Jardine Lloyd Thompson Group plc

Interim Report 2006

JARDINE LLOYD THOMPSON
Group plc

Contents

Chairman's Statement

Overview

Despite a challenging trading environment, Jardine Lloyd Thompson achieved creditable revenue growth in the first half of 2006 with profit before tax largely unchanged. The Group is continuing to review its operations and implement improvements.

Performance

Turnover for the first six months of 2006 increased by 4% to £260.4 million, or 3% at constant rates of exchange. Profit before tax was £48.6 million which included an exceptional gain on the sale of our non-core Chicago affinity business of £3.4 million, partly offset by exceptional restructuring costs of £1.9 million in the UK. The underlying trading profit decreased by 9% to £38.3 million reflecting a lower trading margin of 15% compared to 17% in the same period last year. Underlying trading profit excludes exceptional items, impairment charges and amortisation of other intangibles. The decrease in underlying trading profit was partly offset by higher investment income, resulting in an underlying profit before tax of £47.1 million, largely unchanged from last year. Underlying profit before tax excludes exceptional items and impairment charges.

Underlying diluted earnings per share for the first six months were 14.5p, compared to 15.8p in 2005. Including exceptional items, the diluted earnings per share were 14.8p, compared to 16.0p in 2005.

The Board has declared an unchanged interim dividend of 8.5p per share to be paid on 9th October 2006 to the shareholders on the register on 8th September 2006.

Operations

Operational review

Our operational review has made significant progress in the first half of the year. It is reviewing the activities, trading and strategic positioning of each business within the Group, including cost structure and potential for growth.

The operational review is an ongoing process but the initial recommendations and guiding principles are: to concentrate on existing areas of proven business and management strength; to have a strong mix of business activities in order to balance revenue and reduce volatility; to focus investment on lower risk initiatives and to seek out bolt-on consolidation opportunities.

We announced today that we are entering a period of consultation with our staff over the proposed closure of our Defined Benefit (DB) Pension Scheme in the UK to all future accruals from 1st December 2006. Members of the DB Scheme will be offered a new flexible and competitive Defined Contribution (DC) Scheme. The financial impact will be to reduce pension liabilities by an amount yet to be finalised although the number is expected to be reasonably material. We intend to make an initial cash contribution of £35 million to the DB scheme and additional contributions totalling £30 million by 2009. These changes will enable us to better manage the long-term growth and development of the Group.

Risk & Insurance

Total Risk & Insurance turnover increased by 5% to £219.8 million with a trading margin of 18% compared to 22% for the comparable period. The trading margins remain under pressure primarily as a result of declining insurance premium rates in all areas other than those directly relating to catastrophe exposures. There continues to be intense competition amongst brokers to gain and retain market share.

Our important Risk Solutions business achieved stable turnover of £61.2 million in the first six months but the trading margin reduced from 18% to 14%. This business now has a new management team providing clear direction, tighter cost control, a new business culture and a focus on selected growth areas. In the short term we expect a further deterioration in the trading margin in the second half of 2006. However, we believe that a sustainable trading margin for this business is at least 15% and it is our objective to have returned to this level by 2008. We expect to make good progress towards this in 2007.

The UK and Ireland insurance broking business continued to demonstrate good growth with an increase in turnover of 7% to £23.4 million, with stable margins compared to the same period last year.

JLT Re, our new reinsurance operation, was launched in January. The management team is building the required advisory and analytical capabilities needed to compete in the market, particularly in non-marine.

Lloyd & Partners and Agnew Higgins Pickering, our specialist wholesale businesses based in the UK, performed strongly. Turnover and margins in Agnew Higgins Pickering recovered significantly following a difficult first half in 2005. They benefited from several energy clients bringing forward their renewals for completion prior to the commencement of the 2006 hurricane season.

Chairman's Statement

Australia and New Zealand had a turnover decline of 3% to £32.1 million in the first half of the year but this is mainly due to timing differences partly offset by new business wins. Margins declined from 36% to 31%, reflecting highly competitive insurance markets, particularly for large and mid-market clients. Asia continued to perform strongly with a 13% increase in turnover to £16.9 million, or 7% at constant rates of exchange. Margins improved slightly to 23%. In May 2006 we received approval to commence operations as an insurance and reinsurance broker across mainland China. The new operation, JLT Lixin Insurance Brokers, is a 51% owned joint venture based in Guangdong province in Southern China.

Our operations in North and South America benefited from winning new business but margins remain under pressure. In Canada, new teams that were recruited last year have contributed to a 27% increase in turnover, or 12% at constant rates of exchange. In Latin America we continue to make good progress despite fierce competition amongst underwriters.

Our French associate, SIACI, continued to perform well with a contribution to the Group's pre-tax profits of £2.5 million, an increase of 14%.

Employee Benefits

Our Employee Benefits business in the UK also performed well, with turnover increasing 9% to £37.5 million. The underlying trading margin increased to 16%, compared to 15% last year. Client retention remains strong, as demonstrated by the renewal of significant long-term contracts in the first half including Prudential and Norwich Union.

