plc

For the year ended 31st December, 2002

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.
This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985.
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 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. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the operating and financial review and the corporate governance statement.

We review whether the corporate governance statement reflects the Group's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 and the auditable part of the directors' remuneration report. 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 and the auditable part of the directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December, 2002 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
10th March, 2003

Consolidated profit and loss account

For the year ended 31st December, 2002

	Notes	2002 £'000	Restated (see note 1) 2001 £'000
Turnover	3	388,144	349,664
Investment income	4	19,698	21,810
Operating revenue		407,842	371,474
Trading expenses (excluding exceptional items)	5	(309,069)	(289,509)
Goodwill amortisation		(3,235)	(3,158)
Exceptional items	7	(2,525)	(1,873)
Operating expenses		(314,829)	(294,540)
Operating profit		93,013	76,934
Share of operating profit in associates		5,186	4,823
Profits/(losses) on the sale or closure of operations – exceptional	8	4,094	(942)
Interest payable and similar charges	9	(2,111)	(2,530)
Profit on ordinary activities before taxation	2,3,10	100,182	78,285
Taxation on profit on ordinary activities	1,11	(30,923)	(26,226)
Profit on ordinary activities after taxation		69,259	52,059
Minority interests	27	(1,810)	(1,452)
Profit attributable to shareholders	1	67,449	50,607
Dividends	12	(36,762)	(31,710)
Retained profit for the year	28	30,687	18,897

Earnings per share	15		
Basic		34.8p	26.4p
Diluted		33.8p	25.5p
Basic, excluding exceptional items		34.1p	27.6p
Diluted, excluding exceptional items		33.0p	26.7p
Basic, excluding exceptional items and goodwill amortisation		35.7p	29.3p
Diluted, excluding exceptional items and goodwill amortisation		34.7p	28.4p

Balance sheets

As at 31st December, 2002

		Group		Company	
			Restated (see note 1)		
		2002	2001	2002	2001
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	16	50,993	52,211	-	-
Tangible assets	17	26,924	24,518	-	-
Investments in subsidiary undertakings	18	-	-	27,206	27,206
Investments in associated undertakings	18	7,208	6,528	242	242
Other investments	18	1,540	1,505	-	-
Employee benefit trusts	19	12,966	10,742	-	-
		99,631	95,504	27,448	27,448
Current assets					
Debtors	1,20	1,913,491	1,981,896	193,799	147,513
Investments and deposits	21	325,021	316,032	3,000	-
Cash	21	97,507	91,477	7	5,030
		2,336,019	2,389,405	196,806	152,543
Creditors – amounts falling due within one year	22	(2,190,791)	(2,309,150)	(161,864)	(122,993)
Net current assets		145,228	80,255	34,942	29,550
Total assets less current liabilities		244,859	175,759	62,390	56,998
Creditors – amounts falling due after more than one year	23	(5,515)	(10,680)	-	-
Provisions for liabilities and charges	1,24	(77,112)	(35,681)	-	-
Minority interests	27	(5,336)	(3,441)	-	-
	3	156,896	125,957	62,390	56,998
Capital and reserves					
Called up share capital	25	9,981	9,884	9,981	9,884
Share premium account	28	26,897	19,803	26,897	19,803
Merger reserve	28	-	-	9,604	9,604
Profit and loss account	28	120,018	96,270	15,908	17,707
Shareholders' funds (equity)	1	156,896	125,957	62,390	56,998

Approved by the Board on 10th March, 2003 and signed on its behalf by:

G W Stuart-Clarke
Finance Director

Statement of total recognised gains and losses

For the year ended 31st December, 2002

	2002 £'000	Restated (see note 1) 2001 £'000
Profit for the year		
Group companies	65,038	48,737
Share of associates	2,411	1,870
	67,449	50,607
Currency translation differences on foreign currency net investments	(2,304)	(1,150)
Total recognised gains relating to the year	65,145	49,457
Prior year adjustment (note 1 on page 52)	3,151	-
Total recognised gains since last annual report	68,296	49,457

Reconciliation of movement in shareholders' funds

For the year ended 31st December, 2002

	2002 £'000	Restated (see note 1) 2001 £'000
Profit for the year		
Group companies	65,038	48,737
Share of associates	2,411	1,870
	67,449	50,607
Dividends	(36,762)	(31,710)
Goodwill movements	365	662
Currency translation and other items	(2,304)	(1,150)
Contribution to QUEST (note 14 on page 60)	(5,000)	-
New shares issued	7,191	6,819
Shares to be issued	-	(10,373)
Net movements in shareholders' funds	30,939	14,855
Opening shareholders' funds	122,806	104,756
Prior year adjustment (note 1 on page 52)	3,151	6,346
Closing shareholders' funds	156,896	125,957

Consolidated cash flow statement

For the year ended 31st December, 2002

	Notes	2002 £'000	2001 £'000
Operating activities			
Net cash inflow from operating activities	29(a)	88,467	43,952
Dividends from joint ventures and associates			
Dividends received from associates		783	235
Returns on investment and servicing of finance			
Interest received		20,228	23,157
Interest paid – other loans and finance leases		(535)	(184)
Dividends paid to minority shareholding	27	(33)	(113)
Taxation			
UK corporation tax paid		(16,597)	(16,752)
Overseas tax paid		(6,341)	(2,200)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(13,650)	(13,130)
Sale of tangible fixed assets		1,927	1,536
Acquisitions and disposals			
Purchase of investments by employee benefit trusts		(5,936)	(6,136)
Purchase of subsidiary undertakings	30	(2,258)	(886)
Net cash acquired with subsidiaries	30	153	254
Disposal of businesses	30	6,057	25,662
Net cash disposed of with businesses	30	(47)	(194)
Issue of shares to minority shareholders in subsidiary undertakings	27	421	-
Purchase of fixed asset investments		(71)	(1,481)
Sale of fixed asset investments		23	-
Equity dividends paid			
Dividends paid		(33,368)	(29,588)
Net cash inflow before use of liquid resources and financing		39,223	24,132
Management of liquid resources			
Net cash flows into investments and deposits	29(c)	(8,989)	(69,554)
Financing			
Issue of ordinary shares	14,29(b)	2,191	6,819
Movement in debt	29(b)	(5,917)	(329)
Increase/(decrease) in cash (excluding insurance broking funds)		26,508	(38,932)
(Decrease)/increase in net insurance broking creditors		(18,419)	62,105
Net insurance broking cash at date of acquisition or disposal		-	266
Increase in cash in the year	29(c)	8,089	23,439

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, 2002. 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.

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 not more than 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 and reported in the Statement of Total Recognised Gains and Losses.

Turnover

Turnover represents retained commission and fees receivable.

Insurance broking

Income relating to insurance broking is brought into account when the debit note is issued or at the inception date of the policy, whichever is the later. Where a premium is due to the insurance markets in instalments, the income is deferred to the due date of such instalment. Income generated on a single premium covering a multiple year insurance policy is recognised over the life of the policy.

Other services

Fees receivable are recognised in the period to which they relate.

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.

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.

Accounting policies

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

The Group complies with the requirements of Financial Reporting Standard 19 (FRS 19), (Deferred Tax). As a consequence, full provision without discounting is made for all timing differences that have arisen but not reversed at the balance sheet date.

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:

Freehold land and buildings
Between 0% and 2% per annum.

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, forward rate agreements, interest rate swaps and options.

Forward rate agreements, interest rate swaps and options 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 underlying contract.

Notes to the financial statements

For the year ended 31st December, 2002

1 Restatement of comparatives

In accordance with the requirements of Financial Reporting Standards 19 (FRS 19), (Deferred Tax) the Group now fully provides for deferred tax assets and deferred tax liabilities.

