

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported)

April 1, 2019

Marsh & McLennan Companies, Inc.

(Exact Name of Registrant as Specified in Charter)



Delaware

1-5998

36-2668272

(State or Other Jurisdiction of Incorporation)

(Commission File Number)

(IRS Employer
Identification No.)

1166 Avenue of the Americas, New York, NY

10036

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code

(212) 345-5000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

EXPLANATORY NOTE

On April 1, 2019, Marsh & McLennan Companies, Inc. (the "Company") filed a Current Report on Form 8-K (the "Original Form 8-K") reporting that on April 1, 2019, the Company closed its previously announced acquisition of Jardine Lloyd Thompson Group plc, a public company organized under the laws of England and Wales ("JLT"). This Form 8-K/A amends the Original Form 8-K to include the historical audited statements of JLT and the pro forma consolidated financial information required by Items 9.01(a) and 9.01(b) of Form 8-K that were excluded from the Original Form 8-K in reliance on the instructions to such items.

Item 9.01 Financial Statements and Exhibits

- (a) *Financial statements of businesses acquired.* The audited financial statements of JLT for the year ended December 31, 2018, are filed herewith as Exhibit 99.1. The consent of PricewaterhouseCoopers LLP, JLT's independent auditors, is attached as Exhibit 23.1 to this Form 8-K/A.
- (b) *Pro forma financial information.* The unaudited pro forma consolidated financial information of the Company and JLT for the year ended December 31, 2018 and as of December 31, 2018 are filed herewith as Exhibit 99.2.
- (d) Exhibits

Number	Description
<u>23.1</u>	<u>Consent of PricewaterhouseCoopers LLP, Independent Auditors of JLT</u>
<u>99.1</u>	<u>Audited financial statements of JLT for the year ended December 31, 2018</u>
<u>99.2</u>	<u>Unaudited pro forma consolidated financial information of the Company and JLT for the year ended December 31, 2018 and as of December 31, 2018</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MARSH & McLENNAN COMPANIES, INC.

By:	<u>/s/ Katherine J. Brennan</u>
Name:	Katherine J. Brennan
Title:	Deputy General Counsel, Chief Compliance Officer & Corporate Secretary

Date: June 6, 2019

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit</u>
23.1	Consent of PricewaterhouseCoopers LLP, Independent Auditors of JLT
99.1	Audited financial statements of JLT for the year ended December 31, 2018
99.2	Unaudited pro forma consolidated financial information of the Company and JLT for the year ended December 31, 2018 and as of December 31, 2018

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-41828, 333-229776, 333-226431, 333-226429, 333-209684, 333-176085, 333-146400, 33-59603, and 33-48807) and Form S-3 (No. 333-226427) of Marsh & McLennan Companies, Inc. of our report dated 6th June 2019 relating to the financial statements of Jardine Lloyd Thompson Group plc, which appears in this Current Report on Form 8-K.

/s/ PricewaterhouseCoopers LLP
London, United Kingdom
6 June 2019

Report of Independent Auditors

To the Directors of Jardine Lloyd Thompson Group Plc

We have audited the accompanying consolidated financial statements of Jardine Lloyd Thompson Group Plc, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of income and comprehensive income, of changes in equity and of cash flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jardine Lloyd Thompson Group Plc as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

As discussed in the "Basis of Preparation" disclosure, the accompanying financial statements do not include comparative figures for the prior year as required by IAS 1 "Presentation of Financial Statements". In our opinion, inclusion of comparative figures is necessary to obtain a proper understanding of the current period's financial statements. No comparative information has been presented in these financial statements as no comparatives are required under SEC Rule 3-05 of Regulation S-X. Our opinion is not modified with respect to this matter.

/s/ PricewaterhouseCoopers LLP
London, United Kingdom
6 June 2019

JARDINE LLOYD THOMPSON GROUP PLC

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2018

	Notes	2018 £'000
Fees and commissions	1	1,438,416
Investment income	1,3	12,865
Total revenue		1,451,281
Salaries and associated expenses	5	(1,001,918)
Premises		(72,997)
Other operating costs		(238,074)
Depreciation, amortisation and impairment charges	2	(36,653)
Net credit impairment losses on financial and contract assets		(4,013)
Operating profit		97,626
Finance costs	4	(27,653)
Finance income	4	4,091
Finance costs - net	4	(23,562)
Share of results of associates		3,055
Profit before taxation	1	77,119
Income tax expense	6	(31,887)
Profit for the year		45,232
Profit attributable to:		
Owners of the parent	1	34,266
Non-controlling interests		10,966
		45,232
Earnings per share attributable to the owners of the parent during the year (expressed in pence per share)	7	
Basic earnings per share		16.2p
Diluted earnings per share		15.6p

The accompanying notes form an integral part of these consolidated financial statements.

JARDINE LLOYD THOMPSON GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2018

	Notes	2018 £'000
Profit for the year		45,232
Other comprehensive (expense)/income		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of post-employment benefit obligations	31	(21,953)
Taxation thereon		3,921
Total items that will not be reclassified to profit or loss		(18,032)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value (losses)/gains net of tax:		
- cash flow hedges		(32,606)
Currency translation differences		9,542
Total items that may be reclassified subsequently to profit or loss		(23,064)
Other comprehensive (expense)/income net of tax		(41,096)
Total comprehensive income for the year		4,136
Attributable to:		
Owners of the parent		(5,518)
Non-controlling interests		9,654
Total comprehensive income for the year		4,136

The accompanying notes form an integral part of these consolidated financial statements.

JARDINE LLOYD THOMPSON GROUP PLC

CONSOLIDATED BALANCE SHEET

as at 31 December 2018

	Notes	31 Dec 2018 £'000
NET ASSETS		
Non-current assets		
Goodwill	9	619,437
Other intangible assets	10	113,204
Property, plant and equipment	11	66,770
Investments in associates	12	54,234
Other financial assets at fair value through other comprehensive income	13,20	8,893
Other financial assets at fair value through profit or loss	13,20	172
Other financial assets at amortised cost	13,20	11,320
Derivative financial instruments	14,20	83,996
Trade and other receivables	15	20,626
Contract assets	18	39,424
Retirement benefit surpluses	31	305
Deferred tax assets	22	77,368
		1,095,749
Current assets		
Trade and other receivables	15	579,063
Contract assets	18	69,000
Current tax assets		23,863
Derivative financial instruments	14,20	3,241
Other financial assets at fair value through profit or loss	13,20	2,207
Other financial assets at amortised cost	13	161,956
Cash and cash equivalents	16,20	1,007,484
		1,846,814
Current liabilities		
Borrowings	20,21	(17,867)
Trade and other payables	17	(1,366,948)
Contract liabilities	19	(57,387)
Derivative financial instruments	14,20	(9,634)
Current tax liabilities		(15,410)
Provisions for liabilities and charges	23	(66,851)
		(1,534,097)
Net current assets		312,717
Non-current liabilities		
Borrowings	20,21	(715,525)
Trade and other payables	17	(51,319)
Contract liabilities	19	(23,949)
Derivative financial instruments	15,20	(112,617)
Deferred tax liabilities	22	(11,656)
Retirement benefit obligations	31	(181,250)
Provisions for liabilities and charges	23	(1,514)
		(1,097,830)
		310,636
TOTAL EQUITY		
Capital and reserves attributable to the owners of the parent		
Ordinary shares	24	11,008
Share premium	24	104,111
Fair value and hedging reserves	24	(23,397)
Exchange reserves	24	59,817
Retained earnings		139,503
Shareholders' equity		291,042
Non-controlling interests	25	19,594
		310,636

The accompanying notes form an integral part of these consolidated financial statements.

JARDINE LLOYD THOMPSON GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Notes	Ordinary shares £'000	Other reserves £'000	Retained earnings £'000	Shareholders' equity £'000	Non- controlling interests £'000	Total equity £'000
Balance at 1 January 2018		11,008	162,283	162,426	335,717	19,433	355,150
Profit for the year		-	-	34,266	34,266	10,966	45,232
Other comprehensive (expense)/income for the year		-	(21,752)	(18,032)	(39,784)	(1,312)	(41,096)
Total comprehensive (expense)/income for the year			(21,752)	16,234	(5,518)	9,654	4,136
Dividends	8	-	-	(75,176)	(75,176)	(8,719)	(83,895)
Amounts in respect of share based payments:							
- reversal of amortisation net of tax		-	-	58,418	58,418	-	58,418
- shares acquired		-	-	(20,522)	(20,522)	-	(20,522)
Acquisitions	29	-	-	-	-	(895)	(895)
Disposals	30	-	-	-	-	121	121
Transactions with non-controlling interests		-	-	(1,877)	(1,877)	-	(1,877)
Balance at 31 December 2018		11,008	140,531	139,503	291,042	19,594	310,636

The accompanying notes form an integral part of these consolidated financial statements.

JARDINE LLOYD THOMPSON GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2018

	Notes	2018 £'000
Cash flows from operating activities		
Cash generated from operations	28	219,440
Interest paid		(18,746)
Interest received		17,568
Taxation paid		(49,471)
Increase in net insurance broking payables		47,451
		216,242
Dividend received from associates		2,323
Net cash generated from operating activities		218,565
Cash flows from investing activities		
Purchase of property, plant and equipment	11	(11,940)
Purchase of other intangible assets	10	(35,602)
Proceeds from disposal of property, plant and equipment		1,465
Acquisition of businesses, net of cash acquired	29	(27,694)
Proceeds from disposal of businesses, net of cash disposed	30	305
Proceeds from disposal of held-for-sale		203
Purchase of fair value through other comprehensive income financial assets	13	(2,356)
Net cash used in investing activities		(75,619)
Cash flows from financing activities		
Dividends paid to owners of the parent		(75,605)
Purchase of shares		(20,522)
Purchase of other financial assets at amortised cost	13	(167,774)
Proceeds from disposal of other financial assets at amortised cost	13	114,845
Proceeds from borrowings		7,099
Repayments of borrowings		(4,885)
Dividends paid to non-controlling interests		(8,719)
Net cash used in financing activities		(155,561)
Net decrease in cash and cash equivalents		(12,615)
Cash and cash equivalents at beginning of year		1,015,087
Exchange gains/(losses) on cash and cash equivalents		5,012
Cash and cash equivalents at end of year	16	1,007,484

The accompanying notes form an integral part of these consolidated financial statements.

JARDINE LLOYD THOMPSON GROUP PLC

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, and interpretations issued by the IFRS Interpretations Committee (IFRS), issued by the International Accounting Standards Board (IASB).

The SEC only requires one year of audited financial statements for purposes of filing this report on Form 8-K. As a result, these financial statements do not include comparative figures for the prior years as required by IAS 1 "Presentation of financial statements", nor are reconciliations required to any previous form of GAAP.

The financial statements were approved by the Board of Directors on 2 April 2019.

The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for the following:

- financial assets measured at fair value through other comprehensive income and certain financial assets and liabilities (including derivative financial instruments) which are measured at fair value, and
- defined benefit pension plans where plan assets are measured at fair value.

STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2018

IFRS 9 Financial Instruments (IFRS 9) and *IFRS 15 Revenue from Contracts with Customers* (IFRS 15) were effective for the first time for the financial year beginning on or after 1 January 2018.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed in the income statement as incurred.

If a business combination is achieved in stages, the fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group

is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. In the preparation of the consolidated financial statements, accounting policies of subsidiaries have been amended in the preparation for inclusion of the subsidiaries results in the Group Financial Statements.

Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners.

The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

JARDINE LLOYD THOMPSON GROUP PLC

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's investment in associates includes goodwill and other intangible assets identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been modified where necessary to ensure consistency with the policies adopted by the Group.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee.

FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Sterling, which is the Group's presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as financial assets measured at fair value through other comprehensive income, are included in other comprehensive income.

Group companies

The results and financial position of all the Group entities (none of which has the functional currency of a hyperinflationary economy) that have a functional currency different from the presentational currency are translated into the presentation currency as follows:

- i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- iii) all resulting exchange differences are recognised in other comprehensive income.

JARDINE LLOYD THOMPSON GROUP PLC

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

On consolidation exchange differences arising from the translation of net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are reclassified to the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income. On the disposal of foreign entities cumulative foreign exchange gains and losses are included in the measurement of the profit or loss on disposal.

GOODWILL ARISING ON CONSOLIDATION

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is shown separately on the Balance Sheet. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units, or groups of cash generating units, for the purpose of impairment testing. Cash generating units represent the lowest level of geographical and business segment combinations that the Group uses for internal reporting purposes.

OTHER INTANGIBLE ASSETS

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire them and bring them to use. These costs are amortised over their estimated useful lives. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Capitalised development costs are amortised over their estimated useful lives from the point when the asset is ready to use.

The rates of amortisation are between 14% and 100% per annum.

Capitalised employment contract payments

The Group makes payments to certain key employees in recognition of them signing a long-term employment contract, usually three to five years.

These payments are capitalised as intangible assets since legal rights protect the expected benefits that the Group will derive from the contracts.

The asset recognised is then amortised over the duration of the underlying contract within salaries and associated expenses.

Other

For acquisitions completed after 1 January 2004, the acquired business is reviewed to identify assets that meet the definition of an intangible asset as defined by IAS 38, Intangible Assets. Examples of such assets include customer contracts, expectations of business renewal and contract related customer relationships. These assets are valued on the basis of the present value of future cash flows and are amortised to the income statement over the life of the contract or their estimated economic life. The current maximum estimated economic life is fifteen years.