Corporate Development

We announced on 4th July that we were in early discussions to acquire Heath Lambert Group based in the UK. After a detailed review, we concluded that we could not proceed with the acquisition on the conditions originally envisaged and on 13th July we announced that discussions were terminated.

As the market continues to evolve and consolidate, the Group remains well placed to take advantage of opportunities in our core businesses and markets.

People

On 5th April we announced the appointment to the Board of Brian Carpenter, Chief Executive of Asia Pacific and William Nabarro, Executive Chairman of JLT UK Employee Benefits. At the same time, William Nabarro was also appointed Group Commercial Director. Dominic Collins resigned from the Board on the same date.

We also announced on 5th July that George Stuart-Clarke would stand down from the Board as the Group's Finance Director in August, after 12 years in that role, and that Jim Rush would be appointed in his place.

The Board would like to express its appreciation to George and Dominic for their valuable contributions to the Group. We are pleased that George will remain a member of the Group's Executive Committee.

Outlook

The market remains challenging and continues to evolve. Our important Risk Solutions business in the UK is making the necessary changes to adapt to the new environment and improve its performance.

While we do not anticipate any more than a modest overall improvement in the Group's trading performance for 2006 compared to last year, we continue to implement improvements and anticipate the benefits will be reflected next year and more fully in 2008.

Geoffrey Howe
Chairman
1st August 2006

Consolidated Income Statement

Unaudited results for the six months to 30th June 2006

	Notes	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000
Fees and commissions	3	**260,377**	250,681
Investment income		**8,879**	6,653
Salaries and associated expenses		**(161,694)**	(145,540)
Premises		**(15,157)**	(14,710)
Other operating costs		**(39,544)**	(42,763)
Depreciation, amortisation and impairment charges	4	**(4,455)**	(5,291)
Operating profit	3,4	**48,406**	49,030
Finance costs		**(2,400)**	(3,179)
Share of results of associates after tax and minority interests*		**2,545**	2,225
Profit before taxation	3	**48,551**	48,076
Income tax expense	5	**(15,697)**	(14,384)
Profit for the period	3	**32,854**	33,692
Attributable to:			
Shareholders of the Company		**31,928**	33,339
Minority interests		**926**	353
		32,854	33,692
Earnings per share	7		
Basic		**14.8p**	16.1p
Diluted		**14.8p**	16.0p

	£'000	£'000
*Includes associates taxation of	**2,153**	1,915

Consolidated Balance Sheet

Unaudited as at 30th June 2006

	Notes	As at 30 June 2006 £'000	As at 30 June 2005 £'000	As at 31 Dec 2005 £'000
NET OPERATING ASSETS				
Non-current assets				
Goodwill		**197,766**	199,771	202,309
Intangible assets		**17,537**	16,580	18,052
Property, plant and equipment		**26,908**	28,836	28,460
Investment in associates		**9,864**	6,954	7,393
Available-for-sale financial assets	8	**9,860**	14,268	18,321
Derivative financial instruments	9	**1,409**	1	49
Employee benefit trusts		**2,707**	2,721	2,647
Deferred tax assets		**71,308**	61,640	73,995
		337,359	330,771	351,226
Current assets				
Trade and other receivables	10	**179,980**	184,899	153,576
Derivative financial instruments	9	**1,825**	4,379	19
Available-for-sale financial assets	8	**13,458**	4,860	57,253
Cash and cash equivalents	11	**630,452**	395,141	300,398
		825,715	589,279	511,246
Current liabilities				
Borrowings		**(81,162)**	(87,121)	(513)
Trade and other payables	12	**(531,520)**	(454,949)	(417,639)
Derivative financial instruments	9	**(1,664)**	(724)	(517)
Current tax liabilities		**(15,860)**	(14,759)	(8,310)
Provisions for liabilities and charges	14	**(48,116)**	(43,905)	(44,963)
		(678,322)	(601,458)	(471,942)
Net current assets/(liabilities)		**147,393**	(12,179)	39,304
Non-current liabilities				
Borrowings		**(150,558)**	(773)	(54,989)
Derivative financial instruments	9	**(5)**	(550)	(2,187)
Deferred tax liabilities		**(16,218)**	(8,844)	(14,257)
Retirement benefit obligations	13	**(151,594)**	(121,919)	(153,191)
Provisions for liabilities and charges	14	**(6,411)**	(18,154)	(13,664)
		(324,786)	(150,240)	(238,288)
		159,966	168,352	152,242
TOTAL EQUITY				
Capital and reserves attributable to the Company's equity holders				
Ordinary shares		**10,619**	10,571	10,615
Share premium		**73,513**	71,495	73,370
Fair value & hedging reserves	9	**2,526**	3,136	433
Exchange reserves		**(1,979)**	661	6,229
Retained earnings		**70,588**	79,152	57,978
Shareholders' funds	15	**155,267**	165,015	148,625
Minority interests		**4,699**	3,337	3,617
		159,966	168,352	152,242