The comparative figures for the year ended 31st December, 2001 have been restated to reflect the creation of these deferred tax assets and liabilities, together with the respective movement during the comparative periods. The effects of restating comparative information are summarised below:

	Taxation £'000	Profit attributable to shareholders £'000	Debtors £'000	Provisions for liabilities and charges £'000	Shareholders' funds £'000
Year ended 31st December, 2001					
As previously reported	(22,904)	53,929	1,977,614	(34,550)	122,806
Effect of adopting FRS 19	(3,322)	(3,322)	4,282	(1,131)	3,151
As restated	(26,226)	50,607	1,981,896	(35,681)	125,957
Year ended 31st December, 2002					
Without adopting FRS 19	(32,592)	65,780	1,908,304	(76,482)	152,339
Effect of adopting FRS 19	1,669	1,669	5,187	(630)	4,557
As reported	(30,923)	67,449	1,913,491	(77,112)	156,896

	Earnings per share (pence)					
	Basic	Diluted	Basic, excluding exceptional items	Diluted, excluding exceptional items	Basic, excluding exceptional items and goodwill amortisation	Diluted, excluding exceptional items and goodwill amortisation
Year ended 31st December, 2001						
As previously reported	28.1	27.2	29.4	28.4	31.0	30.0
Effect of adopting FRS 19	(1.7)	(1.7)	(1.8)	(1.7)	(1.7)	(1.6)
As restated	26.4	25.5	27.6	26.7	29.3	28.4
Year ended 31st December, 2002						
Without adopting FRS 19	33.9	32.9	33.2	32.1	34.8	33.7
Effect of adopting FRS 19	0.9	0.9	0.9	0.9	0.9	1.0
As reported	34.8	33.8	34.1	33.0	35.7	34.7

Notes to the financial statements

For the year ended 31st December, 2002

2 Alternative profit statement

The format of the profit and loss account on page 46 conforms to the requirements of the Companies Act 1985. The alternative profit statement set out below, which is provided by way of additional information, has been prepared on a basis that conforms more closely to the approach adopted by the Group in assessing its performance.

	2002 £'000	2001 £'000
Turnover	388,144	349,664
Trading expenses (excluding exceptional items)	(309,069)	(289,509)
Trading profit	79,075	60,155
Investment income	19,698	21,810
Share of operating profit in associates	5,186	4,823
Interest payable and similar charges	(2,111)	(2,530)
Profit on ordinary activities before taxation, exceptional items and goodwill amortisation	101,848	84,258
Goodwill amortisation	(3,235)	(3,158)
Profit on ordinary activities before taxation and exceptional items	98,613	81,100
Exceptional items	(2,525)	(1,873)
Profits/(losses) on the sale or closure of operations - exceptional	4,094	(942)
Profit on ordinary activities before taxation	100,182	78,285

Notes to the financial statements

For the year ended 31st December, 2002

3 Segmental information

Turnover	Continuing operations Risk & Insurance	Employee Benefits	Discontinued operations	Total
31st December, 2002	2002	2002	2002	2002
Geographical analysis by location of operation:	£'000	£'000	£'000	£'000
United Kingdom	202,392	46,621	-	249,013
Americas	36,056	27,024	-	63,080
Australasia	38,534	-	-	38,534
Asia	29,812	-	-	29,812
Europe	6,852	853	-	7,705
	313,646	74,498	-	388,144
	2001	2001	2001	2001
31st December, 2001	£'000	£'000	£'000	£'000
United Kingdom	177,547	45,900	343	223,790
Americas	29,204	28,111	3,238	60,553
Australasia	31,764	-	-	31,764
Asia	27,354	-	-	27,354
Europe	6,203	-	-	6,203
	272,072	74,011	3,581	349,664
31st December, 2002	2002	2002	2002	2002
Geographical analysis by source of business:	£'000	£'000	£'000	£'000
United Kingdom	97,735	46,621	-	144,356
Americas	97,992	27,024	-	125,016
Australasia	42,187	-	-	42,187
Asia	37,723	-	-	37,723
Europe	32,235	853	-	33,088
Rest of the world	5,774	-	-	5,774
	313,646	74,498	-	388,144
	2001	2001	2001	2001
31st December, 2001	£'000	£'000	£'000	£'000
United Kingdom	79,888	45,900	343	126,131
Americas	88,367	28,111	3,238	119,716
Australasia	34,552	-	-	34,552
Asia	34,787	-	-	34,787
Europe	29,656	-	-	29,656
Rest of the world	4,822	-	-	4,822
	272,072	74,011	3,581	349,664

Notes to the financial statements

For the year ended 31st December, 2002

3 Segmental information (continued)

Profit on ordinary activities before taxation

	Continuing operations						
	Risk & Insurance 2002 £'000	Employee Benefits 2002 £'000	Head office/other 2002 £'000	Associates 2002 £'000	Discontinued operations 2002 £'000	Exceptional items 2002 £'000	Total 2002 £'000
31st December, 2002							
United Kingdom	74,296	3,612	(12,338)	31	-	1,565	67,166
Australasia	10,610	-	-	-	-	-	10,610
Americas	5,789	3,257	(958)	-	-	(22)	8,066
Asia	6,453	-	36	305	-	750	7,544
Europe	2,558	150	975	3,837	-	(724)	6,796
	99,706	7,019	(12,285)	4,173	-	1,569	100,182

31st December, 2001	2001 £'000	2001 £'000	2001 £'000	2001 £'000	2001 £'000	2001 £'000	2001 £'000
United Kingdom	66,611	4,780	(11,274)	(84)	72	(1,760)	58,345
Australasia	6,826	-	-	-	-	-	6,826
Americas	2,783	1,284	(739)	(19)	(571)	(800)	1,938
Asia	4,648	-	9	313	-	-	4,970
Europe	1,902	-	1,230	3,329	-	(255)	6,206
	82,770	6,064	(10,774)	3,539	(499)	(2,815)	78,285

The profit before tax for associates represents the Group share of operating profits of £5,186,000 (2001: £4,823,000) less interest payable of £1,013,000 (2001: £1,284,000).

Net operating assets and liabilities	2002 £'000	Restated (see note 1) 2001 £'000
United Kingdom	65,627	57,331
Europe	40,624	29,472
Asia	19,058	16,916
Australasia	15,974	12,605
Americas	15,613	9,633
	156,896	125,957

4 Investment income

	2002 £'000	2001 £'000
Interest receivable	19,669	21,810
Dividends on fixed asset investments	29	-
	19,698	21,810

Notes to the financial statements

For the year ended 31st December, 2002

5 Trading expenses

	2002 £'000	2001 £'000
Salaries and associated expenses	216,303	202,419
Premises	20,974	19,215
Other costs	71,792	67,875
	309,069	289,509

6 Employee information

Staff costs, including directors' remuneration	2002 £'000	2001 £'000
Salaries	173,316	160,787
Social security costs	15,633	14,444
Pension costs	13,630	12,523
Other staff costs	13,724	14,665
	216,303	202,419

Analysis of employees	2002	2001
Average number of persons employed by the Group during the year		
United Kingdom	2,181	2,124
Americas	791	906
Australasia	659	615
Asia	488	495
Europe	102	94
	4,221	4,234

7 Exceptional items

	2002 £'000	2001 £'000
Provision for vacant property costs	(2,525)	-
Acquisition integration and reorganisation costs	-	(1,873)
	(2,525)	(1,873)

Additional provision has been made for the future rental costs of vacant properties. This has been treated as an exceptional item. In the previous year, costs arising from the ongoing integration of acquisitions were treated as exceptional items.