IMPAIRMENT OF ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

PROPERTY, PLANT AND EQUIPMENT

Assets are stated at their net book amount (historical cost less accumulated depreciation). Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost of such assets over their estimated useful lives. The principal rates of depreciation are as follows:

JARDINE LLOYD THOMPSON GROUP PLC

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

- 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 hardware - between 20% and 100% per annum.
- Motor vehicles - between 25% and 33 1/3% per annum.

The depreciation rates are reviewed on an annual basis.

FINANCIAL ASSETS

On initial recognition, a financial asset is measured at fair value plus, for an instrument not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition. Trade receivables without a significant financing component are measured at the transaction price, as a proxy for fair value, at initial recognition.

The Group further classifies its financial assets as measured either at amortised cost, fair value through other comprehensive income (debt or equity instrument) or fair value through profit or loss. The classification of financial assets is based on the business model under which a financial asset is managed, which is primarily solely to collect payments of principle and interest, and its contractual cash flow characteristics. These classification categories also describe the measurement of financial assets subsequent to initial recognition.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets in this category are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI)

Debt Instruments.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ('OCI'). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity instruments.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis and such financial assets are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Financial assets in this category are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt instruments measured at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group measures credit loss allowances on financial assets measured at amortised cost on either of the following bases:

- Lifetime expected credit losses (ECLs): ECLs that result from all possible default events over the expected life of a financial instrument; and
- 12-month ECLs: The portion of lifetime ECLs that result from possible default events within the 12 months after the reporting date

JARDINE LLOYD THOMPSON GROUP PLC

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The Group measures credit loss allowances on financial assets at an amount equal to lifetime ECLs, except for the following financial assets, which are measured as 12-month ECLs:

- debt instruments that are considered to have low credit risk at the reporting date; and
- other debt instruments and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default (i.e. loss incurred) when:

- there is evidence that the amount is unlikely to be paid in full, without recourse by the Group to actions such as realising collaterals (if any is held); or
- the financial asset is connected to a business with whom we no longer have a relationship and is longer than 3 months past due.

The Group applies the IFRS 9 simplified approach to measure ECLs on trade receivables and contract assets which represent unbilled consideration for which goods or services have been delivered, but the right to consideration is contingent on something other than passage of time. Under the simplified approach ECLs are measured at an amount equal to Lifetime ECLs. Lifetime ECLs on trade receivables and contract assets are measured based on the actual credit loss experience over the preceding 5 years.

The actual credit loss experience is adjusted, if considered significant, by scalar factors by an increase or decrease in the impairment provision percentage applied to various ageing brackets to reflect the expected losses that the Group expects to incur.

Credit loss allowances on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Credit loss allowances on financial assets measured at FVOCI are recognised in OCI, instead of reducing the carrying amount of the asset.

Credit loss allowances relating to trade and other receivables, including contract assets, are presented separately in the income statement. Impairment losses on financial assets other than trade and other receivables are presented as 'finance costs'.

The Group writes off financial assets measured at amortised cost when the view is that the amount is non recoverable and that all reasonable efforts have been made to collect the outstanding amounts.

FAIR VALUE OF FINANCIAL ASSETS

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

FINANCIAL LIABILITIES

All financial liabilities, except for derivative instruments, are measured at amortised cost. Interest expense is recognised in the income statement at the effective rate.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group only enters into derivative financial instruments in order to hedge underlying financial and commercial exposures.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged.

The Group designates derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge), a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment (cash flow hedge), or a hedge of a net investment in a foreign entity (net investment hedges).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in equity. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the consolidated income statement and classified as income or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in the hedging reserves and is reclassified to the income statement when a hedge no longer meets the criteria for hedge accounting or when the committed or forecasted transaction ultimately occurs. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in the income statement.

JARDINE LLOYD THOMPSON GROUP PLC

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The Group has elected to continue to apply the hedge accounting provisions contained in *Financial Instruments* (IAS 39) as permitted by paragraph 7.2.21 of IFRS 9. The ensuing accounting policies reflect the hedge accounting provisions under IAS 39.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

INSURANCE BROKING RECEIVABLES AND PAYABLES

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not included as an asset of the Group. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client.

In certain circumstances, the Group advances premiums, refunds or claims to insurance underwriters or clients prior to collection.

These advances are reflected in the consolidated balance sheet as part of trade receivables.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for credit impairment.

The Group uses an expected credit loss model to determine impairment provisions.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Whilst held in the Group's non-statutory trust accounts under appropriate client money regulation, fiduciary funds held are controlled by the Group and economic benefits are derived from them. As such these funds are recognised as an asset on the Group's balance sheet.

TRADE PAYABLES

Trade payables are initially recognised at fair value and subsequently measured at amortised cost except for contingent considerations, which is always measured at fair value based on the underlying criteria of each transaction.

BORROWINGS

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost using the effective interest rate method.

INCOME TAX

The charge for taxation is based on the result for the year at current rates of tax and takes into account deferred tax.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognised. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is charged or credited to equity in respect of any items, which is itself either charged or credited directly to equity.

Any subsequent recognition of the deferred gain or loss in the consolidated income statement is accompanied by the corresponding deferred income tax.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

JARDINE LLOYD THOMPSON GROUP PLC

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

EMPLOYEE BENEFITS

Pension obligations

The Group operates a number of defined benefit pension schemes, and a number of employees are members of defined contribution pension schemes.

Full actuarial valuations of the Group's defined benefit schemes are carried out at least every three years.

A qualified actuary updates these valuations to 31 December each year. For the purposes of these annual updates, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit credit method; these liabilities are discounted at the current rate of return of a high quality corporate bond of equivalent currency and term. The defined benefit surplus or deficit is calculated as the present value of defined benefit obligations less the fair value of the plan assets and is included on the Group's balance sheet. Surpluses are included only to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The net interest on the defined benefit surplus/deficit is included within finance costs. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised through the consolidated statement of comprehensive income.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The costs of the Group's defined contribution pension schemes are charged to the income statement in the period in which they fall due.

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the awards is recognised as an expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of awards that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (at nominal value) and share premium (excess over nominal value) when the options are exercised.

PROVISIONS FOR LIABILITIES AND CHARGES

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. Where appropriate the Group discounts provisions to their present value. The unwinding of the provision discounting is included as an interest expense within finance costs in the income statement.

REVENUE

Revenue comprises both commission and fees for the services undertaken to place and administer contracts of insurance, employee benefits arrangements and for other related services. Revenue may comprise a combination of fees, commissions and other forms of variable consideration. The transaction price considers all of the elements for each contract and applies constraints to variable consideration based on the past performance of similar contracts.

Where past performance has been volatile and has little predictive value, the constraint applied can be significant. Where appropriate revenue is deferred to account for the possibility of a cancellation or a refund liability. Performance obligations are assessed on the basis of the specific arrangements in the contract, or where such is not defined, on the basis of each separate and distinct obligation for which a market value can be ascribed.

The Group satisfies some performance obligations at a point in time, and others over time where the customer is receiving a simultaneous benefit, or the Group has a contractual right to payment for the work both performed and transferred to the client.

For contracts where the revenue is expected to be collected more than 1 year from its recognition and is not an estimate of a variable amount, consideration is given to the time value of money. Where relevant the deemed interest is recognised as a component of finance income.

Where the value of variable revenue is beyond the control of the Group and it cannot be estimated reliably and there is a probability it will reverse, it will not be recognised until the amount is known with reasonable certainty.

Contract warranties and indemnities are not a significant feature of the Group's business.

Incremental costs to obtain a contract and contract fulfilment costs are capitalised and amortised to profit or loss on a systematic basis to match the recognition of revenue as the service is delivered to the client. Such costs are capitalised only where the Group expects to recover these costs, and, in the case of incremental costs to obtain a contract, where the amortisation period of the asset is more than 1 year. Additionally, in respect of contract fulfilment costs, these costs must relate directly to the contract, generate assets used to satisfy the contractual performance obligations, and do not qualify to be recognised as an asset under other accounting standards.

JARDINE LLOYD THOMPSON GROUP PLC

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Assets recognised on the Group's balance sheet arising from the capitalisation of incremental costs to obtain a contract and contract fulfilment costs are presented as part of contract assets.

Insurance broking related services

Revenue may comprise a combination of fees, commissions and other forms of variable consideration. Where the contract specifically identifies the performance obligations then revenue is recognised accordingly.

Where there is no separate arrangement, revenue is considered to be wholly related to the placement activity and recognised at the later of the policy inception date, or the date on which the placement is complete and confirmed. Where there are separate arrangements or where other performance obligations are separate and distinct from placement, revenue is deferred to cover the provision of services that are more than administrative in nature and that are separate and distinct. In the main these post-placement performance obligations relate to the provision of claims related services.

Contract modifications are treated on a cumulative catch-up basis or as a new contract depending on the circumstances in each case.

A deferral of revenue is made to cover the likelihood of contract cancellation.

Fulfilment costs, which mainly represent the direct costs incurred from appointment or renewal instruction to the point at which placement is confirmed, are amortised in full when the placement revenue is recognised.

Revenue deferrals and fulfilment costs are mainly calculated on a portfolio basis, with estimates made based on past history.

Incremental costs to obtain a contract are capitalised where they can be directly identified and are expected to be recovered.

Employee benefits

Fee-based revenue is recognised in line with the distinct and separate performance obligations in the contract.

Fulfilment costs, which may include data transfer and other set up costs, are amortised in line with the recognition of revenue for the specific performance obligation.

The likelihood of cancellation is assessed based on past performance of similar contracts and a resulting deferral of revenue is made.

Commission-based remuneration follows the same recognition criteria as insurance broking and related services.

Other services

These are mainly fee-based arrangements and revenue is recognised in line with the distinct and separate performance obligations in the contract.

Fulfilment and other incremental costs to obtain the contract are capitalised where they are expected to be recovered and amortised as the revenue is recognised for each specific performance obligation.

Fees and other income receivable are recognised in the period to which they relate and it is probable that the Group will collect the consideration for the services rendered.

Investment income

Investment income arises from the holding of cash and investments relating to fiduciary funds and is recognised on an accruals basis.

LEASES

Assets held under leasing agreements, which transfer substantially all the risks and rewards of ownership to the Group, are included in property, plant and equipment. The capital elements of the related lease obligations are included in liabilities. The interest elements of the lease obligations are charged to the income statement over the period of the lease term.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

DIVIDEND DISTRIBUTION

Dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date. Final dividends are recognised as a charge to equity once approved and interim dividends are charged once paid.

FINANCIAL AND CAPITAL RISK MANAGEMENT

The Group's exposure to financial risks and its financial and capital management policies are detailed in Note 38.

JARDINE LLOYD THOMPSON GROUP PLC

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

a) Revenue

Revenue is required to be recognised on the basis of completed performance obligations. The extent of contract assets and liabilities recognised is dependent on a number of judgements (first three bullet points) and estimates (last two bullet points) namely:

- the number of performance obligations in a single contract;
- the expected likelihood and timing of post placement activities;
- the determination of whether a performance obligation has been completed;
- the costs and time associated with the various performance obligations; and
- the profit margins attributable to residual performance obligations.

The Group determines these judgements for a portfolio of contracts based on the geographical location of the underlying business and estimates based on the results of various surveys conducted. If actual experiences differ from what was originally expected this may have an impact on the profits.

Revenue on insurance broking activities is determined on the residual basis, which is the total transaction price adjusted for post placement activities. Key judgements applied in the insurance broking activities involve the identification and valuation estimates of the post placement obligations. The value of revenue attributed to post placement obligations is determined (estimated) by the cost of fulfilling post placement obligations and an appropriate profit margin. The revenue attributable to post placement obligation is recognised in the income statement over the estimated pattern of service. Variable consideration in insurance broking activities is only recognised when based on judgement it is highly probable that it will be received.

The nature of variable consideration includes commission arrangements, quota share brokerage and similar arrangements. The group has considered prior experience, current performance and the nature of the contracts in considering the amount of revenue to be recognised. Management have performed an analysis on material elements of variable consideration and has determined that the impact would be immaterial.

Revenue for Employee Benefits is recognised when separate performance obligations are completed. A key judgement in this business is the identification of the various performance obligations and determining whether the contract contains revenue that should be recognised over the contractual periods.

Further information on contract assets and contract liabilities is included in notes 18 and 19 of the financial statements.

b) Fair value estimation

The fair value of acquired intangible assets is estimated based upon the present value of modelled related expected future cash flows.

Judgement may be applied in the determination of the growth rates, discount rates and the expected cash flows. The results of the sensitivities to changes in assumptions for level 3 financial instruments is included in note 20.

c) Impairment of assets

The Group tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, change in regional economies and operational and financing cash flow.

JARDINE LLOYD THOMPSON GROUP PLC

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Details of the Group's Income Tax Expense and Deferred Tax balances can be found in notes 6 and 22 respectively.

e) Pension obligations

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

The assumption used in determining the net cost or income for pension obligations is a discount rate based upon high quality corporate bonds.

Any changes in the assumptions may impact the carrying amount of pension obligations, the charge in the income statement, or statement of comprehensive income.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. As well as the discount rate, the inflation rates and life expectancy are also key assumptions.

To set the price inflation assumptions the Group considers market expectations of inflation at the appropriate durations. Adjustments are made to these rates where necessary to reflect an inflation risk premium. In determining the life expectancy assumptions the Group considers the mortality assumptions used by the Trustees of the pension schemes in their latest actuarial valuations and also mortality guidance laid out by legislation. This enables the Group to determine a best estimate of life expectancy that is appropriate for accounting purposes.

f) Litigation and other provisions

During the ordinary course of business the Group can be subject to claims for errors and omissions made in connection with its broking activities.

A balance sheet provision is established in respect of such claims 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 and potential litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability.