Consolidated Statement of Recognised Income and Expense

Unaudited results for the six months to 30th June 2006

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000
Fair value gains/(losses) net of tax		
- available-for-sale	**(1,009)**	(66)
- cash flow hedges	**3,102**	(8,928)
Currency translation differences	**(8,208)**	7,278
Net losses recognised directly in shareholders' equity	**(6,115)**	(1,716)
Net profit	**32,854**	33,692
Total recognised income and expense for the period	**26,739**	31,976
Attributable to:		
Shareholders of the Company	**25,813**	31,623
Minority interests	**926**	353
	26,739	31,976

Consolidated Cash Flow Statement

Unaudited results for the six months to 30th June 2006

	Notes	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000
Cash flows from operating activities			
Cash generated from operations	17	**18,203**	5,701
Interest paid		**(1,824)**	(1,156)
Interest received		**8,606**	7,432
Taxation paid		**(4,240)**	(9,462)
Increase in net insurance creditors		**117,249**	48,424
Net cash from operating activities		**137,994**	50,939
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,131)**	(4,252)
Purchase of intangible fixed assets		**(3,155)**	(2,663)
Disposal of property, plant and equipment		**640**	329
Disposal of intangible fixed assets		**-**	983
Acquisition of businesses, net of cash acquired	18	**(1,178)**	(2,152)
Issue of shares to minority shareholders in subsidiary undertakings		**703**	-
Purchase of other investments		**-**	(190)
Disposal of other investments		**13**	-
Net cash used in investing activities		**(6,108)**	(7,945)
Cash flows from financing activities			
Equity dividend paid		**(25,379)**	(25,143)
Net cash flows from investments and deposits		**49,824**	33,919
Purchase of investments by Employee Benefit Trust		**(509)**	(553)
Issue of ordinary shares		**147**	228
Net increase in borrowings		**176,165**	60,950
Dividend paid to minority shareholders		**(231)**	(27)
Net cash from financing activities		**200,017**	69,374
Effects of exchange rate changes		**(1,849)**	970
Net increase in cash & cash equivalents		**330,054**	113,338
Cash & cash equivalents at beginning of year		**300,398**	281,803
Cash & cash equivalents at end of period		**630,452**	395,141

Notes to the Interim Report

Unaudited results for the six months to 30th June 2006

1 Basis of Accounting

The financial statements for the six months ended 30th June 2006 have been prepared in accordance with the Listing Rules of the Financial Services Authority.

The unaudited results for the six months ended 30th June 2006 have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments and derivative financial instruments and using the accounting policies adopted in respect of the year ended 31st December 2005 which comply with International Financial Reporting Standards (IFRS).

The financial information for the year ended 31st December 2005 relating to the Group set out above has been extracted from the full audited accounts of the Company for that period. Such financial information does not constitute statutory accounts of the Company for that period within the meaning of section 240 of the Companies Act 1985.

Consolidated statutory accounts for the Company for that period, upon which the auditors have given an unqualified report and which did not contain any statement under section 237 of the Act, have been delivered to the Registrar of Companies.

Full details of the audited accounts and accounting policies for the year ended 31st December 2005 are available at www.jltgroup.com.

2 Alternative Income Statement

The format of the consolidated income statement on page 6 conforms to the requirements of IFRS. The alternative income 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.

	6 months to 30th June 2006			
	Underlying profit £'000	Reclassification £'000	Exceptional items £'000	Total £'000
Fees and commissions	**260,377**	**-**	**-**	**260,377**
Salaries and associated expenses	**(160,440)**	**-**	**(1,254)**	**(161,694)**
Premises	**(15,157)**	**-**	**-**	**(15,157)**
Other operating costs	**(42,273)**	**-**	**2,729**	**(39,544)**
Depreciation, amortisation and impairment charges	**(4,203)**	**(252)**	**-**	**(4,455)**
Trading profit	**38,304**	**(252)**	**1,475**	**39,527**
Investment income	**8,879**	**-**	**-**	**8,879**
Finance costs	**(2,400)**	**-**	**-**	**(2,400)**
Share of results of associates after tax and minority interests	**2,545**	**-**	**-**	**2,545**
Amortisation of other intangibles	**(252)**	**252**	**-**	**-**
Profit before taxation	**47,076**	**-**	**1,475**	**48,551**

	6 months to 30th June 2005			
	Underlying profit £'000	Reclassification £'000	Exceptional items £'000	Total £'000
Fees and commissions	250,681	-	-	250,681
Salaries and associated expenses	(144,282)	-	(1,258)	(145,540)
Premises	(14,248)	-	(462)	(14,710)
Other operating costs	(45,293)	-	2,530	(42,763)
Depreciation, amortisation and impairment charges	(4,843)	(448)	-	(5,291)
Trading profit	42,015	(448)	810	42,377
Investment income	6,653	-	-	6,653
Finance costs	(3,179)	-	-	(3,179)
Share of results of associates after tax and minority interests	2,225	-	-	2,225
Amortisation of other intangibles	(448)	448	-	-
Profit before taxation	47,266	-	810	48,076

Segment information - primary reporting format

Underlying trading profit	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000
Risk & Insurance	**39,637**	46,455
Employee Benefits	**5,890**	5,055
Head office & Other	**(7,223)**	(9,495)
	38,304	42,015

Notes to the Interim Report

Unaudited results for the six months to 30th June 2006

3 Primary Reporting Segments

Business segments: the Group is organised on a worldwide basis into three main segments: Risk & Insurance, Employee Benefits and Head Office & Other operations. The segments are the basis on which the Company reports its primary segment information.