Notes to the financial statements

For the year ended 31st December, 2002

8 Profits/(losses) on the sale or closure of operations – exceptional

	2002 £'000	2001 £'000
Sale of Professional Affinity Group Services Ltd	3,590	-
Sale of Investment in TDF Credit Insurance Ltd	500	-
Sale of Jardine Insurance Services (Chile) Ltd	(291)	-
Partial disposal of JLT - SIACI s.r.l.	285	-
Closure of India operations	(259)	-
Sale of Flood Underwriters of the Southeast, Inc	133	(151)
Sale of JLT Insurance Services Company	199	(33)
Partial disposal of Toronto business	(63)	54
Sale of NIB Investments West Africa	-	26
Sale of New York Marine	-	(616)
Provision against investment in Jardine Sassoon	-	(63)
Sale of Jardine Alexander Forbes Africa	-	(56)
Sale of Fine Arts division	-	(89)
Sale of T Mankin business	-	40
Sale of Jardine MacNeill, Inc	-	(54)
	4,094	(942)

During the current and prior year the Group has sold or closed a number of operations. The resulting profits and losses from these transactions have been treated as exceptional items.

9 Interest payable

	2002 £'000	2001 £'000
Interest payable on bank loans and advances wholly repayable within five years by Group companies	450	224
Share of interest payable by associates	1,013	1,284
Notional interest in respect of provision discounting	648	1,022
	2,111	2,530

Notes to the financial statements

For the year ended 31st December, 2002

10 Profit on ordinary activities before taxation

		2002 £'000	2001 £'000
Profit on ordinary activities before taxation is stated after charging the following items:			
Goodwill amortisation		3,235	3,158
Depreciation and amortisation of owned assets		8,077	8,250
Depreciation of assets held under finance leases		388	464
Operating lease rentals :	Land and buildings	17,542	17,553
	Plant and machinery	1,119	1,484
Gain on sale of assets		(2)	(580)
Auditors' remuneration		709	714

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 £102,000 (2001: £99,000) arose in relation to the holding company. In addition, amounts paid to the auditors in respect of non audit work amounted to £126,000 (2001: £107,000). Of the non audit work £23,000 (2001: £14,000) arose in the UK.

11 Taxation

Taxation on profit on ordinary activities	2002 £'000	2001 £'000
UK corporation tax		
Current tax on income for the year	24,700	16,472
Deferred taxation	(1,491)	2,369
Foreign tax		
Current tax on income for the year	6,178	4,763
Deferred taxation	(178)	953
Tax on share of operating profit in associates		
Current tax on income for the year	1,759	1,595
Deferred taxation	(45)	74
	30,923	26,226
Taxation on profit before exceptional items	30,815	26,662
Taxation charge/(credit) on exceptional items	108	(436)
	30,923	26,226

Notes to the financial statements

For the year ended 31st December, 2002

11 Taxation (continued)

During the year ended 31st December, 2002, the Group adopted the provisions of FRS 19 (Deferred Tax) which requires full provision for deferred tax in respect of all timing differences that have originated but not reversed by the balance sheet date. The taxation charge for the year ended 31st December, 2001 has been restated to include a deferred tax charge of £3,322,000 (refer note 1 on page 52).

The taxation charge for the year is higher than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2002 £'000	2001 £'000
UK corporation tax on profit on ordinary activities	30,207	23,418
Non-deductible expenses (principally entertainment expenses and goodwill amortisation)	2,979	2,930
Book depreciation in excess of tax depreciation	442	242
(Tax losses brought forward deductible in the year)/tax losses arising in year carried forward	(22)	35
Increase in provisions not deductible in the year/(decrease in provisions not deducted in prior years)	1,344	(3,746)
(Accrued income not taxable in the year)/income accrued in prior years now taxable	3	(89)
Other adjustments to taxable profit	(290)	364
Effect of UK and non-UK tax rate differences	(939)	648
Adjustments to tax charge in respect of prior year	(1,087)	(972)
Current tax charge for the year	32,637	22,830

Provision for deferred taxation	2002 £'000	2001 £'000
Excess book depreciation over tax depreciation	1,151	556
Tax losses carried forward against future profits	628	795
Provisions deductible in future years	4,146	2,862
Accrued income taxable in future years	(1,409)	(1,403)
Other timing differences	41	341
Closing deferred tax asset	4,557	3,151
Comprised of:		
Net deferred tax assets	5,187	4,282
Net deferred tax liabilities	(630)	(1,131)
	4,557	3,151

Reconciliation of movement in deferred tax provision	£'000
At 1st January, 2002	-
Prior year adjustment	3,151
Restated at 1st January, 2002	3,151
Profit and loss account credit	1,669
Exchange adjustment	(263)
At 31st December, 2002	4,557

Notes to the financial statements

For the year ended 31st December, 2002

12 Dividends

	2002 £'000	2001 £'000
Proposed – final dividend 11.0p per share (2001: 9.4p)	21,893	18,499
Paid – interim dividend 7.5p per share (2001: 6.6p)	14,869	13,211
	36,762	31,710

13 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 £39,964,000 (2001: £37,662,000).

14 Qualifying Employee Share Ownership Trust

During the year, 839,630 ordinary shares were subscribed for by the Jardine Lloyd Thompson Group plc Qualifying Employee Share Ownership Trust (the "QUEST") at a market value of £5.0m. These shares are to be allocated to employees in satisfaction of options that may be exercised under the Jardine Lloyd Thompson Sharesave Schemes. The Company has provided £5m to the QUEST for this purpose. The cost of this contribution has been transferred by the Company directly to the profit and loss account reserve.

15 Earnings per share

i Basic earnings per share are calculated by dividing the profit after taxation and minority interests by the weighted average number of shares in issue.

ii 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.

iii Basic earnings per share, excluding exceptional items, are calculated by dividing the adjusted profit excluding exceptional items by the weighted average number of shares in issue.

iv Diluted earnings per share, excluding exceptional items, are calculated by dividing the adjusted profit excluding exceptional items by the adjusted weighted average number of shares in issue.

v Basic earnings per share, excluding exceptional items and goodwill amortisation, are calculated by dividing the adjusted profit excluding exceptional items and goodwill amortisation by the weighted average number of shares in issue.

vi Diluted earnings per share, excluding exceptional items and goodwill amortisation, are calculated by dividing the adjusted profit excluding exceptional items and goodwill amortisation 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 Marot's (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 and shares held by the Group's Qualifying Employee Share Ownership Trust.

As explained in note 1 on page 52, the comparative financial information has been restated in respect of FRS 19.

	2002 Number of shares	2001 Number of shares
Weighted average number of shares in issue	193,792,217	191,804,771
Effect of outstanding share options	5,848,152	6,640,559
Adjusted weighted average number of shares	199,640,369	198,445,330

Notes to the financial statements

For the year ended 31st December, 2002

15 Earnings per share (continued)

	2002			2001 restated		
	£'000	Basic pence per share	Diluted pence per share	£'000	Basic pence per share	Diluted pence per share
Earnings reconciliation						
Profit after taxation and minority interests	67,449	34.8	33.8	50,607	26.4	25.5
Exceptional items	2,525	-	-	1,873	-	-
(Profits)/losses on the sale or closure of operations – exceptional	(4,094)	-	-	942	-	-
Taxation charge/(credit) on exceptional items	108	-	-	(436)	-	-
	(1,461)	(0.7)	(0.8)	2,379	1.2	1.2
Adjusted profit excluding exceptional items	65,988	34.1	33.0	52,986	27.6	26.7
Goodwill amortisation	3,235	1.6	1.7	3,158	1.7	1.7
Adjusted profit excluding exceptional items and goodwill amortisation	69,223	35.7	34.7	56,144	29.3	28.4

Notes to the financial statements

For the year ended 31st December, 2002

16 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 not more than 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 explained in note 28 on page 71.

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 is recognised and treated as an exceptional item to the extent it relates to a continuing business. To the extent this relates to a business that is to be discontinued, it is included within profit/(losses) on the sale or closure of operations – exceptional.

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.