The outcome of the currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a current or future lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and are in excess of the presently established provisions. It is possible therefore that the financial position, results of operations or cash flows of the Group could be materially affected by the unfavourable outcome of litigation. In assessing the provision for enhanced transfer value products, significant judgement has been applied, utilising past experience where available. The actual outcome may be materially different. The Group has applied considerable judgement, as described in note 23 to the Financial Statements, in determining a provision for customers who were offered pension related enhanced transfer value products.

g) Recognition of insurance broking debtors and creditors

A significant judgment in the insurance broking business is the determination of when the Group acts as agents in placing the insurable risks of their clients with insurers and, therefore will not be liable as principals for amounts arising from such transactions. In recognition of this agency relationship, debtors from insurance broking transactions are not included as an asset of the Group financial statements. Other than the receivable in respect of fees and commissions earned on a transaction, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client.

In certain circumstances, the Group advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the consolidated balance sheet as part of trade receivables.

In addition, the Group recognises fiduciary funds on balance sheet due to the control the Group exercises over the funds and economic benefits are derived from them through investment income. These funds include client money held in the form of premiums due to underwriters and claims paid by insurers due to policyholders. Fiduciary funds are not available for general corporate purposes.

JARDINE LLOYD THOMPSON GROUP PLC

FUTURE DEVELOPMENTS

The following standards have been published but are not mandatory for 31 December 2018 reporting period and the Group has not adopted them early.

IFRS 16 – Leases

IFRS 16 Leases ("IFRS 16" or the "Standard") was issued in January 2016 with a mandatory adoption date of 1 January 2019. The adoption of the Standard will result in the vast majority of leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed by the Standard. Under the Standard, a lessee recognises on its balance sheet, at commencement of a lease, a right-of-use asset (representing the right to use the leased item) and a financial liability for committed lease payments. The Group has made the election, as permitted by the Standard, to exempt short-term and low-value leases from this treatment. The accounting rules for lessors remain largely unchanged.

The Group will apply IFRS 16 from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The Group will recognise the cumulative effect of initially applying the Standard as an adjustment to opening retained earnings as at 1 January 2019.

For the initial application of the Standard, the Group will elect, on a lease-by-lease basis, to measure the right-of-use asset either (1) by determining the value of the right-of-use asset as if the Standard had always been applied; or (2) with reference to outstanding lease payments at 1 January 2019, adjusted for accruals and prepayments existing on the balance sheet at 31 December 2018.

On transition to IFRS 16 on 1 January 2019, the Group expects to recognise right-of-use assets of between £260 million and £315 million; lease and other liabilities of between £290 million and £345 million; and an increase in deferred tax assets of between £5 million and £6 million. Overall net assets and equity is expected to reduce by between £20 million and £24 million.

The Group expects that net profit before taxation and net profit after taxation will decrease between £4 million to £7 million and between £3 million to £6 million respectively for 2019 as a result of adopting the new requirements. Underlying trading profit used to measure segment results is expected to increase between £5 million to £7 million. This increase arises as IFRS 16 effectively redistributes lease payments from rental expense to depreciation and interest expense, whereby the latter is excluded from the measurement of underlying trading profit.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements in this respect. Notwithstanding this, additional disclosures will be made to comply with the requirements of the new Standard.

JARDINE LLOYD THOMPSON GROUP PLC

1. SEGMENT INFORMATION

Management has determined its operating segments based on the analysis used to make strategic decisions.

BUSINESS SEGMENT ANALYSIS

During the 2018 financial year, the Group has been restructured into three global trading divisions each operating on a worldwide basis; Specialty, Reinsurance, Employee Benefits and Head Office & Other. These segments are consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee.

The Specialty segment comprises JLT's global specialist, wholesale, personal lines and SME activities. The Reinsurance segment comprises of JLT's global reinsurance and captives management activities. The Employee Benefits segment consists of pension administration, outsourcing and employee benefits consultancy, healthcare and wealth management activities. The Head Office & Other segment consists mainly of holding companies, central administration functions and the Group's investment in associates.

SEGMENT RESULTS

Management assesses the performance of the operating segments based upon a measure of underlying trading profit. Segment results include the net income or expense derived from the trading activities of the segment together with the investment income earned on fiduciary funds. Interest income on the Group's own funds and finance costs are excluded since the trading activities of the Group's primary segments are not of a financial nature. Income tax expense and the charge in respect of non-controlling interests are excluded from the segmental allocation.

SEGMENT ASSETS AND LIABILITIES

Assets and liabilities are not allocated to individual segments and are therefore all reported within Head Office & Other.

INVESTMENTS IN ASSOCIATES

The Group owns the following stakes in its principal associates: 20% of GrECo, which operates mainly in Austria and Eastern Europe; 25% of MAG JLT, which operates mainly in Italy and 25% of March-JLT, which operates mainly in Spain. The investment and the Group's share of the net results of these associates are included in the Head Office & Other segment, together with the investment and results of the Group's other associates JLT Insurance Management Malta, JLT Energy (France) SAS and JLT Independent Insurance Brokers Private Ltd.

During the year, the Group disposed of its Mexican associate, Sterling Re Intermediario de Reaseguro SA de CV which was shown as held for sale last year.

OTHER SEGMENT ITEMS

Capital expenditure comprises additions to property, plant and equipment and other intangible assets.

JARDINE LLOYD THOMPSON GROUP PLC

1. SEGMENT INFORMATION CONTINUED

Year ended 31 December 2018	Global Specialty £'000	Global Reinsurance £'000	Global Employee Benefits £'000	Head Office & Other £'000	Total £'000
Fees and commissions	892,550	228,920	316,946	-	1,438,416
Investment income	9,579	3,165	121	-	12,865
Total revenue	902,129	232,085	317,067	-	1,451,281
Underlying trading profit/(loss)	192,726	45,761	51,185	(35,589)	254,083
Operating profit/(loss)	170,210	37,316	12,475	(122,375)	97,626
Finance costs - net	-	-	-	(23,562)	(23,562)
Share of results of associates	-	-	-	3,055	3,055
Profit/(loss) before taxation	170,210	37,316	12,475	(142,822)	77,119
Income tax expense	-	-	-	(31,887)	(31,887)
Non-controlling interests	-	-	-	(10,966)	(10,966)
Net profit/(loss) attributable to the owners of the parent	170,210	37,316	12,475	(185,735)	34,266
Segment assets				2,888,329	2,888,329
Investments in associates				54,234	54,234
Total assets				2,942,563	2,942,563
Segment liabilities				(2,631,927)	(2,631,927)
Total liabilities				(2,631,927)	(2,631,927)
Other segment items:					
Capital expenditure	19,520	2,712	12,439	12,871	47,542
Depreciation, amortisation and impairment charges (including amounts in salaries and associated expenses)	(21,948)	(4,705)	(10,788)	(14,505)	(51,946)

Year ended 31 December 2018	Global Specialty £'000	Global Reinsurance £'000	Global Employee Benefits £'000	Head Office & Other £'000	Total £'000
Timing of revenue recognition					
At a point in time:					
- Placement services	743,081	210,340	113,797	-	1,067,218
- Consulting and administration services	51,725	4,034	22,007	-	77,766
- Other services	4,101	86	2,489	-	6,676
Total revenue recognised at a point in time	798,907	214,460	138,293	-	1,151,660
Over time:					
- Consulting and administration services	43,392	1,210	177,967	-	222,569
- Claims handling services	49,374	4,817	671	-	54,862
- Other services	877	8,433	15	-	9,325
Total revenue recognised over time	93,643	14,460	178,653	-	286,756
Total fees and commissions	892,550	228,920	316,946	-	1,438,416

JARDINE LLOYD THOMPSON GROUP PLC

1. SEGMENT INFORMATION CONTINUED

GEOGRAPHICAL SEGMENT ANALYSIS

Although the Group's three business segments are managed on a worldwide basis, they operate in five principal geographical areas of the world.

The United Kingdom is the home country of the parent company Jardine Lloyd Thompson Group plc.

The Specialty segment operates in the United Kingdom, the Group's home country. In the Americas, the Specialty segment operates in Argentina, Bermuda, the Caribbean, Brazil, Canada, Colombia, Peru, Chile and the United States. The Australian segment includes operations in Australia and New Zealand. In Europe, it operates in the Republic of Ireland, Sweden, Finland, Norway, Denmark, Germany, Guernsey, Belgium, France, The Netherlands, Spain, Switzerland and Russia. The Asian segment includes operations in Singapore, Hong Kong, Taiwan, Indonesia, Japan, Thailand, South Korea, Philippines, Malaysia, China, Vietnam, Dubai, Qatar, Bahrain and Turkey. In Rest of the World, it operates in South Africa.

The Reinsurance segment operates in the United Kingdom. In the Americas, the Reinsurance segment operates in Bermuda, the Caribbean, Canada and the United States. The Australian segment includes operations in Australia. In Europe, it operates in the Republic of Ireland, Sweden, Denmark, Guernsey, France and Spain. The Asian segment includes operations in Hong Kong, Indonesia, Thailand, South Korea, Philippines and Malaysia.

The Employee Benefits segment operates in the United Kingdom. In the Americas, the Employee Benefits segment operates in Brazil, Canada, Colombia and Peru. The Australian segment includes operations in Australia and New Zealand. In Europe, it operates in the Republic of Ireland and Switzerland. The Asian segment includes operations in Singapore, Hong Kong, Taiwan, Indonesia, Japan, Thailand, South Korea, Philippines, Malaysia, China and Vietnam. In Rest of the World, it operates in South Africa.

The Head Office & Other activities segment is mainly based in the United Kingdom with minor operations in the Americas, Europe and Asia. The Group's captive operations are included in the United Kingdom segment.

Fees and commissions are disclosed by (1) the country in which the office is located and (2) the country in which the customer is located.

Segment non-current assets, segment assets and segment liabilities are disclosed based on the country in which they are located or occur. Interest bearing assets (e.g. cash & cash equivalents and investments & deposits) relating to the Group's own funds, held-for-sale financial assets and deferred tax assets are excluded from segment assets. Interest bearing liabilities (e.g. borrowings) and current and deferred tax liabilities are excluded from segment liabilities. Items excluded from segmental allocation are referred to as "unallocated".

Year ended 31 December 2018	Fees and commissions (1) £'000	Fees and commissions (2) £'000	Segment non-current assets £'000	Segment assets £'000	Segment liabilities £'000
UK	645,472	377,961	385,671	1,446,629	(1,226,694)
Americas	361,842	497,165	259,757	553,936	(306,192)
Australia	154,114	171,022	46,114	148,734	(104,235)
Asia	207,509	213,101	44,356	236,154	(159,705)
Europe	60,528	129,361	56,958	183,130	(62,604)
Rest of the World	8,951	49,806	6,555	8,803	(3,146)
	1,438,416	1,438,416	799,411	2,577,386	(1,862,576)
Investments in associates				54,234	-
Unallocated assets/(liabilities)				310,943	(769,351)
Total assets/(liabilities)				2,942,563	(2,631,927)

JARDINE LLOYD THOMPSON GROUP PLC

2. OPERATING PROFIT

The following items have been charged/(credited) in arriving at operating profit:

	2018 £'000
Foreign exchange losses/(gains):	
- fees and commissions	7,938
- other operating costs	(278)
	7,660
Amortisation of other intangible assets:	
- software costs	15,395
- other intangible assets	3,918
Write off of other intangible assets:	
- software costs	2,070
Depreciation on property, plant and equipment:	
- owned assets	12,750
- leased assets under finance leases	29
Impairment of fair value through profit and loss	2,491
Total depreciation, amortisation and impairment charges	36,653
Amortisation of capitalised employment contract payments (included in salaries and associated expenses)	15,293
(Gains)/losses on disposal of property, plant and equipment	(240)
Operating lease rentals payable:	
- minimum lease payments:	
- land and buildings	47,496
- furniture, equipment and motor vehicles	1,742
- computer equipment and software	328
- sub-leases receipts:	
- land and buildings	(574)
	48,992
Fair value gains on derivative financial instruments	338

3. INVESTMENT INCOME

	2018 £'000
Interest receivable - fiduciary funds	12,865
Prior year investment income	7,474
Effect of:	
- average cash balance variance	1,450
- interest yield variance	4,389
- foreign exchange variance	(448)
	12,865

The Group's investment income arises from its holdings of cash and investments relating to fiduciary funds. Equivalent average cash and investment balances during the year amounted to £912 million denominated principally in US dollars (62%), Sterling (12%) and Australian dollars (11%). The average return for 2018 was 1.41%. Based upon average invested balances each 1% movement in the average achieved rate of return would impact anticipated interest income by approximately £9.1 million.

JARDINE LLOYD THOMPSON GROUP PLC

4. FINANCE INCOME AND COSTS

	2018 £'000
Interest receivable - own funds	4,091
Interest expense:	
- bank and other borrowings	(18,507)
- finance leases	(207)
- interest in respect of liability discounting	(4,955)
Pension financing:	
- expected return on retirement benefits scheme assets	13,532
- interest on retirement benefits scheme liabilities	(17,516)
Net pension financing expense	(3,984)
Finance costs - net	(23,562)
Finance costs	(27,653)
Finance income	4,091
Finance costs - net	(23,562)

INTEREST RATE RISK

The Group has both interest-bearing assets, explained in note 4, and interest bearing liabilities that give rise to net exposures to changes in interest rates, primarily in US dollars and Sterling. Where appropriate, the Group uses interest rate swaps to hedge or match these interest rate exposures. The Group's policy is to continue to manage net interest rate exposures arising from the Group's cash (including fiduciary funds) and borrowings. Each 1% movement in the average achieved interest rate impacts interest expense and profit and loss by approximately £6.2 million based on average net borrowings in 2018. There will be no impact on other comprehensive income other than what is mentioned above.