The Risk & Insurance segment comprises JLT's worldwide insurance, reinsurance broking and risk services activities. The Employee Benefits segment consists of pension administration, outsourcing and employee benefits consultancy. The Head Office & Other segment consists mainly of holding companies, central administration functions, the Group's captive insurance companies and the Group's investment in Courcelles Participations, the holding company of SIACI.

Segment results

In accordance with IAS 14, segment results include the net income or expense derived from the trading activities of the segment. Investment income and finance costs are excluded since the trading activities of the Group's primary segments are not of a financial nature. The standard also specifically excludes the income tax expense from segmental allocation with the consequence that the minority interest charge is also excluded.

Segment assets include:

- non current assets excluding investments in associates and deferred tax assets;
- trade and other receivables.

It excludes any interest bearing assets (e.g. cash and investments & deposits).

Segment liabilities include:

- trade and other payables;
- provisions for liabilities and charges.

It excludes any interest bearing liabilities (e.g. borrowings) as well as income & deferred tax liabilities.

Items excluded from segmental allocation are referred to below as "unallocated".

Investments in associates: the Group owns 31% of the French company Courcelles Participations (the holding company of SIACI) which has operations principally in France and Italy. Although the investment and the company share of Courcelles' net profit are excluded from the segmental analysis of assets and revenue, they are shown separately in conjunction with data from the Head Office & Other segment. Group companies also own a number of small associates in Australia and Asia which are included in the Risk & Insurance segment.

Capital expenditure comprises additions to property, plant and equipment and Intangible assets, including additions resulting from acquisitions through business combinations.

3 Primary Reporting Segments cont.

6 months to 30th June 2006	Risk & Insurance £'000	Employee Benefits £'000	Head Office & Other £'000	Unallocated £'000	Group £'000
Fees and commissions	219,755	37,533	3,089	-	260,377
Segment result	38,169	5,590	(4,232)	-	39,527
Investment income	-	-	-	8,879	8,879
Operating profit	38,169	5,590	(4,232)	8,879	48,406
Finance costs	-	-	-	(2,400)	(2,400)
Share of results of associates after tax & minority interests	33	-	2,512	-	2,545
Profit before taxation	**38,202**	**5,590**	**(1,720)**	**6,479**	**48,551**
Income tax expense	-	-	-	(15,697)	(15,697)
Minority interests	-	-	-	(926)	(926)
Net profit	**38,202**	**5,590**	**(1,720)**	**(10,144)**	**31,928**
Segment assets	311,591	55,453	59,967	-	427,011
Associates	2,453	-	7,412	-	9,865
Unallocated assets	-	-	-	726,198	726,198
Total assets	**314,044**	**55,453**	**67,379**	**726,198**	**1,163,074**
Segment liabilities	514,805	17,330	206,325	-	738,460
Unallocated liabilities	-	-	-	264,648	264,648
Total liabilities	**514,805**	**17,330**	**206,325**	**264,648**	**1,003,108**
Other segment items					
Capital expenditure	4,399	531	1,356	-	6,286
Depreciation, amortisation and impairment	2,432	443	1,580	-	4,455

Notes to the Interim Report

Unaudited results for the six months to 30th June 2006

3 Primary Reporting Segments cont.

6 months to 30th June 2005	Risk & Insurance £'000	Employee Benefits £'000	Head Office & Other £'000	Unallocated £'000	Group £'000
Fees and commissions	208,301	34,470	7,910	-	250,681
Segment result	45,572	4,584	(7,779)	-	42,377
Investment income	-	-	-	6,653	6,653
Operating profit	45,572	4,584	(7,779)	6,653	49,030
Finance costs	-	-	-	(3,179)	(3,179)
Share of results of associates after tax & minority interests	15	-	2,210	-	2,225
Profit before taxation	45,587	4,584	(5,569)	3,474	48,076
Income tax expense	-	-	-	(14,384)	(14,384)
Minority interests	-	-	-	(353)	(353)
Net profit	45,587	4,584	(5,569)	(11,263)	33,339
Segment assets	325,323	59,135	51,404	-	435,862
Associates	2,483	-	4,471	-	6,954
Unallocated assets	-	-	-	477,234	477,234
Total assets	327,806	59,135	55,875	477,234	920,050
Segment liabilities	436,288	14,419	187,618	-	638,325
Unallocated liabilities	-	-	-	113,373	113,373
Total liabilities	436,288	14,419	187,618	113,373	751,698
Other segment items					
Capital expenditure	5,271	370	1,168	-	6,809
Depreciation, amortisation and impairment	2,587	485	2,219	-	5,291