Group	2002 £'000
Cost	
At 1st January, 2002	57,643
Exchange adjustment	(424)
Acquisitions	2,561
Disposals	(306)
At 31st December, 2002	59,474
Amortisation	
At 1st January, 2002	5,432
Exchange adjustment	(140)
Charge for the year	3,235
Disposals	(46)
At 31st December, 2002	8,481
Net book value	
At 31st December, 2002	50,993
At 31st December, 2001	52,211

Notes to the financial statements

For the year ended 31st December, 2002

17 Tangible fixed assets

Group	Land & buildings £'000	Leasehold improvements £'000	Furniture, equipment and motor vehicles £'000	Computer equipment £'000	Total £'000
Cost					
At 1st January, 2002	1,083	16,975	18,423	49,755	86,236
Exchange adjustment	(21)	(259)	(452)	(1,178)	(1,910)
Additions	2,473	3,507	3,019	4,651	13,650
Companies acquired	-	-	(5)	(5)	(10)
Sold businesses	-	(29)	(76)	(21)	(126)
Disposals	(1,083)	(1,787)	(3,551)	(2,616)	(9,037)
At 31st December, 2002	2,452	18,407	17,358	50,586	88,803
Depreciation					
At 1st January, 2002	40	7,103	12,618	41,957	61,718
Exchange adjustment	-	(89)	(294)	(756)	(1,139)
Charge for the year	17	1,669	2,208	4,571	8,465
Companies acquired	-	-	(1)	(1)	(2)
Sold businesses	-	(22)	(19)	(10)	(51)
Disposals	(40)	(1,442)	(3,033)	(2,597)	(7,112)
At 31st December, 2002	17	7,219	11,479	43,164	61,879
Net book value					
At 31st December, 2002	2,435	11,188	5,879	7,422	26,924
At 31st December, 2001	1,043	9,872	5,805	7,798	24,518

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

	2002 £'000	2001 £'000
Furniture, equipment and motor vehicles	930	1,263

Notes to the financial statements

For the year ended 31st December, 2002

18 Investments

Group	Associated undertakings Shares £'000	Share of retained profit £'000	Total £'000	Other investments £'000
Cost				
At 1st January, 2002	1,367	5,833	7,200	1,530
Exchange adjustment	61	84	145	-
Additions	-	-	-	71
Conversion to fully consolidated subsidiary	(100)	(1,050)	(1,150)	-
Share of retained profit for the year	-	2,411	2,411	-
Dividends	-	(783)	(783)	-
Disposals	-	-	-	(7)
At 31st December, 2002	1,328	6,495	7,823	1,594
Provisions				
At 1st January, 2002	672	-	672	25
Exchange adjustment	(57)	-	(57)	-
Provided in year	-	-	-	29
At 31st December, 2002	615	-	615	54
Net book value				
At 31st December, 2002	713	6,495	7,208	1,540
At 31st December, 2001	695	5,833	6,528	1,505

Included within 'Other investments' are investments listed principally on the London Stock Exchange with an aggregate net book value of £13,000 (2001: £20,000) and a market value of £9,000 (2001: £40,000). Details of principal subsidiary and associated undertakings are shown in note 35 on page 85.

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, 2002

19 Employee benefit trusts

The Group operates a scheme under an employee benefit trust: the Jardine Lloyd Thompson Restricted Share Scheme ('JLT Scheme').

The scheme operates 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 trust 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
At 1st January, 2002	9,851	891	10,742	-
Additions	5,238	698	5,936	-
Charge for the year	(3,517)	(195)	(3,712)	-
At 31st December, 2002	11,572	1,394	12,966	-

20 Debtors

	Group		Company	
		Restated (see note 1)		
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Amounts falling due within one year				
Insurance debtors	1,806,491	1,923,534	-	-
Other debtors and prepayments	101,813	54,080	326	3
Amounts due from Group undertakings	-	-	193,473	147,510
	1,908,304	1,977,614	193,799	147,513
Amounts falling due after more than one year				
Deferred tax	5,187	4,282	-	-
	1,913,491	1,981,896	193,799	147,513

Notes to the financial statements

For the year ended 31st December, 2002

21 Investments, deposits and cash

Investments, deposits and cash includes £439,000 (2001: £396,000) in respect of cash and deposits held with the Jardine Matheson Group treasury department.

The Group includes as liquid resources, money market funds, term deposits of less than one year, certificates of deposit, commercial paper and other short term negotiable instruments.

22 Creditors – amounts falling due within one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank and other loans and overdrafts	-	52	-	-
Other borrowings	5,000	-	-	-
Unsecured loan notes	303	5,864	-	-
Insurance creditors	2,066,490	2,201,909	-	-
Amounts owed to Group undertakings	-	-	139,751	104,411
Obligations under finance leases	390	523	-	-
Proposed dividends	21,893	18,499	21,893	18,499
Corporation tax	19,512	11,899	19	-
Social security and other taxes	4,930	4,220	-	-
Other creditors	72,273	66,184	201	83
	2,190,791	2,309,150	161,864	122,993

Other borrowings represents preference shares issued by JIB UK Holdings Limited and unsecured loan notes in 2001 include £5,800,000, both relating to the acquisition of the minority interest in Jardine Lloyd Thompson UK Holdings Limited in 2001.

Notes to the financial statements

For the year ended 31st December, 2002

23 Creditors – amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Obligations under finance leases	515	680	-	-
Other borrowings	5,000	10,000	-	-
	5,515	10,680	-	-

Bank and other loans and overdrafts

Bank and other loans and overdrafts are repayable as follows:				
Within one year	-	52	-	-
	-	52	-	-

Finance leases

Net obligations under finance leases are repayable as follows:				
Within one year	390	523	-	-
Between one and two years	308	382	-	-
Between two and five years	207	298	-	-
	905	1,203	-	-

Other borrowings represent preference shares issued by JIB UK Holdings Limited in connection with the acquisition of the minority interest in Jardine Lloyd Thompson UK Holdings Limited in 2001.

Notes to the financial statements

For the year ended 31st December, 2002

24 Provisions for liabilities and charges

	Property related provisions £'000	Pension holiday provisions £'000	Pension mis-selling provisions £'000	Litigation provisions £'000	Deferred consideration £'000	Acquisition integration provisions £'000	Deferred taxation £'000	Total £'000
At 1st January, 2002	13,346	8,490	2,748	9,164	35	767	-	34,550
Prior year adjustment	-	-	-	-	-	-	1,131	1,131
	13,346	8,490	2,748	9,164	35	767	1,131	35,681
Exchange adjustment	(60)	(242)	-	(57)	(9)	-	31	(337)
Reclassification from current assets/liabilities	(36)	-	-	111	-	-	18	93
Adjustment to gross basis	-	-	-	45,000	-	-	-	45,000
Utilised in the year	(2,713)	-	(2,652)	(4,132)	-	(335)	-	(9,832)
Transfer from/(to) profit and loss account	2,510	(1,167)	1,150	3,268	107	57	(550)	5,375
Notional interest charge	610	-	-	-	7	31	-	648
Acquisitions	-	-	-	-	484	-	-	484
At 31st December, 2002	13,657	7,081	1,246	53,354	624	520	630	77,112

In accordance with the requirements of Financial Reporting Standard 12 (FRS 12) the Group has discounted certain provisions to their present value. The notional interest charge, represents the unwinding of the provision discounting, and has been included as part of 'interest payable and similar charges' within the profit and loss account. FRS 12 also requires the Group to record provisions gross of any related third party recovery, any such recovery being included within Debtors. At 31st December, 2002, in connection with certain litigation matters, the Group's litigation provisions include an amount of £45 million to reflect this gross basis and the corresponding insurance recovery has been included within Debtors. This presentation has had no effect on the profit and loss account for the year ended 31st December, 2002.

25 Share capital

	Number of shares	Nominal value £'000
Authorised		
Ordinary shares of 5p each	250,000,000	12,500
Issued		
At 1st January, 2002	197,677,733	9,884
Issued during the year	1,942,070	97
At 31st December, 2002	199,619,803	9,981

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

1 Between 1st January and 31st December, 2002 the Company issued 181,921 ordinary shares for a consideration of £279,937.12 to UK employees and 44,682 ordinary shares for a consideration of £62,072.76 (in local currency) to overseas employees following exercises by employees and former employees of options held under the Jardine Lloyd Thompson Group Sharesave Option Scheme.