JARDINE LLOYD THOMPSON GROUP PLC

5. EMPLOYEE INFORMATION

	2018 £'000
a) Salaries and associated expenses	
Wages and salaries	786,900
Social security costs	67,867
Pension costs	46,282
Equity settled share-based payments - incentive schemes (LTIP and SESS)	53,307
Other staff costs	47,562
	1,001,918
	2018
b) Analysis of employees	
Monthly average number of persons employed by the Group during the year	
Geographical segment:	
- UK	3,677
- Americas	2,121
- Australasia	1,103
- Asia	3,590
- Europe	362
- Rest of the world	143
	10,986
Business segment:	
- Specialty	5,622
- Reinsurance	929
- Employee Benefits	3,513
- Head Office	922
	10,986
	2018
	£'000
c) Key management compensation	
Salaries and short-term employee benefits	14,530
Post employment benefits	310
Other long-term benefits	334
Share-based payments	8,237
	23,411

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, including any director of the Group. This represents the Group Board of Directors and the Group Executive Committee only. The Group Executive Committee was reconstituted in April 2018 following the restructuring of the Group into three operating segments and accordingly reduced by 6 members. The Group's equity-settled share-based payments comprise the JLT Long Term Incentive Plan (2004/2013) and Senior Executive Share Scheme.

JLT LONG TERM INCENTIVE PLAN (2013)

The Group has operated a Long Term Incentive Plan (LTIP) for Executive Directors and persons discharging managerial responsibility (PDMRs). The scheme was renewed in 2013. Awards under the scheme were granted in the form of nil-priced options or conditional share awards and normally satisfied using market-purchased shares. Under the terms, the awards would vest in full or in part depending on satisfaction of the performance conditions which had a 3 year performance period and a 10 year life from the date of grant. Awards attracted discretionary dividend equivalents (DDEs) that were rolled up and paid, in cash, on vesting. DDEs were paid to award holders only on the awards that had vested. Forfeited or lapsed awards were not eligible to DDEs and the DDEs that had accrued on the balance sheet were released to equity at the date of forfeiture. All outstanding awards vested on 29 March 2019 upon the Court sanction of the scheme of arrangement in connection with the MMC acquisition of JLT.

JARDINE LLOYD THOMPSON GROUP PLC

5. EMPLOYEE INFORMATION CONTINUED

SENIOR EXECUTIVE SHARE SCHEME

The Group has operated a Senior Executive Share Scheme for senior management and employees. Awards under the scheme were granted in the form of nil-priced options or conditional share awards and satisfied using market-purchased shares. The majority of awards had no specific performance criteria attached, other than the requirement that employees remain in employment with the Group. Certain awards were granted with specific performance targets defined for the individual executives. In general these have required targets for revenue and profit growth to be met over the vesting period. The awards had a 10 year life from the date of grant. Awards granted prior to 1 January 2014 attracted unconditional DDEs throughout the vesting period; this meant that DDEs have been paid to the award holders as and when dividends were paid to ordinary shareholders and there was no clawback on the dividends in the event of a forfeiture of the awards. The awards granted post 1 January 2014 attracted DDEs that were rolled up and paid in cash, on vesting. From 8 June 2015, all vested options were no longer eligible to DDEs.

FAIR VALUE OF AWARDS

Under IFRS 2 the fair value of awards granted during the year, calculated using a Black-Scholes model, is set out below:

	Exercise price pence	Performance period	Black-Scholes model assumptions					Fair value of one award pence
			Share price on grant date pence	Volatility %	Dividend yield %	Maturity years	Risk free Interest rate %	
JLT Long Term Incentive Plan (2013)/ Senior Executive Share Scheme								
2018	-	2018-21	1,258.00	20.51	-	1 - 3	0.92	1,258.00
2018	-	2018-23	1,870.00	23.14	-	1 - 5	1.18	1,870.00
2018	-	2018-21	1,890.00	23.95	-	3	0.71	1,890.00

The award holders who have awards under the JLT Long Term Incentive Plan (2004/2013) and the Senior Executive Share Scheme also receive payments equating to the dividends payable on their shares (subject to meeting the performance criteria). Assuming that the dividend yield is zero and that the awards are issued with no cost to the employees, then the fair value will equal the share price at date of grant.

The volatility has been calculated based on the historical share price of the Company, using a 3 year term.

All awards granted under the share schemes are conditional upon the employees remaining in the Group's employment during the vesting period, the actual period varies according to the scheme in which the employee participates. In calculating the cost of awards granted, anticipated lapse rates for the JLT Long Term Incentive Plan (2004/2013) and the Senior Executive Share Scheme are nil as both are issued with no cost to the employee. All outstanding share awards vested on 29 March 2019 upon the Court sanction of the scheme of arrangement in connection with the MMC acquisition of JLT. This revision to the expected vesting date has been reflected in the amortisation charge in the income statement.

	Movement in number of awards					Weighted average exercise price (p)	Awards exercisable at 31 Dec 18 number	Remaining contractual life (years)
	Awards outstanding at 1 Jan 18 number	Granted number	Lapsed number	Exercised number	Awards outstanding at 31 Dec 18 number			
JLT Long Term Incentive Plan (2013)	2,243,952	688,500	(487,815)	(181,538)	2,263,099	1,345.78	9,699	8.20
Senior Executive Share Scheme	7,589,749	2,344,170	(424,830)	(2,345,650)	7,163,439	1,307.16	767,265	7.96
Total	9,833,701	3,032,670	(912,645)	(2,527,188)	9,426,538	1,309.94	776,964	8.02

JARDINE LLOYD THOMPSON GROUP PLC

6. INCOME TAX EXPENSE

	2018 £'000
Current tax expense	
Current year	31,961
Adjustments in respect of prior years	472
	32,433
Deferred tax (credit)	
Origination and reversal of temporary differences	66
Change in tax rate	(594)
Adjustments in respect of prior years	(18)
	(546)
Total income tax expense	31,887

In July 2015 the UK Government announced further measures in relation to the UK corporation tax rate, reducing the headline rate of corporation tax to 19% from April 2017 and then to 18% from April 2020. A further 1% reduction in the main rate of corporation tax rate to 17% from 1 April 2020 was announced in Budget 2016. As at 31 December 2018, the additional 1% rate reduction to 17% from April 2020 has been enacted. The impact of the rate reduction to 17% has been incorporated into the income tax charge for the year ended 31 December 2018, taking into consideration when timing differences are expected to reverse.

As explained in note 35, prior period balances have been restated for IFRS 15, resulting in the recognition of higher deferred tax balances. As IFRS 15 or equivalent local standards have been recognised in local tax bases in 2018 some of those timing differences have reversed resulting in lower current tax and reversal of deferred tax temporary difference.

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:

	2018 £'000
Profit before taxation	77,119
Tax calculated at UK Corporation Tax rate of 19.00%	14,653
Non-deductible expenses	1,992
Non recognition of tax losses	4,054
Other*	532
Adjustments in respect of prior years	454
Effect of difference between UK and non-UK tax rates	11,376
Effect of change in tax rate	(594)
Tax on associates	(580)
Total income tax expense	31,887

* Other includes the non-taxable losses/(gains) on disposal of subsidiaries.

JARDINE LLOYD THOMPSON GROUP PLC

7. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit attributable to shareholders by the sum of the weighted average number of ordinary shares in issue during the year and the vested share options eligible to discretionary dividends equivalents, excluding unallocated shares held by the Trustees of the Employees' Share Ownership Plan Trust which are treated as treasury shares. The profit attributable to shareholders is the profit attributable to the owners of the parent adjusted for the dividends equivalents and undistributed earnings attributable to the unvested share options carrying unconditional dividends equivalents rights.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue to take account for the potential dilutive effect of outstanding share options.

A reconciliation of earnings is set out below:

	2018 No. of shares
Weighted average number of shares	212,038,505
Effect of outstanding share awards	7,809,308
Adjusted weighted average number of shares	219,847,813

	2018				
	£'000	£'000	£'000	Pence	Pence
	Earnings	Adjustments ²	Adjusted earnings for basic earnings per share	Basic earnings per share	Diluted earnings per share
Profit attributable to the owners of the parent	34,266	(10)	34,256	16.2	15.6

² Adjustments related to the dividends and undistributed earnings on unvested share awards carrying unconditional dividends equivalent rights.

8. DIVIDENDS

	2018 £'000
Final dividend in respect of 2017 of 21.8p per share	47,237
Less: adjustment for dividend equivalents*	(509)
	46,728
Interim dividend in respect of 2018 of 12.7p per share	28,448
	75,176

* 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.

No final dividend is proposed in respect of the financial year ended 2018.

JARDINE LLOYD THOMPSON GROUP PLC

9. GOODWILL

	Gross amount £'000	Impairment losses £'000	Net carrying amount £'000
At 31 December 2018			
Opening balance	583,699	(5,921)	577,778
Exchange differences	9,345	(208)	9,137
Disposals	(412)	-	(412)
Acquisitions	32,934	-	32,934
Closing balance	625,566	(6,129)	619,437

IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the manner in which the business is managed. During 2018 this changed from being by country of operation and business segment to being based on the business segment reporting structure. No additional impairment was identified as a result of this change in allocation. A summary of the goodwill allocation is presented below.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period and are discounted using the weighted average cost of capital. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below:

	Net carrying amount £'000	Key assumptions	
		Growth rate (1) %	Discount rate (2) %
At 31 December 2018			
Global Specialty	309,884	2.16%	5.50%
Global Reinsurance	192,035	1.61%	5.76%
Global Employee Benefits	117,518	2.53%	5.57%
	619,437	2.17%	5.55%

1) Average growth rate used to extrapolate cash flows beyond five years.

2) Pre-tax discount rate applied to the cash flow projections.

The key assumptions used in value-in-use calculations were:

The budgeted trading profit growth: Management determines budgeted trading profit based on past experience and its expectation for market development.

The budgeted investment income growth is based on past experience and long-term interest rates projections.

The discount rates used are pre-tax and reflect specific risks relating to the relevant segment and country of operation.

The weighted average growth rates used are consistent with long-term economic forecasts in the countries of operation.

The value-in-use is compared to an adjusted goodwill. The adjusted goodwill is the goodwill grossed up to reflect a 100% ownership by the Group.

The key sensitivity analyses are:

A decrease of 1% in the growth rate resulted in a reduction of 21% in the excess between the value in use and the adjusted carrying value of goodwill.

An increase of 2% in the discount rate resulted in a reduction of 45% in the excess between the value in use and the adjusted carrying value of goodwill.

A combined decrease of 1% in the growth rate and an increase of 2% in the discount rate resulted in a reduction of 50% in the excess between the value in use and the adjusted carrying value of goodwill.

JARDINE LLOYD THOMPSON GROUP PLC

10. OTHER INTANGIBLE ASSETS

	Computer software £'000	Capitalised employment contract payments £'000	Other* £'000	Total £'000
At 31 December 2018				
Opening net book value	64,281	18,989	25,684	108,954
Exchange differences	196	271	177	644
Additions	18,459	15,402	1,741	35,602
Companies acquired	10	4	4,802	4,816
Companies disposed	-	-	(136)	(136)
Amortisation charge	(17,465)	(15,293)	(3,918)	(36,676)
Closing net book value	65,481	19,373	28,350	113,204
At 31 December 2017				
Cost	179,718	49,878	45,624	275,220
Accumulated amortisation and impairment	(114,237)	(30,505)	(17,274)	(162,016)
Closing net book value	65,481	19,373	28,350	113,204

Additions to computer software during 2018 include £14,366,000 of capitalised costs in respect of internal developments.

*Other principally relates to acquisition related intangible assets.

11. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings £'000	Leasehold improvements £'000	Furniture & equipment £'000	Motor vehicles £'000	Total £'000
At 31 December 2018					
Opening net book value	19	47,489	19,475	1,662	68,645
Exchange differences	-	50	14	4	68
Additions	-	2,417	8,793	730	11,940
Companies acquired	-	10	99	21	130
Companies disposed	-	-	(9)	-	(9)
Disposals	(19)	(848)	(220)	(138)	(1,225)
Depreciation charge	-	(5,742)	(6,343)	(694)	(12,779)
Closing net book value	-	43,376	21,809	1,585	66,770
At 31 December 2017					
Cost	-	80,955	67,939	5,159	154,053
Accumulated depreciation	-	(37,579)	(46,130)	(3,574)	(87,283)
Closing net book value	-	43,376	21,809	1,585	66,770

The net book value of property, plant and equipment held under finance leases is as follows:

	2018 £'000
Furniture, equipment and motor vehicles	460

JARDINE LLOYD THOMPSON GROUP PLC

12. INVESTMENTS IN ASSOCIATES

None of the associates are considered individually material to the Group. A reconciliation of the summarised financial information of the associates is presented in aggregate below.

	2018 £'000
Opening net assets	44,185
Profit for the year	14,497
Other comprehensive income	-
Dividends	(10,309)
Change in non-controlling interests	(151)
Disposal of held for sale associate	(1,939)
Exchange differences	439
Closing net assets	46,722
Carrying value	54,234

There are no contingent liabilities relating to the Group's interest in any of its associates.

13. OTHER FINANCIAL ASSETS

Following the adoption of *IFRS 9 Financial Instruments* (IFRS 9) on 1 January 2018, financial assets, which are not trading or other receivables, are categorised according to their nature into three classification and measurement categories:

1. Financial assets at fair value through other comprehensive income (FVOCI): Consist mainly of investments in preference shares and some equity holdings held for strategic purposes.
2. Financial assets at fair value through profit and loss (FVTPL): Consist mainly of contingent considerations.
3. Financial assets at amortised cost: Includes fixed term deposits, bonds and certificates of deposit.