4 Operating Profit

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000
The following items have been charged/(credited) in arriving at operating profit:		
Foreign exchange gain/(losses):		
- Fees and commissions	**(89)**	(3,669)
- Other operating costs	**294**	(304)
	205	(3,973)
Amortisation of intangible assets:		
- Software costs	**618**	769
- Other intangible assets	**287**	448
Depreciation on property, plant and equipment	**3,550**	4,074
Total depreciation, amortisation and impairment charges	**4,455**	5,291
Amortisation of intangible assets:		
- Employee contract payments (included in salaries and associated expenses)	**2,441**	1,492
(Profit)/loss on disposal of property, plant and equipment:	**(38)**	7
Available-for-sale financial assets		
- Fair value losses	**160**	22
Exceptional items:		
Reorganisation and redundancy costs of which:		
- included in salaries and associated expenses	**1,254**	1,171
- included in premises costs	**-**	236
- included in other operating costs	**725**	222
	1,979	1,629
Acquisition integration costs of which:		
- included in salaries and associated expenses	**-**	87
- included in premises costs	**-**	226
- included in other operating costs	**-**	26
	-	339
Sale of Chicago operations - JLT Services Inc. (included in other operating costs)	**(3,454)**	-
Sale of CSEA business - JLT Services Inc. (included in other operating costs)	**-**	(2,778)
Total exceptional items	**(1,475)**	(810)

Notes to the Interim Report

Unaudited results for the six months to 30th June 2006

5 Income Tax Expense

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000
Current tax expense		
Current year	**12,745**	14,624
Over provided in prior years	**(254)**	(25)
	12,491	14,599
Deferred tax expense		
Origination and reversal of temporary differences	**3,268**	(714)
Reduction in tax rate	**(2)**	2
Benefit of tax losses recognised	**213**	451
Prior year losses now recognised	**(273)**	46
	3,206	(215)
Total income tax expense	**15,697**	14,384

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000
Profit before tax	**48,551**	48,076
Tax calculated at UK Corporation Tax rate of 30%	**14,564**	14,418
Non-deductible expenses (principally entertainment expenses)	**407**	310
Book depreciation in excess of tax depreciation	**3**	2
Increase in provisions not deductible in the period/decrease in provisions not deducted in prior periods	**-**	1
Pensions	**51**	-
Share based payments	**2,169**	824
Other adjustments to taxable profit	**(915)**	1
Adjustments to tax charge in respect of prior periods	**71**	(193)
Effect of UK and non-UK tax rate differences	**101**	(316)
Tax on associates	**(754)**	(663)
Total income tax expense	**15,697**	14,384

6 Dividends

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000
Final dividend in respect of 2005 of 12.0p per share (2004: 12.0p)	**25,553**	25,392
Less: adjustment*	**(1,140)**	-
	24,413	25,392

*Adjustment relating to dividend equivalents accrued in respect of various performance related share awards and long-term incentive plans not currently anticipated to fully vest.

An interim dividend in respect of 2006 of 8.5p per share (2005: 8.5p) amounting to £18,175,000 (2005: £17,992,000) is payable on 9th October 2006 to shareholders who are registered at the close of business on 8th September 2006. This dividend will not be accounted for until it is paid. The ex-dividend date will be 6th September 2006.

7 Earnings Per Share

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, excluding unallocated shares held by the Trustees of the Employees' Share Ownership Plan Trust.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in issue to take account of the potential dilutive effect of outstanding share options.

Additional basic and diluted earnings per share are also calculated based on underlying earnings attributable to shareholders.
A reconciliation of earnings is set out below.

	6 months to 30 June 2006 Number of shares	6 months to 30 June 2005 Number of shares
Weighted average number of ordinary shares in issue	**215,446,206**	206,931,903
Effect of outstanding share options	**234,610**	733,331
Adjusted weighted average number of ordinary shares in issue	**215,680,818**	207,665,234

Earnings reconciliation	£'000	Basic pence per share	Diluted pence per share	£'000	Basic pence per share	Diluted pence per share
Underlying profit	**31,294**	**14.5**	**14.5**	32,844	15.9	15.8
Exceptional items	**1,475**			810		
Taxation charge on exceptional items	**(841)**			(315)		
	634	**0.3**	**0.3**	495	0.2	0.2
Profit attributable to shareholders	**31,928**	**14.8**	**14.8**	33,339	16.1	16.0

Notes to the Interim Report

Unaudited results for the six months to 30th June 2006

8 Available-for-sale Financial Assets

Available-for-sale financial assets are categorised according to their nature into one of two categories:

1) Investments and deposits, which consist mainly of Bonds, Commercial Paper and Fixed Deposits - these investments are held at fair value and are classified between current and non-current assets according to maturity date.

2) Other investments, which include securities and other investments held for strategic purposes - these investments are held fair value unless a fair value cannot be accurately determined in which case they are held at cost less any provision for impairment.