2 Between 1st January and 31st December, 2002 the Company issued 106,240 ordinary shares for a consideration of £174,746.09 following exercises by executives and former executives of options held under the JIB Group plc Overseas Executive Share Option Scheme 1991 (excluding USA).

3 Between 1st January and 31st December, 2002 the Company issued 156,672 ordinary shares for a consideration of £287,471.05 following exercises by executives of options held under the JIB Group plc Executive Share Option Scheme 1991.

4 Between 1st January and 31st December, 2002 the Company issued 612,925 ordinary shares for a consideration of £1,388,249.61 following exercises by executives of options held under the Jardine Lloyd Thompson Group plc Executive Share Option Scheme.

5 On 12th April, 2002 the Company issued 839,630 ordinary shares to JLT QUEST Trustee Limited for a consideration of £5,000,000.

Notes to the financial statements

For the year ended 31st December, 2002

26 Employee share option schemes

At 31st December, 2002	Number of shares '000	Subscription prices	Exercisable
JIB Group plc Executive Share Option Scheme 1991 (UK)	136	140p - 238p	2003 - 2006
JIB Group plc Overseas Executive Share Option Scheme 1991	100	145p - 238p	2003 - 2006
Jardine Lloyd Thompson Group plc Executive Share Option Scheme	3,938	134p - 614p	2003 - 2012
Total Executive Schemes	4,174		
Sharesave Schemes (1997 and 2000)	3,108	122p - 210p	2002 - 2005
Total Jardine Lloyd Thompson Group plc Share Option Schemes	7,282		

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 were held by trustees under employee benefit trusts (see note 19):

Jardine Lloyd Thompson Restricted Share Scheme (allocated – 3,989,808 / unallocated – 653,213)	4,643,021 ordinary shares

27 Minority interests and related party transactions

	£'000
At 1st January, 2002	3,441
Exchange adjustment	(62)
Minority interests acquired	(192)
Charge for the year	1,810
Dividends	(33)
Additional investment by minority shareholders	421
Other movements	(49)
At 31st December, 2002	5,336

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.

Notes to the financial statements

For the year ended 31st December, 2002

27 Minority interests and related party transactions (continued)

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.

iii On 19th April, 2000 the Group entered into an agreement to purchase the entire shareholding in Burke Ford Holdings Limited. As part of the consideration for this purchase of shares, certain shareholders of Burke Ford Holdings Limited were issued with shares equal to 19% of the equity interests of Jardine Lloyd Thompson UK Holdings Limited (a Group subsidiary company). These same shareholders became senior managers within the Group's UK retail insurance and employee benefit operations. This minority shareholding in Jardine Lloyd Thompson UK Holdings Limited was subject to put and call option arrangements under which the Group could acquire these shares in the period between March 2006 and March 2008. The relevant shareholders are Mr Dominic James Burke, Mr Simon Curtis, Mr David Lyndon Jones, Mr Robert David Peterson and Mr Frank William Taylor.

On 14th December, 2001 the Group entered into an agreement to purchase the entire minority shareholding in Jardine Lloyd Thompson UK Holdings Limited for a consideration totalling £15.8 million. This consideration comprised the issue by JIB UK Holdings Limited (a wholly owned Group subsidiary company) of 50,000 A redeemable preference shares ("A Prefs"), 50,000 B redeemable preference shares ("B Prefs") and £5.8 million of unsecured redeemable loan notes ("Loan Notes").

The A Prefs may be redeemed at the option of the shareholders in the period between 14th May, 2003 and 14th December, 2006 for a total consideration of £5 million. The B Prefs may be redeemed at the option of the shareholders in the period between 14th December, 2004 and 14th December, 2006 for a total consideration of £5 million. Both the A Prefs and B Prefs are subject to (a) compulsory redemption by JIB UK Holdings Limited on 14th December, 2006 and (b) redemption at a nominal value of 1p per share should the relevant shareholder cease to be employed by the Group in certain circumstances before 14th May, 2003 (in the case of the A Prefs) or 14th December, 2004 (in the case of the B Prefs). Both the A Prefs and B Prefs carry warrants entitling the holders to subscribe for Ordinary shares in Jardine Lloyd Thompson Group plc on the basis of one Ordinary share for each £6.20 nominal of A Pref or B Pref during the period between 14th May, 2003 and 14th December, 2006 (in the case of the A Prefs) and during the period between 14th December, 2004 and 14th December, 2006 (in the case of the B Prefs). The A Prefs pay a dividend at the rate of 2% per annum for the period to 14th May, 2003 and at the rate of 3% per annum thereafter. The B Prefs pay a dividend at the rate of 2% per annum for the period to 14th December, 2004 and at the rate of 3% per annum thereafter.

The Loan Notes may be redeemed at par value at the option of the holder during the period 1st July, 2002 and 30th June, 2004 and are subject to compulsory redemption at par value by the Company on 1st July, 2004. The Loan Notes pay a coupon at the rate of 4% per annum. £5.5 million Loan Notes were redeemed on 1st July 2002.

Notes to the financial statements

For the year ended 31st December, 2002

28 Reserves

Group	Share premium £'000	Merger reserve £'000	Profit & loss account £'000	Total £'000
At 1st January, 2002	19,803	-	93,119	112,922
Prior year adjustment (note 1)	-	-	3,151	3,151
At 1st January, 2002 as restated	19,803	-	96,270	116,073
Exchange adjustment	-	-	(2,304)	(2,304)
Retained profit for the year	-	-	30,687	30,687
Shares issued	7,094	-	-	7,094
Contribution to QUEST (note 14 on page 60)	-	-	(5,000)	(5,000)
Goodwill movements - disposals	-	-	365	365
At 31st December, 2002	26,897	-	120,018	146,915

The aggregate amount of goodwill written-off at 31st December, 2002 was £131,786,000 (2001: £134,942,000).

Company	Share premium £'000	Merger reserve £'000	Profit & loss account £'000	Total £'000
At 1st January, 2002	19,803	9,604	17,707	47,114
Retained profit for the year	-	-	3,201	3,201
Shares issued	7,094	-	-	7,094
Contribution to QUEST (note 14 on page 60)	-	-	(5,000)	(5,000)
At 31st December, 2002	26,897	9,604	15,908	52,409

Notes to the financial statements

For the year ended 31st December, 2002

29 Notes to the consolidated cash flow statement

	2002 £'000	2001 £'000
a) Net cash inflow from operating activities		
Reconciliation of profit on ordinary activities before taxation to net cash inflow/outflow from operating activities		
Profit on ordinary activities before taxation	100,182	78,285
Investment income receivable	(19,698)	(21,810)
Interest payable on finance leases	450	224
Unwinding of provision discounting	648	1,022
Depreciation	8,465	8,714
ESOP amortisation	3,712	3,227
Goodwill amortisation	3,235	3,158
Loss on sale of fixed asset investments	13	-
Profit on sale of tangible fixed assets	(2)	(580)
Share of results of associated undertakings	(4,173)	(3,539)
Exceptional items	2,525	1,873
(Profits)/losses on the sale or closure of operations – exceptional	(4,094)	942
Increase in debtors excluding insurance broking balances	(48,366)	(23,374)
Increase in creditors excluding insurance broking balances	7,002	5,046
Increase/(decrease) in provisions for liabilities and charges	38,568	(9,236)
Net cash flow from operating activities (excluding insurance broking funds)	88,467	43,952

	Share capital including premium £'000	Loans and finance lease obligations £'000
b) Analysis of changes in financing during the year		
Balance at 1st January, 2002	29,687	17,119
Cash flows from financing	7,191	(5,917)
Exchange adjustment	-	6
Balance at 31st December, 2002	36,878	11,208