	Financial assets at fair value through other comprehensive income £'000	Financial assets at fair value through profit or loss £'000	Financial assets at amortised cost £'000	Total £'000
At 1 January 2018 (restated in respect of IFRS 9)	6,137	4,870	120,931	131,938
Exchange differences	400	-	(584)	(184)
Additions	2,356	-	167,774	170,130
Disposals/maturities	-	-	(114,845)	(114,845)
Fair value adjustment	-	(2,491)	-	(2,491)
At 31 December 2018	8,893	2,379	173,276	184,548
Analysis of other financial assets				
Current	-	2,207	161,956	164,163
Non-current	8,893	172	11,320	20,385
At 31 December 2018	8,893	2,379	173,276	184,548
Analysis of financial assets at fair value				
Equity investment - listed	1	-	-	1
Equity investment - not listed	949	-	-	949
Debt instrument - not listed	7,943	2,379	-	10,322
At 31 December 2018	8,893	2,379	-	11,272

The credit quality of financial assets at amortised cost and available for sale investments & deposits is assessed by reference to external credit ratings, where available, and other current and historical credit data including counterparty default rates. This is summarised as follows:

	Financial assets at amortised cost 2018 £'000
AA	63,944
A	68,551
BBB	40,714
Other	67
Total	173,276

The Group's maximum exposure to credit risk are the amounts presented in the Financial Statements.

JARDINE LLOYD THOMPSON GROUP PLC

14. DERIVATIVE FINANCIAL INSTRUMENTS

	At 31 December 2018	
	Assets £'000	Liabilities £'000
Interest rate swaps - fair value hedges	11,497	(5,358)
Forward foreign exchange contracts - cash flow hedges	75,740	(33,045)
Redemption liabilities - option contracts	-	(83,848)
Total	87,237	(122,251)
Current	3,241	(9,634)
Non-current	83,996	(112,617)
Total	87,237	(122,251)

The credit quality of counterparties with whom derivative financial assets are held is assessed by reference to external credit ratings, where available, and other current and historical credit data including counterparty default rates. This is summarised as follows:

	2018 £'000
AA	50,967
A	24,377
BBB	11,893
Total	87,237

Maturity analysis

The table below analyses the Group's derivative financial instruments, which will be settled on a gross basis, into relevant maturity groupings based upon the remaining period at the balance sheet date to contractual maturity. The amounts disclosed are the contractual undiscounted cash flows.

At 31 December 2018	£'000	£'000
Forward foreign exchange contracts		
Outflow	(459,631)	(800,392)
Inflow	447,600	834,807
Net outflow (inflow)	12,131	(33,915)

Offsetting

Individual derivative instruments recognised on the balance sheet represent the net amount payable or receivable on each derivative contract. All derivative contracts include ISDA settlement terms, where on default of the counterparty the exposure is only the net receivable or payable.

These contracts are entered into under an ISDA Master Agreement which determines that, if certain credit events occur (such as default), the net position owing/receivable to a single counterparty will be taken as a single amount owing and all the relevant arrangements terminated allowing offset between contracts. As at the balance sheet date Jardine Lloyd Thompson Group plc did not have a legally enforceable right of set-off. Therefore these items are presented gross and the potential offset of £34 million was not effected on the balance sheet, which would reduce exposure on derivative assets and liabilities to £54 million and £88 million respectively.

The Group's treasury policies are approved by the Board and are implemented by a centralised treasury department. The treasury department operates within a framework of policies and procedures that establish specific guidelines to manage currency risk, liquidity risk and interest rate risk and the use of counterparties and financial instruments to manage these risks. The treasury department is subject to periodic review by internal audit.

The Group uses various derivative instruments including forward foreign exchange contracts, interest rate swaps and, from time to time, foreign currency collars and options to manage the risks arising from variations in currency and interest rates. Derivative instruments purchased are primarily denominated in the currencies of the Group's main markets.

Where forward foreign exchange contracts have been entered into to manage currency risk, they are designated as hedges of currency risk on specific future cash flows, and qualify as highly probable transactions for which hedge accounting is applied. The Group anticipates that hedge accounting requirements will continue to be met on its foreign currency and interest rate hedging activities and that no material ineffectiveness will arise which will result in gains or losses being recognised through the income statement.

The fair value of financial derivatives based upon market values as at 31 December 2018 and designated as effective cash flow hedges was a net asset of £42.7 million and has been deferred in equity. Gains and losses arising on derivative instruments outstanding as at 31 December 2018 will be released to the income statement at various dates up to:

- i) 44 months in respect of cash flow hedges on currency denominated UK earnings.
- ii) 11 years in respect of specific hedges on USD denominated long-term debt drawn under the Group's USD private placement programme.
- iii) 7 years in respect of interest rate hedges on Sterling denominated long term debt drawn under the Group's private placement programme.

No material amounts were transferred to the income statement during the year in respect of the fair value of financial derivatives.

Transactions maturing within 12 months of the balance sheet date are classified in current maturities. Transactions maturing in a period in excess of 12 months of the balance sheet date are classified in non-current maturities.

a) Forward foreign exchange contracts

The Group's major currency transaction exposure arises in USD and the Group continues to adopt a prudent approach in actively managing this exposure. As at 31 December 2018 the Group had outstanding foreign exchange contracts, principally in USD, amounting to a principal value of £1,282,408,000.

As a guide, each USD 1 cent movement in the achieved rate (taking into account the hedges in place) currently translates into a change of approximately £2 million in revenue, with a corresponding impact on trading profit equal to approximately 70% of the revenue change.

Any movement in the value of a foreign exchange contract will be recognised directly in equity until the underlying hedged transaction occurs, at which time the cumulative amounts recognised in equity will be recycled to revenue.

JARDINE LLOYD THOMPSON GROUP PLC

14. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

b) Interest rate swaps

The Group uses interest rate hedges, principally interest rate swaps, to mitigate the impact of changes in interest rates. The notional principal amount of outstanding cross currency interest rate swaps as at 31 December 2018 was USD458,000,000 and £75,000,000. A net gain of £6.1 million on these instruments was offset by a fair value loss of £6.1 million on the private placement loan notes, both of which were recognised in the income statement in the year.

Any potential changes in the value of the interest swaps recognised in profit and loss will be offset by an equal and opposite movement in the fair value of the debt.

c) Redemption liabilities

The redemption liabilities represent the valuation of the put options provided in the shareholders agreements of JLT Specialty Insurance Services Inc., JLT Sigorta ve Reasurans Brokerligi Ltd Sirketi, JLT SCK Corretora e Administradora de Seguros Ltda and Construction Risk Partners LLC. Fair value of these liabilities resulted in a gain of £1.2 million which was recognised in the income statement in the year.

d) Price risk

The Group does not have a material exposure to commodity price risk.

The maximum exposure to credit risk at the reporting date is the fair value of the derivatives on the balance sheet.

15. TRADE AND OTHER RECEIVABLES

	2018 £'000
Current	
Trade receivables, including other revenue debtors	503,201
Less: provision for impairment of trade receivables	(18,401)
Trade receivables - net	484,800
Other receivables	65,382
Prepayments	28,881
	579,063

	2018 £'000
Non-Current	
Trade receivables, including other revenue debtors	2,141
Less: provision for impairment of trade receivables	(28)
Trade receivables - net	2,113
Other receivables	18,351
Prepayments	162
	20,626

As at 31 December 2018, the Group had exposures to individual trade counterparties within trade receivables. In accordance with Group policy, Group operating companies continually monitor exposures against credit limits and concentrations of risk. No individual trade counterparty credit exposure is considered significant in the ordinary course of trading activity. Management does not expect any significant losses from non-payment by trade counterparties that have not been provided for.

Movements on the Group's provision for impairment of trade receivables are as follows:

	Lifetime ECL - not credit impaired		Lifetime ECL - credit-impaired	Total lifetime ECL
	Collectively assessed £'000	Individually assessed £'000	£'000	£'000
At 1 January 2018 (restated for the adoption of IFRS 9)	(5,217)	(8,663)	(4,428)	(18,308)
Currency translation adjustments	(80)	(301)	(219)	(600)
Companies acquired	-	-	(32)	(32)
Transfer to credit-impaired	5	115	(120)	-
Transfer from credit-impaired	(33)	-	33	-
Other transfers	428	(428)	-	-
Amount recognised in profit and loss	(1,103)	305	(1,409)	(2,207)
Amounts written off	289	1,592	837	2,718
At 31 December 2018	(5,711)	(7,380)	(5,338)	(18,429)

JARDINE LLOYD THOMPSON GROUP PLC

15. TRADE AND OTHER RECEIVABLES CONTINUED

The impairment charge for the current year is attributable to the increase in trade receivables and this has increased the general provisions. The increase in the impairment provision for lifetime expected losses recognised in 2018 is principally attributable to trade receivables originated prior to 1 January 2018.

The creation and release of provisions for impaired trade receivables have been included in 'Net credit impairment losses on financial and contract assets' in the income statement.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The following table sets out details of the age of trade receivables that are not overdue as well as an analysis of overdue amounts impaired and provided for:

	At 31 December 2018			
	Trade receivables	Expected credit loss rate	Provision for impairment	Net trade receivables
Current and Non-current	£'000		£'000	£'000
Not overdue	363,858	0.9%	(3,165)	360,693
Past due not more than three months	93,164	1.4%	(1,261)	91,903
Past due more than three months and not more than six months	24,583	3.3%	(819)	23,764
Past due more than six months and not more than twelve months	11,090	19.7%	(2,190)	8,900
Past due more than one year and not more than two years	6,016	72.5%	(4,363)	1,653
Past due more than two years	6,631	100.0%	(6,631)	-
	505,342	3.6%	(18,429)	486,913

16. CASH AND CASH EQUIVALENTS

	2018 £'000
Cash at bank and in hand	577,418
Short-term bank deposits	430,066
	1,007,484
Fiduciary funds	820,822
Own funds	186,662
	1,007,484

Fiduciary funds represent client money held in the form of premiums due to underwriters, claims paid by insurers and due to policyholders, and funds held to defray commissions and other income. Fiduciary funds are not available for general corporate purposes. The Group has no additional exposure to credit risk apart from the balances reported in the Financial Statements.

Cash and cash equivalents, measured at amortised cost, are subject to the impairment provisions of IFRS9. The estimated credit losses related to these assets are immaterial. The credit quality of cash at bank and in hand and short-term deposits is assessed by reference to external credit ratings where available and other current and historical credit data including counterparty default rates. This is summarised as follows:

	2018 £'000
AAA	64,003
AA	390,718
A	284,694
BBB	241,789
Other	26,280
Total	1,007,484

The effective interest rate in respect of short-term deposits was 1.97%. These deposits have an average maturity of 13 days.

JARDINE LLOYD THOMPSON GROUP PLC

17. TRADE AND OTHER PAYABLES

	2018 £'000
Current	
Insurance payables	982,778
Social security and other taxes	24,878
Other creditors and accruals	355,267
Deferred consideration	4,025
	1,366,948
Non-current	
Other creditors and accruals	34,146
Deferred consideration	17,173
	51,319

Rent-free accrual and deferred consideration previously disclosed as current liabilities has been reclassified between current and non-current liabilities. The total of trade and other payables include £152,916,000 of non-financial liabilities.

18. CONTRACT ASSETS

(a) Assets related to contracts with customers

The Group has recognised the following assets related to contracts with customers:

	2018 £'000
Estimated contract values	73,042
Asset recognised for costs incurred to fulfil contracts	28,842
Other contract values	8,693
	110,577
Less: provision for loss allowance	(2,153)
Total contract assets	108,424

	2018 £'000
Analysis of contract assets	
Current	69,000
Non-current	39,424
Total contract assets	108,424

(b) Significant changes in contract assets

The increase in contract assets is primarily attributable to the increase in revenue in the reinsurance segment relating to brokerage on quota share in the current year and multi-year agreements concluded in the prior year.

(c) Asset recognised from costs to fulfil a contract

The Group has also recognised an asset relating to costs to fulfil contracts and has presented it within contract assets in the balance sheet.

	2018 £'000
Opening balance	27,688
Asset recognised from costs incurred to fulfil a contract during the year	74,560
Amortisation expense recognised as a cost of providing services during the year	(73,809)
Foreign exchange	403
Closing balance	28,842

(d) Information regarding costs incurred to fulfil contract

The asset recognised in respect of costs incurred to fulfil contracts costs consists of two distinct components: internal costs (fulfilment costs) and external costs (incremental costs to obtain). Fulfilment costs principally relate to the costs incurred during the insurance placement process, or project start up phases in other businesses. These are capitalised when the costs are incurred in a period prior to the completion of the performance obligation. The costs capitalised are the direct costs of those individuals involved in the placement process or startup phase of the project and do not include any indirect costs. Direct costs are estimated by means of staff survey for costs and time incurred to the place risks, or directly attributable to a service. Incremental costs to obtain a contract may include third party introducer fees and other legal and professional advisor costs.

(e) Amortisation of cost to fulfill a contract

The Group amortised £74 million of fulfilment costs during the year. There has been no material impairment of fulfilment costs during the current or prior year.