	Other investments £'000	Investments & deposits £'000	Total £'000
At 1st January 2006	**4,582**	**70,992**	**75,574**
Exchange differences	(122)	(829)	(951)
Additions	-	9,031	9,031
Disposals	(13)	(58,894)	(58,907)
Revaluation surplus/(deficit) (included within equity)	(1,515)	86	(1,429)
At 30th June 2006	**2,932**	**20,386**	**23,318**

	£'000	£'000	£'000
Analysis of available-for-sale financial assets			
Non-current	2,932	6,928	9,860
Current	-	13,458	13,458
At 30th June 2006	**2,932**	**20,386**	**23,318**

9 Derivative Financial Instruments

	As at 30 June 2006		As at 30 June 2005	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest-rate swaps - cash flow hedges	**-**	**(1,217)**	-	(172)
Forward foreign exchange contracts - cash flow hedges	**3,234**	**(452)**	4,380	(1,102)
Total	**3,234**	**(1,669)**	4,380	(1,274)
Less non-current portion:				
Forward foreign exchange contracts - cash flow hedges	**1,409**	**(5)**	1	(550)
Current portion	**1,825**	**(1,664)**	4,379	(724)

The Group uses various derivative instruments including forward foreign exchange contracts, interest rate swaps and forward rate agreements to manage the risks arising from variations in currency and interest earnings that arise from movements in exchange and interest rates.

9 Derivative Financial Instruments cont.

Derivative instruments purchased are primarily denominated in the currencies of the Group's main markets.

The fair value after tax of financial derivatives based upon market values as at 30th June 2006 and designated as effective cash flow hedges was £1.6 million and has been deferred in equity. Gains and Losses arising on derivative financial instruments outstanding as at 30th June 2006 will be released to the income statement at various dates up to twenty four months from the balance sheet date. No material amounts were transferred to the income statement during the period in respect of the fair value of financial derivatives.

a) Forward Foreign Exchange Contracts

The Group's major currency transaction currency exposure arises in USD and the Group continues to adopt a prudent approach in actively managing this exposure. As at 30th June 2006 the Group had outstanding forward foreign exchange contracts, principally in USD, amounting to a principal value of £128,835,720 (2005: £91,768,914).

b) Interest Rate Swaps and Forward Rate Agreements

The Group uses interest rate hedges, principally interest rate swaps, to mitigate the impact upon interest earnings and expense of changes in interest rates.The notional principal amounts of outstanding interest rate swaps and FRAs as at 30th June 2006 was USD 100,000,000 and GBP 50,000,000 (2005: USD 105,000,000).

Interest rate hedges outstanding at 30th June 2006 have effective fixed interest rates, which hedge USD LIBOR at 4.6% and GBP LIBOR at 4.5% (2005: USD 2.7% to 3.1%). The weighted average period to maturity is 21.7 months (2005: 7.2 months). These interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity.

c) Hedge of Net Investment in Foreign Entity

As at 30th June 2006 the Group had a US Dollar denominated borrowing totalling USD 1.0 million (2005: USD 34.1 million) which was designated as a hedge of net investment in the Group's US subsidiaries. Gains and losses arising from the translation of this foreign currency borrowing to GBP at the balance sheet date were recognised in 'Exchange reserves' in shareholders' equity.

Notes to the Interim Report

Unaudited results for the six months to 30th June 2006

10 Trade and Other Receivables

	As at 30 June 2006 £'000	As at 30 June 2005 £'000
Current receivables and prepayments		
Trade receivables	**126,270**	115,433
Less: Provision for bad debt	**(15,603)**	(17,790)
Trade receivables - net	**110,667**	97,643
Other debtors	**56,305**	74,684
Prepayments	**13,008**	12,572
	179,980	184,899

11 Cash & Cash Equivalents

	As at 30 June 2006 £'000	As at 30 June 2005 £'000
Cash at bank and in hand	**87,223**	99,289
Short term bank deposits	**543,229**	295,852
	630,452	395,141

12 Trade and Other Payables

	As at 30 June 2006 £'000	As at 30 June 2005 £'000
Insurance creditors	**425,913**	358,199
Social security and other taxes	**7,787**	6,948
Other creditors	**97,820**	89,802
	531,520	454,949

13 Retirement Benefit Obligations

The Group operates two principal defined benefit pension schemes - the Jardine Lloyd Thompson Pension Scheme in the UK and the JLT (USA) Employee Retirement Plan.

During the period the financial position of the UK scheme has been updated to reflect the anticipated annual cost for current and past service, the expected return on post employment scheme assets, the interest on post employment plan liabilities and cash contributions made to the scheme. In addition, consideration has been given to the potential impact of changes to the underlying assumptions regarding mortality and discount rates. It has been concluded that since the resulting changes would materially offset each other, no adjustment is required at 30th June 2006.

With effect from 31st July 2005 the JLT (USA) Employee Retirement Plan was amended to eliminate future benefit accruals. Consequently during the period the financial position of the scheme has been updated to reflect the expected return on post employment scheme assets and the interest on post employment plan liabilities.

No interim valuation of either schemes assets or liabilities has been carried out and, accordingly, there are no actuarial gains or losses shown in the Statement of Recognised Income and Expenses on page 8. A formal valuation of the UK scheme as at 1st April 2006 is currently being undertaken.