Notes to the financial statements

For the year ended 31st December, 2002

29 Notes to the consolidated cash flow statement (continued)

	At 1st Jan 2002 £'000	Cash flow £'000	Reclassification £'000	Acquisitions/ disposals £'000	Exchange adjustment £'000	At 31st Dec 2002 £'000
c) Analysis of net funds						
Cash	91,477	7,983	-	106	(2,059)	97,507
Investments and deposits	316,032	8,989	-	-	-	325,021
Loan notes	(5,864)	5,561	-	-	-	(303)
Finance leases	(1,203)	304	-	-	(6)	(905)
Debts due within one year	(52)	52	-	-	-	-
Other borrowings due within one year	-	-	(5,000)	-	-	(5,000)
Other borrowings due after one year	(10,000)	-	5,000	-	-	(5,000)
	390,390	22,889	-	106	(2,065)	411,320

Notes to the financial statements

For the year ended 31st December, 2002

30 Acquisitions and disposals

During the year a number of additional investments in existing businesses were completed:

	Cost £'000
Additional investments in existing businesses	2,742
	2,742

Assets and liabilities of businesses acquired – summary	2002 £'000	2001 £'000
Tangible fixed assets	(8)	321
Investment in associated undertakings	-	(282)
Insurance broking debtors	-	838
Debtors	(3)	305
Cash at bank	153	254
Cash at bank – insurance broking funds	-	266
Insurance broking creditors	-	(973)
Creditors	(31)	(268)
Taxation	(122)	(15)
Finance leases	-	(22)
Minority interests	192	(127)
	181	297
Goodwill	2,561	658
Cost of acquisition	2,742	955

Cost of acquisition comprised		
Cash	2,258	886
Deferred consideration	484	69
	2,742	955

All assets and liabilities 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, 2002

30 Acquisitions and disposals (continued)

Disposals

During the year the following disposals were completed, none of which were individually significant:

	Proceeds £'000
Professional Affinity Group Services Limited	4,740
TDF Credit Insurance Limited	500
Other	817
	6,057

Assets and liabilities of businesses sold	2002 £'000	2001 £'000
Intangible assets	260	-
Tangible assets	75	157
Investment in associates	1,150	4
Other investments	-	20
Insurance broking debtors	43	1,120
Debtors	100	841
Cash at bank	47	194
Creditors	(74)	(1,556)
Taxation	(3)	-
Provisions for liabilities and charges	-	512
	1,598	1,292
Gain/(loss) on disposal	4,094	(879)
	5,692	413
Goodwill previously written-off	365	765
Proceeds	6,057	1,178
Proceeds from SIACI restructure completed in 2000	-	24,569
Total proceeds	6,057	25,747

Proceeds		
Cash	6,057	25,662
Deferred consideration	-	85
	6,057	25,747

Notes to the financial statements

For the year ended 31st December, 2002

31 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.

Total pension cost	2002 £'000	2001 £'000
UK	9,327	8,552
Overseas	4,303	3,971
	13,630	12,523

Until the 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 1 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 Jardine Lloyd Thompson Pension Scheme is based in the UK and provides benefits based primarily 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 credit method.

The last formal valuation of the Jardine Lloyd Thompson Pension Scheme was undertaken at 1st January, 2001 by a qualified actuary employed by a Group Company. At that date, the market valuation of the scheme's assets, excluding insured annuities, was £210,644,000 and the actuarial value of these assets represented 99% 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 2.5% per annum and that pensions would increase in accordance with the scheme rules.

A valuation of the scheme on the statutory MFR basis was carried out as at 1st July, 2002 and indicated that the scheme's assets represented 91% of its accrued liabilities on that basis. As a result the Company will be increasing its contributions with the objective of eliminating the disclosed deficiency over a 10 year period.

A provision of £4,650,000 has been made at the balance sheet date and represents the excess of the accumulated pension costs over the amount funded. The cost of contributions to the defined benefit scheme for the year was £7,608,000, net of the amortisation of the pension provision amounting to £1,476,000. The contribution rate has been determined using the projected unit credit method.

The principal overseas schemes are:

a) The JLT (USA) Incentive Savings Plan which is a defined contribution scheme. Employees may contribute up to 50% of their salary up to a maximum allowed by law – $11,000 in 2002 – and the Group contributes at a rate of 75% of each 1% contributed by the employee up to a maximum employee contribution of 4%.

b) The JLT (USA) Employee Retirement Plan which is a defined benefit scheme. Pension cost is assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method. The latest actuarial valuation was undertaken at 31st December, 2001, at which date the main assumption used to set the contribution rate 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 was US$35,591,937 and the actuarial value of these assets represented 109% of the accrued liabilities at that date.

   A provision of £2,431,000 has been made at the balance sheet date and represents the excess of the accumulated pension costs over the amount funded. The cost of the defined benefit scheme for the year was £309,000.

Since the dates of the last formal valuations, stock markets have fallen very significantly and the assets of the schemes have not been immune to this general trend. The liabilities of the schemes are valued using discount rates which reflect market levels at the date of the valuations. The fall in the scheme's assets does not, in itself, change the estimate of the cost of providing the pension benefits promised which was based on the last formal valuations.

Notes to the financial statements

For the year ended 31st December, 2002

31 Pension commitments (continued)

FRS 17 disclosures

Financial Reporting Standard 17 (Retirement Benefits) (FRS 17) was issued in November, 2000 as a replacement for SSAP 24 “Accounting for Pension Costs”. FRS 17 was originally intended to be fully effective for accounting periods ending on or after 22nd June, 2003. However, this has subsequently been reviewed by the Accounting Standards Board and will not now be fully effective until accounting periods beginning on or after 1st January, 2005.

Accounting periods ending on or after the 22nd June, 2001 fall into the transition period for which certain additional disclosures are required. The transitional arrangements for the year ended 31st December, 2002 require disclosure of assets and liabilities at that date calculated in accordance with the requirements of FRS 17 together with disclosure of the items which would appear in the profit and loss account and in the statement of total recognised gains and losses, were the full requirements of FRS 17 in place.

The Jardine Lloyd Thompson Pension Scheme consists of both defined benefit and defined contribution sections, this note deals with only the defined benefit section.

The actuarial valuations of the Jardine Lloyd Thompson Pension Scheme and the JLT (USA) Employee Retirement Plan were updated to 31st December, 2002 and the principal actuarial assumptions used at that date are shown below. Plans in other territories are not material.

	UK		USA	
	2002	2001	2002	2001
Rate of increase in salaries	3.75%	4.25%	4.5%	4.5%
Rate of increase in pensions in payment (retail prices limited to 5% per annum*)	2.25%	2.75%	n/a	n/a
Discount rate	5.75%	6.00%	6.75%	7.00%
Inflation rate	2.25%	2.75%	3.00%	2.25%
Revaluation rate for deferred pensioners	2.25%	2.75%	n/a	n/a

*Provision has been made for alternative pension increase guarantees where appropriate.