JARDINE LLOYD THOMPSON GROUP PLC

18. CONTRACT ASSETS CONTINUED

Movements on the Group's provision for impairment of estimated contract values and other contract values are as follows:

	Lifetime ECL - not credit impaired		Lifetime ECL - credit-impaired	Total lifetime ECL
	Collectively assessed	Individually assessed		
	£'000	£'000	£'000	£'000
At 1 January 2018 (as previously reported)	-	-	-	-
Adjustments on adoption of IFRS 9	(664)	(119)	-	(783)
At 1 January 2018 (restated)	(664)	(119)	-	(783)
Currency translation adjustments	(26)	10	(36)	(52)
Amount recognised in profit and loss	101	(1,012)	(895)	(1,806)
Amounts written off	343	-	145	488
At 31 December 2018	(246)	(1,121)	(786)	(2,153)

The creation and release of provisions for impaired contract assets have been included in 'Net credit impairment losses on financial assets' in the income statement.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of contract asset mentioned above. The Group does not hold any collateral as security.

The following table sets out details of the classification of contract assets and an analysis of amounts impaired and provided for:

	Contract Assets	Expected credit loss rate	Provision for impairment	Net Contract Asset
	£'000	%	£'000	£'000
Current and Non-current				
At 31 December 2018				
Current	48,251	4.4%	(2,129)	46,122
Non-current	33,484	0.1%	(24)	33,460
	81,735	2.6%	(2,153)	79,582

JARDINE LLOYD THOMPSON GROUP PLC

19. CONTRACT LIABILITIES

(a) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	2018 £'000
Claims handling performance obligations	47,707
Other post-placement performance obligations	14,708
Cancellation and refund deferrals	8,515
Cash received in advance	10,406
Total contract liabilities	81,336

	2018 £'000
Analysis of contract liabilities	
Current	57,387
Non-current	23,949
Total contract liabilities	81,336

(b) Significant changes in contract liabilities

The largest component of contract liabilities relates to claims handling performance obligations which has remained largely unchanged in the current year with efficiencies within the business (driving a decrease in contract liabilities), partially offset by an increase in the volume of the business. The movements in the recognition of future claims handling performance obligations is not proportional to revenue as the Group does not provide claims handling services on all its insurance broking activities.

The majority of other post-placement activities are attributable to the Employee Benefits business where there are continuing obligations of the business after the completion of the original performance obligation.

Cancellation and related refund provisions and cash received in advance are point-in-time balances and will vary depending on the nature of the underlying contracts and the receipts of cash.

(c) Revenue recognised in relation to contract liabilities

The following tables disclose the revenues recognised in the current reporting period relating to carried-forward contract liabilities, and performance obligations that were satisfied in prior years:

	2018 £'000
Revenues recognised that were included in the contract liability balance at the beginning of the year	
Claims handling performance obligations	25,499
Other post-placement performance obligations	12,960
Cancellation and refund deferrals	8,539
Cash received in advance	12,486
	59,484

	2018 £'000
Revenues recognised from performance obligations satisfied in prior years	
Change in transaction price on proportional treaties	1,062
Change in transaction price on profit commissions	1,015
Other	1,359
	3,436

(d) Unsatisfied performance obligations

The following table discloses the transaction price allocated to unsatisfied performance obligations on contracts with original duration of more than one year:

	2018 £'000
Transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as at the end of the year	
Within one year	77,171
More than one year	79,732
	156,903

JARDINE LLOYD THOMPSON GROUP PLC

20. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

At 31 December 2018					
	Financial assets at fair value through other comprehensive income £'000	Financial assets at fair value through profit or loss £'000	Derivatives used for hedging £'000	Financial assets at amortised cost £'000	Total £'000
Assets per balance sheet					
Other financial assets	8,893	2,379	-	173,276	184,548
Derivative financial instruments	-	-	87,237	-	87,237
Trade and other receivables (a)	-	1,237	-	548,945	550,182
Cash and cash equivalents	-	78,219	-	929,265	1,007,484
Total	8,893	81,835	87,237	1,651,486	1,829,451
			Derivatives	Other Financial	Total
Liabilities per balance sheet			£'000	Liabilities £'000	£'000
Borrowings			-	(733,392)	(733,392)
Trade and other payables (b)			-	(1,265,351)	(1,265,351)
Redemption liabilities - option contracts			(83,848)	-	(83,848)
Derivative financial instruments			(38,403)	-	(38,403)
Total			(122,251)	(1,998,743)	(2,120,994)

(a) Prepayments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.

(b) Non-financial liabilities are excluded from the trade and other payables balance, as this analysis is required only for financial instruments.

JARDINE LLOYD THOMPSON GROUP PLC

20. FINANCIAL INSTRUMENTS BY CATEGORY CONTINUED

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2018.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 December 2018				
Assets				
Derivatives used for hedging	-	87,237	-	87,237
Other financial assets at fair value through comprehensive income (FVOCI)				-
- equity securities	1	-	949	950
- debt investments	-	-	7,943	7,943
Other financial assets at fair value through profit or loss (FVTPL)				-
- cash equivalents	78,219	-	-	78,219
- other receivables	-	-	1,237	1,237
- other financial assets	-	-	2,379	2,379
Total	78,220	87,237	12,508	177,965
Liabilities				
Contingent consideration	-	-	(16,725)	(16,725)
Redemption liabilities - option contracts	-	-	(83,848)	(83,848)
Derivatives used for hedging	-	(38,403)	-	(38,403)
Total	-	(38,403)	(100,573)	(138,976)

Apart from where disclosed, there are no differences between the fair value and the carrying value of financial assets and liabilities.

Instruments included in level 1 are financial instruments traded in active markets for which the fair value is based upon quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Instruments included in level 2 are financial instruments that are not traded in an active market (for example, over-the-counter derivatives) and for which the fair value is determined by using internal and external models. These models maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in level 2. Level 2 includes derivatives used for hedging, which are valued using a discounted cash flow methodology incorporating observable market forward foreign exchange and interest rates.

During the year there were no transfers between level 1 and level 2. There were no changes in valuation techniques during the year.

Instruments included in level 3 are financial instruments for which one or more of the significant inputs is not based on observable market data.

In respect of deferred and contingent consideration and redemption liabilities – option contracts, unobservable inputs include management's assessment of the expected future performance of relevant acquired businesses and are valued using a discounted cash flow methodology.

The discount rate used to determine the value of the redemption liabilities due to non-controlling interests in the United States (2018: £80 million) was 4.039%. The discount rate is considered to be the most significant unobservable input because of the underlying nature of the obligation.

A 1% increase in the discount rate applied in the calculation applied in the calculation of the redemption liabilities would have resulted in a decrease in the value of liability by £4.7 million which would be recognised in the income statement.

A 1% decrease in the discount rate applied in the calculation applied in the calculation of the redemption liabilities would have resulted in an increase in the value of liability by £5.2 million which would be recognised in the income statement.

The estimated profits used in determining the value of the business will also have a material impact in determining the value of the liability.

Of the Level 3 assets, £8 million represents investments in preference shares.

A reconciliation of the movements in level 3 is provided below:

	Assets Level 3 £'000	Liabilities Level 3 £'000
At 1 January 2018	12,226	(89,724)
Exchange differences	400	(4,281)
Additions	2,356	-
Companies acquired	-	(7,298)
Utilised in the year	-	2,775
Fair value adjustments	-	-
Charged to income statement	(2,474)	(2,045)
At 31 December 2018	12,508	(100,573)

The net charge of £2,045,000 relating to Level 3 Liabilities represents £4,871,000 of finance costs and a £2,826,000 credit included in other operating costs.

JARDINE LLOYD THOMPSON GROUP PLC

21. BORROWINGS

	2018 £'000
Current	
Bank overdraft	15,892
Bank borrowings	252
Finance lease liabilities	1,723
	17,867
Non-current	
Unsecured loan notes	440,220
Bank borrowing	269,654
Finance lease liabilities	5,651
	715,525
Total borrowings	733,392

The borrowings include secured liabilities (finance leases) of £7,374,000.

During 2018 there have been no material changes in loan balances, or facilities, apart from the impact of revaluation of USD denominated loans.

The exposure of the borrowings of the Group to interest rate changes and the periods in which the borrowings re-price are as follows:

	6 months or less £'000	6-12 months £'000	1-5 years £'000	Over 5 years £'000	Fixed rate £'000	Total £'000
At 31 December 2018	680,003	-	-	-	53,389	733,392

The effective interest rates at the balance sheet date were as follows:

	2018 £'000
Bank overdraft	-
Unsecured loan notes - private placement	2.98%
Bank borrowings	1.85%
Finance lease liabilities	2.93%

During 2018 there was no interest charge on bank overdrafts. Interest is charged only to the extent that overdraft balances exceed the deposits held with the bank.

JARDINE LLOYD THOMPSON GROUP PLC

21. BORROWINGS CONTINUED

Maturity of non-current borrowings (excluding finance lease liabilities):

	2018 £'000
Between 1 and 2 years	64,869
Between 2 and 3 years	-
Between 3 and 4 years	302,639
Between 4 and 5 years	106,730
Over 5 years	235,636
	709,874

Finance lease liabilities - minimum lease payments:

	2018 £'000
No later than 1 year	1,891
Later than 1 year and no later than 2 years	1,859
Later than 2 years and no later than 3 years	1,786
Later than 3 years and no later than 4 years	1,774
Later than 4 years and no later than 5 years	498
Later than 5 years	37
	7,845
Future finance charges on finance leases	(471)
Present value of finance lease liabilities	7,374

The present value of finance lease liabilities is as follows:

	2018 £'000
No later than 1 year	1,723
Later than 1 year and no later than 2 years	1,704
Later than 2 years and no later than 3 years	1,701
Later than 3 years and no later than 4 years	1,722
Later than 4 years and no later than 5 years	488
Later than 5 years	36
	7,374

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

JARDINE LLOYD THOMPSON GROUP PLC

21. BORROWINGS CONTINUED

The carrying amount of the Group's borrowings is denominated in the following currencies:

	2018 £'000
Sterling	374,535
US Dollar	357,612
Other currencies	1,245
	733,392

Borrowing facilities

The Group has undrawn committed borrowing facilities of:

	2018 £'000
Floating rate	
- expiring beyond one year	230,000

Facilities expiring beyond one year relate to:

- The committed unsecured £500 million revolving credit facilities in the name of JIB Group Limited which matures in February 2022. As at the balance sheet date, drawings under the revolving credit facilities are subject to a margin and fees of 115 basis points above the relevant LIBOR interest rate and additional commitment fees on the undrawn facility.
- Senior unsecured loan notes totalling USD 83 million issued by JIB Group Limited under the Group's 2010 private placement programme with maturities of USD 42 million (£33.0 million) in September 2020 with a coupon of 5.59% and USD 41 million (£32.2 million) in September 2022 with a coupon of 5.69%. Drawings under the Group's private placement programme are swapped into Sterling floating and are subject to an equivalent spread over LIBOR of between 227 and 238 basis points.
- Senior unsecured loan notes totalling USD 250 million issued by JIB Group Limited under the Group's 2012 private placement programme with maturities of USD 40 million (£31.4 million) in January 2020 with a coupon of 3.21%, USD 140 million (£109.9 million) in January 2023 with a coupon of 3.78% and USD 70 million (£55.0 million) in January 2025 with a coupon of 3.93%. The proceeds of this placement have been swapped into Sterling at fixed and LIBOR based floating rates and are subject to an equivalent spread over LIBOR of between 205 and 220 basis points.
- Senior unsecured loan notes totalling £75 million issued by JIB Group Limited under the Group's April 2014 private placement programme maturing in April 2026 with a coupon of 4.27%. The proceeds of this placement have been swapped into LIBOR based floating rates and are subject to an equivalent spread over LIBOR of 150 basis points.
- Senior unsecured loan notes totalling USD 125 million issued by JIB Group Limited under the Group's October 2014 private placement programme with maturities of USD 62.5 million (£49.1 million) in October 2026 with a coupon of 3.93% and USD 62.5 million (£46.1 million) in October 2029 with a coupon of 4.13%. The proceeds of this private placement in October 2014 have been swapped into Sterling at LIBOR based floating rates and are subject to an equivalent spread over LIBOR of between 146 and 157 basis points.

The terms and conditions of the Group's facilities include common debt and interest cover covenants with which the Group expects to continue to comply.

Liquidity risk

Liquidity risk arises from an inability to maintain an optimal cost of capital or meet the short term financial demands of the business.

The Group has implemented the following steps to mitigate the risk:

- Management reviews of business unit balance sheets and cash flows
- Maintenance of committed credit facilities
- Compliance with regulatory minimum capital requirements and regular stress testing
- Maintenance of a conservative funding profile.

JARDINE LLOYD THOMPSON GROUP PLC

22. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	Assets	Liabilities	Net
	2018	2018	2018
	£'000	£'000	£'000
Property, plant and equipment	1,401	(1,122)	279
Provisions	11,827	(648)	11,179
Net operating losses	3,338	(39)	3,299
Deferred income	598	(5,222)	(4,624)
Other intangible assets	4,065	(1,539)	2,526
Goodwill	11	(4,330)	(4,319)
Other	6,168	(1,567)	4,601
Pensions	28,650	(81)	28,569
Share based payments	19,405	-	19,405
Fair values	4,797	-	4,797
Tax assets/(liabilities)	80,260	(14,548)	65,712
Set-off of tax	(2,892)	2,892	-
Net tax assets/(liabilities)	77,368	(11,656)	65,712

The majority of the deferred tax is not expected to reverse within 12 months.