	UK Scheme	**US Scheme**	**Total**
	£'000	**£'000**	**£'000**
At 1st January 2006	**145,837**	**7,354**	**153,191**
Exchange movement	-	(354)	(354)
Charge to operating profit	6,904	-	6,904
Net charge to finance costs	250	(56)	194
Cash contributions	(8,341)	-	(8,341)
At 30th June 2006	**144,650**	**6,944**	**151,594**

Notes to the Interim Report

Unaudited results for the six months to 30th June 2006

14 Provisions

	Property related provisions £'000	Pension mis-selling provisions £'000	Litigation provisions £'000	Deferred consideration £'000	Acquisition integration provisions £'000	Total £'000
At 1st January 2006	**10,147**	**-**	**35,538**	**11,986**	**956**	**58,627**
Exchange adjustment	(36)	-	(34)	(412)	-	(482)
Reclassification to current liabilities	(115)	-	-	-	-	(115)
Adjustment to gross basis	-	-	180	-	-	180
Utilised in the period	(2,090)	-	(596)	(2,041)	(34)	(4,761)
Charged to the income statement	-	-	931	-	-	931
Interest charge	122	-	-	108	12	242
Acquisitions	-	-	-	(95)	-	(95)
At 30th June 2006	**8,028**	**-**	**36,019**	**9,546**	**934**	**54,527**
At 1st January 2005	12,931	98	22,728	20,010	1,263	57,030
Exchange adjustment	71	-	29	376	-	476
Adjustment to gross basis	-	-	11,872	-	-	11,872
Utilised in the period	(3,874)	(98)	(2,357)	(7,900)	(88)	(14,317)
Charged to the income statement	524	-	4,600	-	-	5,124
Interest charge	191	-	-	56	13	260
Acquisitions	-	-	-	1,614	-	1,614
At 30th June 2005	9,843	-	36,872	14,156	1,188	62,059

	As at 30 June 2006 £'000	As at 30 June 2005 £'000
Analysis of total provisions:		
Non-current - to be utilised in more than one year	**6,411**	18,154
Current - to be utilised within one year	**48,116**	43,905
	54,527	62,059

Property related provisions

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. 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. Property provisions occur principally in the USA and UK and relate to a variety of lease commitments. The longest lease terms for each country are to 2014 and 2016 respectively.

14 Provisions cont.

Pension mis-selling provision

In previous years provision has been made in respect of claims for compensation against a Group subsidiary arising from the mis-selling of pension advice and pension products. The liability arising from this issue was satisfied during the previous year.

Litigation provisions

At any point in time the Group can be involved in a variety of litigation issues. A balance sheet provision is established in respect of such issues when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated. The Group analyses its litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability. Where appropriate the Group also provides for the cost of defending or initiating such matters.

Where a litigation provision has been made it is stated gross of any third party recovery, all such recoveries are included as "other debtors" within trade and other receivables. At 30th June 2006, in connection with certain litigation matters, the Group's litigation provisions include an amount of £18.0 million (2005 £18.5 million) to reflect this gross basis and the corresponding insurance recovery has been included within trade and other receivables. This presentation has had no effect on the Consolidated Income Statement for the period ended 30th June 2006 (2005: Nil).

Deferred consideration

Provision is made in respect of additional consideration payable following the initial completion of an acquisition. The value of the deferred consideration may be revised from time to time prior to final settlement.

Acquisition integration provisions

Represent costs expected to be incurred as a result of combining and restructuring operations following an acquisition. These costs are not associated with the ongoing activities of the Company.

In accordance with the requirements of IAS 37 the Group has discounted certain provisions to their present value. The discount rate applied to each provision is appropriate to the nature of the provision and the location in which the liability occurs. The interest charge, represents the unwinding of the provision discounting, and has been included as part of "Finance costs" within the Consolidated Income Statement.

Notes to the Interim Report

Unaudited results for the six months to 30th June 2006

15 Changes in Shareholders' Funds

For the 6 months ended 30th June 2006	Share capital £'000	Share premium £'000	Fair value & hedging reserves £'000	Exchange reserves £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1st January 2006	**10,615**	**73,370**	**433**	**6,229**	**57,978**	**148,625**
Fair value gains/(losses) net of tax						
- available for sale	-	-	(1,009)	-	-	(1,009)
- cash flow hedges	-	-	3,102	-	-	3,102
Currency translation differences	-	-	-	(8,208)	-	(8,208)
Net gains/(losses) recognised directly in equity	**-**	**-**	**2,093**	**(8,208)**	**-**	**(6,115)**
Net profit	-	-	-	-	31,928	31,928
Total recognised income and expense for the period	**-**	**-**	**2,093**	**(8,208)**	**31,928**	**25,813**
Dividends paid (note 6)	-	-	-	-	(24,413)	(24,413)
Reversal of amortisation in respect of share based payments	-	-	-	-	5,095	5,095
Issue of share capital	4	143	-	-	-	147
Balance at 30th June 2006	**10,619**	**73,513**	**2,526**	**(1,979)**	**70,588**	**155,267**