On full compliance with FRS 17, on the basis of the above assumptions, the amounts that would have been charged to the consolidated profit and loss account and consolidated statement of total recognised gains and losses for the year ended 31st December, 2002 are set out below:

	UK	USA	Total
	£’000	£’000	£’000
Operating profit			
Current service cost	(12,517)	(964)	(13,481)
Past service cost	-	-	-
Total charge to operating profit	(12,517)	(964)	(13,481)
Finance income			
Expected return on post employment scheme assets	13,066	2,081	15,147
Interest on post employment plan liabilities	(15,678)	(1,662)	(17,340)
Net (charge)/credit to finance income	(2,612)	419	(2,193)
Loss before taxation	(15,129)	(545)	(15,674)

Notes to the financial statements

For the year ended 31st December, 2002

31 Pension commitments (continued)

Consolidated statement of total recognised gains and losses	UK £'000	USA £'000	Total £'000
Actual return less expected return on post employment plan assets	(44,812)	(3,090)	(47,902)
Experience gains and losses arising on the plan liabilities	(5,814)	(297)	(6,111)
Changes in assumptions underlying the present value of the plan liabilities	8,252	(816)	7,436
Actuarial loss recognisable in consolidated statement of total recognised gains and losses	(42,374)	(4,203)	(46,577)

Additional disclosures	UK	USA
Difference between the expected and actual return on plan assets expressed as a percentage of the plan assets	28.75%	15.40%
Experience losses on plan liabilities expressed as a percentage of the present value of the plan liabilities	2.10%	1.20%
Total actuarial loss recognised in the consolidated statement of total recognised gains and losses, expressed as a percentage of the present value of plan liabilities	15.30%	17.10%

The expected long term rate or returns and market value of the assets of the schemes were as follows:

	UK Scheme		US Scheme	
31st December, 2002	Long term rate of return	Value £'000	Long term rate or return	Value £'000
Equities	8.00%	118,479	9.80%	12,720
Bonds	5.75%	31,179	6.00%	7,243
Cash and other assets	5.75%	6,236	3.50%	79
Total market value		155,894		20,042
Present value of scheme liabilities		(277,058)		(24,635)
Deficit		(121,164)		(4,593)
Related deferred tax asset		36,349		1,837
Net pension liability		(84,815)		(2,756)

	UK Scheme		US Scheme	
31st December, 2001	Long term rate of return	Value £'000	Long term rate or return	Value £'000
Equities	7.25%	149,957	8.25%	16,111
Bonds	6.00%	29,541	6.00%	7,380
Cash and other assets	6.00%	5,324	5.50%	964
Total market value		184,822		24,455
Present value of scheme liabilities		(257,272)		(24,322)
(Deficit)/surplus		(72,450)		133
Related deferred tax asset/(liability)		21,735		(53)
Net pension (liability)/asset		(50,715)		80

Notes to the financial statements

For the year ended 31st December, 2002

31 Pension commitments (continued)

If FRS 17 had been adopted in the financial statements, the Group's net assets and profit and loss reserve at 31st December, 2002 would be as follows:

	2002 £'000	Restated (see note 1) 2001 £'000
Net assets as per consolidated balance sheet (including SSAP 24 provisions)	156,896	125,957
Existing pension provisions under SSAP 24	7,081	8,490
Pension liability under FRS 17	(87,571)	(50,635)
Revised net assets	76,406	83,812
Profit and loss reserve per consolidated balance sheet (including SSAP 24 provisions)	120,018	96,270
Existing pension provisions under SSAP 24	7,081	8,490
Pension liability under FRS 17	(87,571)	(50,635)
Revised profit and loss reserve	39,528	54,125

Movement in deficit during the year	UK £'000	USA £'000	Total £'000
At 1st January, 2002	(72,450)	133	(72,317)
Exchange adjustment	-	22	22
Current service cost	(12,517)	(964)	(13,481)
Cash contributions	8,789	-	8,789
Net (charge)/credit to finance income	(2,612)	419	(2,193)
Actuarial loss	(42,374)	(4,203)	(46,577)
At 31st December, 2002	(121,164)	(4,593)	(125,757)

Notes to the financial statements

For the year ended 31st December, 2002

32 Other commitments

	2002 £'000	2001 £'000
a) Capital commitments		
Authorised not contracted	464	2,215
Contracted not provided	100	1,499
	564	3,714

b) Operating lease commitments

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

	2002 £'000	2001 £'000
Land and buildings		
Expiring within one year	760	1,932
Expiring within two to five years	3,541	3,417
Expiring over five years	12,914	12,349
	17,215	17,698
Other		
Expiring within one year	151	320
Expiring within two to five years	928	791
Expiring over five years	11	-
	1,090	1,111

c) 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, 2002 the Group had contracts amounting to a principal value of £196,269,000 (2001: £156,350,000).

d) Other financial commitments

In the normal course of business the Group enters into forward rate agreements, interest rate swaps and options to hedge its exposure to interest rate movements on cash balances held. At 31st December, 2002 the Group had outstanding contracts amounting to £272,075,000 (2001: £232,608,000).

e) 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, 2002, the Company has given no guarantees in respect of subsidiary companies' indebtedness (2001: £Nil).

Notes to the financial statements

For the year ended 31st December, 2002

33 Derivatives 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, money market funds, negotiable money market investments, short stated bonds, borrowings, finance leases, loan notes 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 23 and 24 of the Financial Review and pages 36 and 37 of the Directors' 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, forward rate agreements, interest rate swaps and interest rate options matched by underlying investments and revenue flows 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 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	Floating rate £'000	Fixed rate £'000	Total gross borrowings £'000	Other financial liabilities £'000	Weighted average fixed rate	Weighted average time fixed years
Sterling	111	10,259	10,370	13,295	2.1%	1.1
Australian dollars	838	-	838	-	-	-
US dollars	-	-	-	362	-	-
Other	-	-	-	-	-	-
Total as at 31st December, 2002	949	10,259	11,208	13,657	-	-
Sterling	6,095	10,000	16,095	12,275	2.0%	2.2
Australian dollars	966	-	966	-	-	-
US dollars	-	-	-	1,071	-	-
Other	58	-	58	-	-	-
Total as at 31st December, 2001	7,119	10,000	17,119	13,346	-	-

Other financial liabilities represent property provisions under which no interest is paid.

Notes to the financial statements

For the year ended 31st December, 2002

33 Derivatives and other financial instruments (continued)

The maturity profile of the carrying amounts of the Groups' financial liabilities as at 31st December, 2002 is as follows:

	Borrowings/ overdrafts £'000	Finance leases £'000	Loan notes £'000	Other financial liabilities £'000	Total £'000
Within 1 year	5,000	390	303	2,060	7,753
Between 1 and 2 years	5,000	308	-	1,849	7,157
Between 2 and 5 years	-	207	-	6,217	6,424
After 5 years	-	-	-	3,531	3,531
Total as at 31st December, 2002	10,000	905	303	13,657	24,865
Within 1 year	52	523	5,864	2,896	9,335
Between 1 and 2 years	5,000	382	-	1,683	7,065
Between 2 and 5 years	5,000	298	-	5,436	10,734
After 5 years	-	-	-	3,331	3,331
Total as at 31st December, 2001	10,052	1,203	5,864	13,346	30,465

As at 31st December, 2002 the Group has undrawn committed borrowing facilities of £20m.

Cash and investments consist of short-term deposits, negotiable money market investments, short dated bonds and money market funds. The following table includes the interest rate hedges that were entered into by the Group.

Currency	Floating rate £'000	Fixed rate £'000	Total cash and investments £'000	Weighted average fixed rate	Weighted average time fixed years
Sterling	58,010	90,000	148,010	5.2%	0.7
US dollars	63,437	137,140	200,577	4.4%	0.8
Australian dollars	20,638	3,674	24,312	5.9%	1.6
Other	49,629	-	49,629	-	-
Total as at 31st December, 2002	191,714	230,814	422,528	-	-
Sterling	29,232	95,000	124,232	5.3%	1.6
US dollars	105,678	137,608	243,286	4.7%	1.7
Australian dollars	17,823	-	17,823	-	-
Other	22,168	-	22,168	-	-
Total as at 31st December, 2001	174,901	232,608	407,509	-	-

Cash and investments bear interest approximating to the currency LIBID.

Notes to the financial statements

For the year ended 31st December, 2002

33 Derivatives and other financial instruments (continued)

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, 2002:

	2002 Book value £'000	2002 Fair value £'000	2001 Book value £'000	2001 Fair value £'000
Finance leases	(905)	(905)	(1,203)	(1,203)
Loan notes	(303)	(303)	(5,864)	(5,864)
Other borrowings/overdrafts	(10,000)	(10,000)	(10,052)	(10,052)
Other financial liabilities – property provisions	(13,657)	(13,657)	(13,346)	(13,346)
Cash and investments	422,528	422,598	407,509	407,509
Interest rate derivatives used to manage interest rate risk	-	5,411	-	4,198
Foreign exchange options used to manage foreign exchange risk	-	498	-	(321)
Foreign exchange forward rate contracts	-	16,011	-	(2,044)

The fair value of property provisions and interest rate swaps have been calculated on the basis of present values of future cash flows using an appropriate discount reflecting market rates.