	At 1 January 2018	Credit/(charge) to equity	At 31 December 2018
	£'000	£'000	£'000
Pensions	43,602	3,919	47,521
Share based payments	14,791	5,111	19,902
Foreign Exchange	(2,929)	(2,094)	(5,023)
Financial Instruments (fair value)	293	6,687	6,980
	55,757	13,623	69,380

JARDINE LLOYD THOMPSON GROUP PLC

22. DEFERRED INCOME TAXES CONTINUED

Deferred tax assets are recognised to the extent that the realisation of the related tax benefits through the future taxable profits is considered probable. A deferred tax asset relating to tax losses of £17,866,000 has not been recognised in the balance sheet in respect of certain of the Group's operations, principally US, China, Singapore and Japan, where it is considered likely that the losses will expire before use or are unlikely to be realised in the short term. A deferred tax asset relating to other deferred tax balances of £11,185,000 has not been recognised in the balance sheet in respect of certain of the Group's overseas operations, principally the US, where it is considered that the asset is unlikely to be realised in the short term. Following the recent US tax reform the federal tax rate has reduced from 35% to 21%, the non recognised deferred tax assets in relation to the US have been calculated using the reduced rate of 21%.

Deferred tax liabilities have not been recognised on temporary differences of £154 million representing the unremitted earnings of subsidiaries and joint ventures. Such amounts are permanently reinvested. Deferred tax liabilities have not been recognised on temporary differences of nil representing unremitted earnings of associates.

23. PROVISIONS FOR LIABILITIES AND CHARGES

	Property related provisions £'000	Litigation and regulatory activities provisions £'000	Other £'000	Total £'000
At 1 January 2018	2,104	6,274	36	8,414
Exchange adjustment	66	14	-	80
Utilised in the year	(703)	(6,406)	-	(7,109)
Amount recognised in the income statement	84	66,778	-	66,862
Interest charge	49	-	-	49
Companies acquired	-	-	69	69
At 31 December 2018	1,600	66,660	105	68,365
				2018 £'000
Analysis of total provisions				
Current - to be utilised within one year				66,851
Non-current - to be utilised in more than one year				1,514
				68,365

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 and expected dilapidation expenses. 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 US and UK and relate to a variety of lease commitments. The longest lease term expires in 2026.

Litigation and regulatory activities provisions

At any point in time the Group can be involved in a variety of litigation, regulatory and other government authorities investigations and disputes around the world. A 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 exposures in respect of such matters 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. However, the final outcome could differ materially from the amount provided.

The Group continues to work with the UK Financial Conduct Authority following a market-wide thematic review of financial advice provided to customers who were offered pension related enhanced transfer value products ('ETVs'). The Group has estimated its potential liability with reference to the outcomes of an external review of sample files and on-going file reviews by management. In determining the liability, JLT has exercised judgement to estimate the number of customers affected, the liability due thereon, the costs to complete the review and the timing of outflows. The ultimate cost and timing of the review remains uncertain and may change materially. The Group has various rights in terms of insurance programmes and other agreements whereby a portion of these losses is virtually certain to be recovered. A £38.4 million provision net of related recoveries has been recorded.

Others

Other provisions include provisions for clawback of commission which arises on certain types of Employee Benefits contracts.

JARDINE LLOYD THOMPSON GROUP PLC

24. SHARE CAPITAL AND PREMIUM

	Number of shares	Ordinary shares £'000	Share premium £'000	Total £'000
Allotted, called up and fully paid				
At 1 January 2018	220,181,007	11,008	104,111	115,119
Issued during the year	-	-	-	-
At 31 December 2018	220,181,007	11,008	104,111	115,119

Ordinary shares carry rights to dividends, voting and proceeds on winding up and have a par value of £0.05.

During the year the Company issued nil ordinary shares for a consideration of nil.

As at 31 December 2018, the Employee Benefit Trust holds 6,601,466 ordinary shares acquired to settle employee share based payments. Acquisitions of such shares are booked directly to equity.

25. NON-CONTROLLING INTERESTS

The Group's total non-controlling interest for the year is £19,594,000 of which £6,360,000 is attributed to JLT's Private Client Services group of businesses (PCS). PCS is defined as a material non-controlling interest to the Group. The non-controlling interests in respect of other entities are not individually material.

Set out below is the summarised financial information for PCS.

Summarised Balance Sheet

	2018 £'000
Current	
Assets	44,580
Liabilities	(24,122)
Total	20,458
Non-current	
Assets	5,546
Liabilities	(162)
Total	5,384
Net assets	25,842

JARDINE LLOYD THOMPSON GROUP PLC

25. NON-CONTROLLING INTERESTS CONTINUED

Summarised Statement of Comprehensive Income

	2018
	£'000
Revenue	51,614
Profit for the year	11,916
Other comprehensive income	-
Total comprehensive income for the year	11,916
Total comprehensive income attributable to non-controlling interests	3,185
Dividends paid to non-controlling interests	3,331

Summarised Statement of Cash Flows

	2018
	£'000
Net cash generated from operating activities	2,880
Net cash used in investing activities	(337)
Net cash used in financing activities	(13,439)
Net (decrease)/increase in cash and cash equivalents	(10,896)

The information above is the amount before inter-company eliminations.

26. OTHER RESERVES

	Share premium £'000	Fair value and hedging £'000	Exchange reserves £'000	Total £'000
Recycling of AFS reserves to retained earnings (IFRS 9)	-	(81)	-	(81)
At 1 January 2018	104,111	9,209	48,963	162,283
Fair value gains net of tax:				
- cash flow hedges	-	(32,606)	-	(32,606)
Currency translation differences	-	-	10,854	10,854
Net gains/(losses) recognised directly in equity	-	(32,606)	10,854	(21,752)
Issue of share capital	-	-	-	-
At 31 December 2018	104,111	(23,397)	59,817	140,531

JARDINE LLOYD THOMPSON GROUP PLC

27. QUALIFYING EMPLOYEE SHARE OWNERSHIP TRUST

During the year, the Qualifying Employee Share Ownership Trust (QUEST) allocated nil ordinary shares to employees in satisfaction of options that have been exercised under the Sharesave schemes.

28. CASH GENERATED FROM OPERATIONS

	2018 £'000
Profit before taxation	77,119
Investment and finance income	(16,956)
Interest payable on bank loans and finance leases	18,714
Fair value gains on financial instruments	338
Net pension financing expenses	3,984
Unwinding of liability discounting	4,955
Depreciation	12,779
Amortisation of other intangible assets	36,676
Amortisation of share based payments	53,307
Share of results of associates' undertakings	(3,055)
Accrued expenses and share based payment costs relating to the acquisition by Marsh & McLennan	101,453
Losses/(gains) on disposal of businesses	285
(Gains)/losses on disposal of property, plant and equipment	(240)
Increase in trade and other receivables	(60,196)
Increase in contract assets	(22,374)
Decrease/(Increase) in trade and other payables - excluding insurance broking balances	28,024
(Increase)/Decrease in contract liabilities	(6,334)
Increase/(Decrease) in provisions for liabilities and charges	8,896
Decrease in retirement benefit obligation	(17,935)
Net cash inflow from operations	219,440

JARDINE LLOYD THOMPSON GROUP PLC

29. BUSINESS COMBINATIONS

Adjustments in respect of prior year acquisitions

During the year, the deferred consideration booked in respect of acquisitions completed in previous years has been revised following the final settlement of amounts due or the revision of amounts due or the revision of estimates based on performance conditions.

	Consideration at 31 Dec 17 £'000	Change in estimated consideration impacting goodwill £'000	Consideration at 31 Dec 2018 £'000	Paid during the year £'000
Belgibo NV	1,477	42	1,519	(42)
	1,477	42	1,519	(42)

Current year acquisitions

During the year the following new business acquisitions and additional investments were completed:

	Notes	Acquisition date	Percentage voting rights acquired	Cost £'000
International Risk Consultants (IRC)	i	Feb 2018	100.0%	19,467
Chartwell	ii	May 2018	100.0%	6,977
Moola	iii	Jul 2018	100.0%	6,302
Owl	iv	May 2018	100.0%	6,664
Other acquisitions (including additional investments in existing business)	v	Jan-Dec 2018	various	3,554
				42,964

i) Acquisition of International Risk Consultants (IRC)

In February 2018, JLT Group acquired International Risk Consultants (IRC), a credit and political risk speciality broker. IRC is headquartered in Columbus, Ohio and has footprints across Brazil and Asia.

The acquired business contributed revenue of £7.6 million and net profit, including acquisition and integration costs incurred to date, of £1.9 million to the Group for the year since acquisition. If the acquisition had taken place on 1 January 2018, we estimate the contribution to Group revenue would have been £8.9 million and net profit, including acquisition and integration costs incurred to date, would have been £2.1 million.

Goodwill calculation	£'000
Purchase consideration	
- cash paid	19,467
Total purchase consideration	19,467
Less: fair value of net assets acquired	(4,591)
Goodwill	14,876

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

	Acquiree's carrying amount £'000	Fair value £'000
Property, plant and equipment	51	51
Other intangible assets	4	1,411
Trade and other receivables	450	450
Cash and cash equivalents		
- own cash	1,472	1,472
- fiduciary cash	905	905
Insurance payables	(905)	(905)
Trade and other payables	(143)	(143)
Current taxation	47	47
Non-controlling interests	-	1,303
	1,881	4,591

JARDINE LLOYD THOMPSON GROUP PLC

29. BUSINESS COMBINATIONS CONTINUED

	£'000
Purchase consideration settled in cash	19,467
Cash and cash equivalents - own cash in subsidiary acquired	(1,472)
	17,995
Cash and cash equivalents - fiduciary cash in subsidiary acquired	(905)
Cash outflow on acquisition	17,090

As at 31 December 2018, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group acquired a 100% of the economic interest in IRC, who in turn control a number of subsidiary businesses. Additional non-controlling interests has been recognised on this acquisition due to the existence of a non-wholly owned subsidiary in the International Risk Consultants group of companies.

ii) Chartwell

In May 2018, JLT Group acquired Chartwell Healthcare Limited, a Private Medical Insurance broker in the UK SME sector. This acquisition is in line with the JLT strategic goal of becoming a leading full service broker and employee benefits specialist to the UK Corporate employer.

The acquired business contributed revenue of £2.1 million and net profit, including acquisition and integration costs incurred to date, of £85,000 to the Group for the year since acquisition. If the acquisition had taken place on 1 January 2018, we estimate the contribution to Group revenue would have been £3.7 million and net profit, including acquisition and integration costs incurred to date, would have been £361,000.

Goodwill calculation	£'000
Purchase consideration	
- cash paid	6,461
- contingent consideration	516
Total purchase consideration	6,977
Less: fair value of net assets acquired	(1,699)
Goodwill	5,278

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

	Acquiree's carrying amount	Fair value £'000
Property, plant and equipment	15	15
Other intangible assets	-	1,090
Trade and other receivables	442	442
Cash and cash equivalents		
- own cash	696	696
Trade and other payables	(245)	(245)
Current taxation	(111)	(111)
Deferred taxation	(3)	(188)
	794	1,699

	£'000
Purchase consideration settled in cash	6,461
Cash and cash equivalents - own cash in subsidiary acquired	(696)
	5,765
Cash and cash equivalents - fiduciary cash in subsidiary acquired	-
Cash outflow on acquisition	5,765

As at 31 December 2018, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

Contingent consideration of £516,000 is based upon expected revenue of future years.

The maximum consideration is capped at £1.3 million.

None of the goodwill recognised is expected to be deductible for income tax purposes.

JARDINE LLOYD THOMPSON GROUP PLC

29. BUSINESS COMBINATIONS CONTINUED

iii) Moola

In July 2018, JLT acquired Moola, an innovative digital savings and investment platform designed to help employees save and achieve their financial goals.

The acquired business contributed revenue of £2,000 and net loss, including acquisition and integration costs incurred to date, of £265,000 to the Group for the year since acquisition. If the acquisition had taken place on 1 January 2018, we estimate the contribution to Group revenue would have been £4,000 and net loss, including acquisition and integration costs incurred to date, would have been £1.2 million.

Goodwill calculation		£'000
Purchase consideration		
- cash paid		2,239
- contingent consideration		4,063
Total purchase consideration		6,302
Less: fair value of net assets acquired		(468)
Goodwill		5,834

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

	Acquiree's carrying amount	Fair value £'000
Property, plant and equipment	3	3
Other intangible assets	-	1,000
Trade and other receivables	36	36
Cash and cash equivalents		
- own cash	52	52
Trade and other payables	(396)	(396)
Deferred taxation	-	(170)
Provisions for liabilities and charges	(57)	(57)
	(362)	468

	£'000
Purchase consideration settled in cash	2,239
Cash and cash equivalents - own cash in subsidiary acquired	(52)
	2,187
Cash and cash equivalents - fiduciary cash in subsidiary acquired	-
Cash outflow on acquisition	2,187

As at 31 December 2018, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

Deferred consideration of £4,063,000 is based upon expected revenue of future years.

The maximum consideration is capped at £10 million.

None of the goodwill recognised is expected to be deductible for income tax purposes.

JARDINE LLOYD THOMPSON GROUP PLC

29. BUSINESS COMBINATIONS CONTINUED

iv) Owl Marine Insurance Brokers

In May 2018, JLT acquired Owl Marine Insurance Brokers, a specialist broker for hull and machinery protection and indemnity insurance.

The acquired business contributed revenue of £1.4 million and net profit, including acquisition and integration costs incurred to date, of £105,000 to the Group for the year since acquisition. If the acquisition had taken place on 1 January 2018, we estimate the contribution to Group revenue would have been £2.0 million and net profit, including acquisition and integration costs incurred to date, would have been £71,000.