For the 6 months ended 30th June 2005	Share capital £'000	Share premium £'000	Fair value & hedging reserves £'000	Exchange reserves £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 31st December 2004	10,100	33,628	-	(6,617)	66,117	103,228
Adoption of IAS 32 and IAS 39	-	-	12,130	-	-	12,130
Balance at 1st January 2005	10,100	33,628	12,130	(6,617)	66,117	115,358
Fair value losses net of tax						
- available for sale	-	-	(66)	-	-	(66)
- cash flow hedges	-	-	(8,928)	-	-	(8,928)
Currency translation differences	-	-	-	7,278	-	7,278
Net gains/(losses) recognised directly in equity	-	-	(8,994)	7,278	-	(1,716)
Net profit	-	-	-	-	33,339	33,339
Total recognised income and expense for the period	-	-	(8,994)	7,278	33,339	31,623
Dividends paid (note 6)	-	-	-	-	(25,392)	(25,392)
Reversal of amortisation in respect of share based payments	-	-	-	-	5,068	5,068
Contribution to QUEST	-	-	-	-	20	20
Issue of share capital	471	37,867	-	-	-	38,338
Balance at 30th June 2005	10,571	71,495	3,136	661	79,152	165,015

16 Qualifying Share Ownership Trust

During the period the QUEST has allocated no ordinary shares (2005: 9,614) to employees in satisfaction of options that have been exercised under the Jardine Lloyd Thompson Sharesave Schemes.

The exercise proceeds received in 2005 of £20,000 were credited by the Company directly to retained earnings.

17 Cash Generated from Operations

Reconciliation of profit before taxation to cash generated from operations

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000
Cash flows from operating activities		
Profit before taxation	**48,551**	48,076
Investment income receivable	**(8,879)**	(6,653)
Interest payable on bank loans & finance leases	**1,803**	1,750
Fair value losses on financial instruments	**160**	22
Pension financing charge	**194**	1,147
Unwinding of provision discounting	**243**	260
Depreciation	**3,550**	4,074
Amortisation of intangible assets	**3,346**	2,709
Negative goodwill on acquisitions	**(35)**	-
Amortisation of share based payments	**5,095**	5,068
Amortisation of Employee Benefit Trust	**488**	398
(Profit)/loss on disposal of property, plant and equipment	**(38)**	7
Share of results of associates undertakings	**(2,545)**	(2,225)
Increase in trade and other receivables	**(25,709)**	(29,143)
Decrease in trade and other payables - excluding insurance broking balances	**(2,754)**	(9,970)
Decrease in provisions for liabilities and charges	**(3,830)**	(9,193)
Decrease in retirement benefit obligation	**(1,437)**	(626)
Net cash inflow from operations	**18,203**	5,701

Notes to the Interim Report

Unaudited results for the six months to 30th June 2006

18 Business Combinations

During the period the following acquisitions and additional investments in existing businesses were completed, none of which were individually significant.

	Acquisition date	Percentage voting rights acquired	Cost £'000
Acquisition of new businesses completed during the year	Jan - June 06	100%	**1,768**
Additional investments in existing businesses	Jan - June 06	-	**402**
			2,170

The assets and liabilities arising from the acquisition were as follows:

	Fair value £'000	Acquiree's carrying amount £'000
Trade and other receivables	**242**	**242**
Cash and cash equivalents	**992**	**992**
Trade and other payables	**(257)**	**(257)**
Taxation	**(1)**	**(1)**
Provisions for liabilities and charges	**95**	**95**
Minority interests	**44**	**44**
	1,115	**1,115**

Purchase consideration settled in cash	**2,170**
Cash and cash equivalents in subsidiary acquired	**(992)**
Cash outflow on acquisition	**1,178**

As at the 30th June 2006, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

Group summary of the net assets acquired and goodwill

	£'000
Purchase consideration - cash paid	**2,170**
Fair value of net assets acquired	**(1,115)**
	1,055
Negative goodwill credited to consolidated income statement	**35**
Goodwill	**1,090**

Independent Review Report to Jardine Lloyd Thompson Group plc

Introduction

We have been instructed by Jardine Lloyd Thompson Group plc to review the financial information for the six months ended 30th June 2006 which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet as at 30th June 2006, consolidated cash flow statement, comparative figures and associated notes. We have read the other information contained in the interim report and considered whether it contains any apparent mis-statements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

The interim report has been prepared in accordance with the basis set out in note 1.

The maintenance and integrity of the JLT website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th June 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
London
1st August 2006

Shareholder Information

Please see our Group website www.jltgroup.com for information about the Group and other shareholder information, including share price updates and a video of our most recent presentation to analysts made on 1st August 2006.

Secretary and registered office

David Hickman FCIS
6 Crutched Friars
London EC3N 2PH
Tel: 020 7528 4444
Fax: 020 7528 4185
Company Registration Number: 1679424

Stockbrokers

HSBC Bank plc
8 Canada Square
London EC14 5HQ
Tel: 020 7991 8888

JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA
Tel: 020 7588 2828

Registrars and transfer office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0870 162 3100
www.capitaregistrars.com

JARDINE LLOYD THOMPSON
Group plc

Registered Office:
6 Crutched Friars, London EC3N 2PH

Tel: 020 7528 4444
Fax: 020 7528 4185
www.jltgroup.com

Company Registration Number: 1679424