The fair value of cash, short-term deposits, negotiable money market investments, money market funds, bank borrowings and overdrafts are based on the carrying value of the instruments. Short dated bonds are valued at market bid price.

The fair value of forward rate agreements, interest rate options, foreign exchange options and foreign exchange forward contracts are based on the mid market prices as at the balance sheet date.

Currency exposures

As explained on page 23 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 52% (2001: 53%) 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	-	18,388	818	709	1,781	21,696
Hong Kong dollars	43	6,426	-	-	-	6,469
Singapore dollars	24	2,764	-	-	(1,450)	1,338
Canadian dollars	1	781	-	10	-	792
Other	(44)	768	-	2	-	726
Total as at 31st December, 2002	24	29,127	818	721	331	31,021
Sterling	-	13,219	764	280	1,591	15,854
Hong Kong dollars	87	7,171	-	41	-	7,299
Singapore dollars	(6)	5,967	-	-	(2,664)	3,297
Other	(56)	278	-	2	40	264
Total as at 31st December, 2001	25	26,635	764	323	(1,033)	26,714

Notes to the financial statements

For the year ended 31st December, 2002

33 Derivatives and other financial instruments (continued)

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, interest rate swaps and options 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:

	Unrecognised			Deferred		
	Gains £'000	Losses £'000	Total £'000	Gains £'000	Losses £'000	Total £'000
Unrecognised gains/(losses) on hedges as at 1st January, 2002	4,562	(2,731)	1,831	-	-	-
Gains/(losses) in previous years recognised in 2002	3,286	(1,796)	1,490	-	-	-
Gains/(losses) in previous years not recognised in 2002	1,276	(935)	341	-	-	-
Gains in 2002 not recognised in 2002	20,602	935	21,537	42	-	42
Unrecognised gains on hedges as at 31st December, 2002	21,878	-	21,878	42	-	42
Of which:						
Gains expected to be recognised within one year	15,293	-	15,293	42	-	42
Gains expected to be recognised after one year	6,585	-	6,585	-	-	-
	21,878	-	21,878	42	-	42

Financial instruments used for trading purposes

The Group does not trade in financial instruments.

34 Jardine Matheson Group

In the normal course of business the Group undertakes, on an arms-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.

	2002 £'000	2001 £'000
Income		
Gross brokerage fees and commissions	4,275	4,595
Commission rebates	(259)	-
Net brokerage fees and commissions	4,016	4,595
Interest receivable	2	80
	4,018	4,675
Expenditure		
Administrative expenses	456	503

Notes to the financial statements

For the year ended 31st December, 2002

35 Principal subsidiary and associated companies

The following were the principal subsidiary and associated undertakings at 31st December, 2002. 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
Subsidiary undertakings		
Insurance broking and consulting		
JLT do Brasil Corretagem de Seguros Ltda (86.5%)	Brazil	
Jardine Lloyd Thompson Insurance Brokers Inc.	Philippines	
Jardine Lloyd Thompson Ireland Limited	Eire	
JLT Benefit Solutions Limited	England	b
JLT Corporate Risks Limited	England	
JLT Financial Consultants Limited	England	
JLT Healthcare Limited	England	
JLT Risk Solutions Asia Pte Limited	Singapore	
Jardine Lloyd Thompson Australia Pty Limited	Australia	
Jardine Lloyd Thompson Limited	New Zealand	
Jardine Lloyd Thompson Canada Inc.	Canada	
Jardine Lloyd Thompson Limited	Hong Kong	a
Jardine Lloyd Thompson Asia Pte Limited	Singapore	
Jardine Lloyd Thompson Sdn Bhd (49%)	Malaysia	
Jardine Lloyd Thompson Limited (49%)	Thailand	b, c
Jardine Lloyd Thompson Taiwan Limited	Taiwan	
PT Jardine Lloyd Thompson (80%)	Indonesia	
JLT Services Corporation	USA	
Capital Risk, LLC (80%)	USA	
JLT Re Solutions Inc.	USA	b
JLT Risk Solutions Limited	England	
Agnew Higgins Pickering & Company Limited	England	e
Financial Solutions Limited (51%)	Bermuda	
JLT Financial Solutions AB (31%)	Sweden	d
JLT Risk Solutions (Bermuda) Limited	Bermuda	
JLT Risk Solutions Management (Bermuda) Limited	Bermuda	
Group insurance		
Eagle & Crown Limited	Bermuda	
Managing general agent		
Intermediary Insurance Services Inc.	USA	
Intermediate holding company		
JLT Holdings (Bermuda) Limited	Bermuda	
JIB Group plc	England	
Jardine Lloyd Thompson UK Holdings Limited	England	a
JMIB Holdings BV	Netherlands	
JLT Holdings Inc (99.9%)	USA	c
Capital Risk Group, LLC (80%)	USA	
Associated undertakings		
Marot Participations (31%)	France	

Notes
Share capital divided into:
a ordinary and redeemable preferred shares
b ordinary and preferred shares
c 100% of Common Stock owned by the Group
d two classes of ordinary share (the Group holds 81.8% of the voting shares)
e 100% of voting capital

Five year review

Calendar year ended 31st December

	1998 £'000	1999 £'000	2000 £'000	2001 £'000	2002 £'000
Turnover	232,001	250,987	287,278	349,664	388,144
Investment income	22,646	18,400	21,225	21,810	19,698
Operating revenue	254,647	269,387	308,503	371,474	407,842
Trading expenses (excluding exceptional items)	(199,478)	(209,368)	(240,834)	(289,509)	(309,069)
Goodwill amortisation	(287)	(571)	(1,766)	(3,158)	(3,235)
Exceptional items	-	2,358	(2,840)	(1,873)	(2,525)
Operating expenses	(199,765)	(207,581)	(245,440)	(294,540)	(314,829)
Operating profit	54,882	61,806	63,063	76,934	93,013
Share of operating profit in associates	5,217	5,229	5,250	4,823	5,186
Profits/(losses) on the sale or closure of operations – exceptional	3,623	(463)	9,156	(942)	4,094
Amounts written-off investments – exceptional	-	-	(3,043)	-	-
Interest payable and similar charges	(1,791)	(1,407)	(1,513)	(2,530)	(2,111)
Profit on ordinary activities before taxation	61,931	65,165	72,913	78,285	100,182
Taxation on profit on ordinary activities	(18,808)	(19,208)	(20,664)	(22,904)	(30,923)
Profit on ordinary activities after taxation	43,123	45,957	52,249	55,381	69,259
Minority interests	(1,860)	(1,054)	(1,060)	(1,452)	(1,810)
Profit attributable to shareholders	41,263	44,903	51,189	53,929	67,449
Dividends	(22,809)	(25,323)	(27,883)	(31,710)	(36,762)
Retained profit for the year	18,454	19,580	23,306	22,219	30,687
Diluted earnings per share	20.60p	23.30p	25.80p	30.00p	34.70p
Dividends per share	12.00p	13.25p	14.50p	16.00p	18.50p

The figures stated for 2001 and previous years are those originally published prior to the restatement dealt with in these financial statements in relation to FRS 19. In addition, the figures for 1998 are those originally published prior to the restatement in 1999 in relation to FRS 12.
Diluted earnings per share are before exceptional items and goodwill amortisation.

Advisers

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

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City of London office
1 Princes Street
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Shareholder information

Financial calendar
Ex dividend date
2nd April, 2003

Record date
4th April, 2003

Annual General Meeting
30th April, 2003

Final dividend payable
2nd May, 2003

Interim results announced
July 2003

Interim dividend payable
October 2003

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

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JLT is now the world's fifth largest insurance broker by revenue, operating out of more than 100 offices in 30 countries around the world.

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