Goodwill calculation		£'000
Purchase consideration		
- cash paid		2,858
- contingent consideration		2,719
- deferred consideration		1,087
Total purchase consideration		6,664
Less: fair value of net assets acquired		(1,544)
Goodwill		5,120

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

	Acquiree's carrying amount	Fair value £'000
Property, plant and equipment	23	23
Other intangible assets	12	1,305
Trade and other receivables	961	961
Cash and cash equivalents		
- own cash	289	289
- fiduciary cash	2,538	2,538
Insurance creditors	(2,538)	(2,538)
Trade and other payables	(770)	(770)
Bank overdraft	(166)	(166)
Current taxation	(86)	(86)
Provisions for liabilities and charges	(12)	(12)
	251	1,544

	£'000
Purchase consideration settled in cash	2,858
Cash and cash equivalents - own cash in subsidiary acquired	(289)
	2,569
Cash and cash equivalents - fiduciary cash in subsidiary acquired	(2,538)
Cash outflow on acquisition	31

As at 31 December 2018, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

Contingent consideration of £2.7 million is based upon expected revenue of future years.

The maximum consideration is capped at €7 million.

None of the goodwill recognised is expected to be deductible for income tax purposes.

JARDINE LLOYD THOMPSON GROUP PLC

29. BUSINESS COMBINATIONS CONTINUED

v) Other acquisitions and additional investments in existing businesses

Goodwill calculation		£'000
Purchase consideration		
- cash paid		2,942
- consideration in term loans		612
Total purchase consideration		3,554
Add: fair value of net liabilities acquired		64
Less: equity movement on transactions with non-controlling interests		(1,834)
Goodwill		1,784

The assets and liabilities arising from acquisitions were as follows:

	Acquiree's carrying amount	Fair value £'000
Property, plant and equipment	38	38
Other intangible assets	10	10
Trade and other receivables	18	18
Cash and cash equivalents		
- own cash	363	363
Trade and other payables	64	64
Deferred taxation	56	56
Term Loan	(205)	(205)
Non-controlling interests	(408)	(408)
	(64)	(64)

	£'000
Purchase consideration settled in cash	2,942
Cash and cash equivalents - own cash in subsidiary acquired	(363)
Cash outflow on acquisition	2,579

As at 31 December 2018, 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

The assets and liabilities arising from acquisitions were as follows:

	IRC £'000	Chartwell £'000	Moola £'000	Owl £'000	Others £'000	Total £'000
Purchase consideration:						
- cash paid	19,467	6,461	2,239	2,858	2,942	33,967
- contingent consideration	-	516	4,063	2,719	612	7,910
- deferred consideration	-	-	-	1,087	-	1,087
Total purchase consideration	19,467	6,977	6,302	6,664	3,554	42,964
Less fair value of net liabilities/assets acquired	(4,591)	(1,699)	(468)	(1,544)	64	(8,238)
Less equity movement on transactions with non-controlling interests	-	-	-	-	(1,834)	(1,834)
Goodwill on acquisitions occurring during the year	14,876	5,278	5,834	5,120	1,784	32,892
Impact of revision to fair value adjustment in relation to acquisitions completed in 2017						42
Net increase in goodwill						32,934
Impact of additional investments						1,834
Net decrease in equity						1,834

JARDINE LLOYD THOMPSON GROUP PLC

29. BUSINESS COMBINATIONS CONTINUED

Group summary of cash flows

	IRC £'000	Chartwell £'000	Moola £'000	Owl £'000	Others £'000	Total £'000
Purchase consideration settled in cash	19,467	6,461	2,239	2,858	2,942	33,967
Cash and cash equivalents - own cash in subsidiary acquired	(1,472)	(696)	(52)	(289)	(363)	(2,872)
	17,995	5,765	2,187	2,569	2,579	31,095
Cash and cash equivalents - fiduciary cash in subsidiary acquired	(905)	-	-	(2,538)	-	(3,443)
Net cash outflow	17,090	5,765	2,187	31	2,579	27,652
Impact of revision to fair value adjustment on cash in relation to acquisitions completed in prior years						42
Net cash outflow on acquisitions during the year						27,694

30. BUSINESS DISPOSALS

In 2018, the Group completed certain disposals, none of which were individually significant. The details of these disposals are as follows:

Net assets and proceeds of disposal

	Total £'000
Goodwill	412
Property, plant and equipment	9
Other intangible assets	136
Other receivables	32
Non-controlling interests	121
Net assets at disposal	710
Loss on disposal	(285)
Equity movement on transaction with non-controlling interest	(43)
Proceeds on disposal	382
	Total £'000
Disposal consideration settled in cash	305
Consideration in term loan	77
Cash and other inflow on disposal during the year	382

JARDINE LLOYD THOMPSON GROUP PLC

31. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a number of pension schemes throughout the world, the most significant of which are of the defined benefit type and operate on a funded basis. The principal pension schemes are the Jardine Lloyd Thompson UK Pension Scheme, the JLT (USA) Incentive Savings Plan, the JLT (USA) Employee Retirement Plan, the JLT (USA) Stable Value Plan, the Pension Plan for Employees of Jardine Lloyd Thompson Canada Inc. and the Jardine Lloyd Thompson Ireland Limited Pension Fund and the Belgibo DB and DC Plans.

The pension service costs accrued for the year are as follows:

	UK Schemes	Overseas Schemes	Total
	2018 £'000	2018 £'000	2018 £'000
Defined benefit schemes - current service costs	-	133	133
Defined benefit schemes - past service costs	2,886	-	2,886
Defined contribution schemes	20,801	21,424	42,225
	23,687	21,557	45,244

The Jardine Lloyd Thompson UK Pension Scheme has two sections: one providing defined benefits and the other providing benefits on a defined contribution basis. The assets of the scheme are held in a trustee administered fund separate from the Company.

With effect from 1 December 2006 the defined benefit section of the Scheme was amended to cease future benefits accruals. Under the Scheme as amended, a participant's normal retirement benefit will be determined based on their service and compensation prior to 1 December 2006.

The latest finalised triennial actuarial funding valuation of the Jardine Lloyd Thompson UK Pension Scheme was undertaken as at 31 March 2017, and showed a deficit of £169.0 million. The Group agreed with the trustees that it will aim to eliminate the deficit over a period of 8 years and 3 months from 1 July 2018 by the payment of additional contribution of £16,500,000 in July 2018, followed by regular payments totalling £16,500,000 per annum. In addition, and in accordance with the actuarial valuation, the Group has agreed with the trustees that it will meet expenses of the plan and levies to the Pension Protection Fund. The weighted average duration of the defined benefit obligation is 18 years.

The principal overseas schemes are:

- The JLT (USA) Incentive Savings Plan which is a defined contribution scheme. Employees may contribute up to 50% of their salary subject to an IRS maximum each year of USD 18,500 in 2018 and the Group contributes at a rate of 100% of each 1% contributed by the employee up to a maximum employee contribution of 4%, up to a maximum of USD 10,600. Employees aged over 50 may make "catch-up" contributions subject to an IRS maximum each year of USD 6,000 in 2018.
- The JLT (USA) Employee Retirement Plan which is a defined benefit scheme. The latest actuarial valuation was undertaken at 1 January 2018 by independent actuaries. With effect from 31 July 2005 the plan was amended to eliminate future benefit accruals. Under the plan as amended, a participant's normal retirement benefit will be determined based on their service and compensation prior to 31 July 2005. The average compensation and length of service will be determined as at 31 July 2005.
- The JLT (USA) Stable Value Plan. The latest actuarial valuation was undertaken as at 1 January 2018 by independent actuaries. With effect from 31 March 2016 the Plan was amended to eliminate future benefit accruals. Under the Plan as amended, a participant's normal retirement benefit will be determined based on their service and compensation prior to 31 March 2016. The average compensation and length of service was determined as at 31 March 2016. The plan closed in 2016.

- The Pension Plan for Employees of Jardine Lloyd Thompson Canada Inc. has two sections: one providing defined benefits based primarily on the 2007 pensionable salary and the other providing benefits on a defined contribution basis. The JLT pension contribution for the defined contribution plan ranges from 3% to 13% based on age and service. The company makes additional contribution to defined contribution plans, not exceeding 2% of pensionable earnings, if the member makes a matching voluntary contributions. The Defined Benefit Pension Plan was amended on 1 January 2009 in order to close the plan to new entrants and eliminate future benefit accruals from this date forward.

The JLT Canada Defined Pension Plan's last formal valuation was undertaken as at 31 December 2016 by a qualified third party actuary.

- The Jardine Lloyd Thompson Ireland Limited Pension Fund, which is a defined benefit pension scheme, has its assets held in a separately administered fund. The contributions to it are agreed between the Trustees and the Company, based on the advice of an appropriately qualified independent actuary. The most recent triennial actuarial valuation for funding purposes was carried out by the appropriately qualified independent actuary as at 1 January 2017. With effect from 30 November 2008, the scheme was closed to new entrants and future service accrual ceased. The company also operates a defined contribution scheme, namely The Jardine Lloyd Thompson 2004 Retirement Benefits Scheme, which is held and administered under a separate trust.

- The Belgibo DB and DC Plans has two sections: one pension plan providing defined benefits based primarily on the pensionable salary and two pension plans providing benefits on a defined contribution basis, subject to certain guaranteed minimum asset returns. The employer pension contribution for the defined contribution plan ranges from 2% to 6% based on category and service. The defined benefit scheme was amended on 1 January 2007 in order to close the plan to new entrants. The defined benefit scheme's last formal valuation was undertaken as at 31 December 2018 by a qualified third party actuary.

JARDINE LLOYD THOMPSON GROUP PLC

31. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The principal actuarial assumptions used were as follows:

At 31 December 2018	UK Scheme	US Scheme	Canadian Scheme	Irish Scheme	US Stable Value Plan	Belgian Schemes
Rate of increase in salaries	n/a	n/a	n/a	n/a	n/a	2.50%
Rate of increase of pensions in payment (a)	3.15%	n/a	2.00%	3.00%	n/a	n/a
Discount rate (b)	2.80%	4.00%	3.90%	1.90%	3.75-3.85%	1.50-1.80%
Inflation rate	3.25%	2.00%	2.00%	1.50%	2.00%	2.00%
Revaluation rate for deferred pensioners	2.25%	n/a	n/a	1.50%	n/a	n/a
Mortality - life expectancy at age 65 for male members: (c)						
Aged 65 at 31 December (years)	21.6	21.1	21.7	22.8	21.1	20.4

- a) In respect of the UK scheme, where there are inflation linked benefits, the inflation increases are limited to a maximum of 5% per annum (some are limited to 3% per annum).
- b) In line with IAS 19 (Revised) the expected return on scheme assets assumption is the same as the discount rate assumed for the liabilities.
- c) Mortality assumptions for the UK scheme are based on 105% of the S2PxA tables, with improvements based on CMI 2017 tables with a 1.25% per annum long-term rate of improvement.
Mortality assumptions for the US Scheme and US Stable Value Plan are based on the RP2014 Mortality Table with MP2018 projections.
Mortality assumptions for the Canadian Scheme are based on the CPM-2014 Private Table with generational projection using scale CPM-B.
Mortality assumptions for the Irish Scheme, assume that deaths after retirement will be in accordance with standard mortality tables 90% PxA92C=2004 with allowance for expected future mortality improvements. There is assumed to be no pre-retirement mortality.
Mortality assumptions for the Belgian Schemes are based on the Belgian mortality table MR-3/FR-3.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation	
	Change in assumptions	Change to obligation
Discount rate	decrease of 0.1%	increase of 2.0%
Inflation rate	increase of 0.1%	increase of 1.0%
Life expectancy	increase of 1 year	increase of 4.0%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet. Note this sensitivity is for defined benefit obligations only and does not consider the impact that changes in assumptions may have on the assets, in particular the assets held in respect of the insured pensioners.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

JARDINE LLOYD THOMPSON GROUP PLC

31. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Defined benefit obligation

	UK Schemes	Overseas Schemes	Total
	2018	2018	2018
	£'000	£'000	£'000
Present value of funded obligations	(604,011)	(71,561)	(675,572)
Fair value of plan assets	436,481	58,146	494,627
Net liability recognised in the balance sheet	(167,530)	(13,415)	(180,945)

Reconciliation of net defined benefit liability

	UK Schemes	Overseas Schemes	Total
	2018	2018	2018
	£'000	£'000	£'000
Opening defined benefit liability	(156,412)	(12,872)	(169,284)
Exchange differences	-	(773)	(773)
Pension expense	(6,964)	(1,077)	(8,041)
Employer contributions	16,844	2,262	19,106
Assets acquired in a business combination	-	-	-
Total (loss)/gain recognised in reserves	(20,998)	(955)	(21,953)
Net liability recognised in the balance sheet	(167,530)	(13,415)	(180,945)

Reconciliation of defined benefit obligation

	UK Schemes	Overseas Schemes	Total
	2018	2018	2018
	£'000	£'000	£'000
Opening defined benefit obligation	(652,028)	(72,553)	(724,581)
Exchange differences	-	(2,921)	(2,921)
Service cost	-	(133)	(133)
Past service cost	(2,886)	-	(2,886)
Interest cost	(15,411)	(2,105)	(17,516)
Employee contribution	-	(58)	(58)
Gain/(loss) on defined benefit obligation	20,155	2,487	22,642
Actual benefit payments	46,159	3,722	49,881
Liabilities assumed in a business combination	-	-	-
Closing defined benefit obligation	(604,011)	(71,561)	(675,572)

Reconciliation of fair value of assets

	UK Schemes	Overseas Schemes	Total
	2018	2018	2018
	£'000	£'000	£'000
Opening value of assets	495,616	59,681	555,297
Exchange differences	-	2,148	2,148
Expected return on assets	11,779	1,753	13,532
Actuarial (loss)/gain	(41,153)	(3,442)	(44,595)
Employer contributions	16,844	2,262	19,106
Employee contributions	-	58	58
Actual benefit payments	(46,159)	(3,722)	(49,881)
Expenses	(446)	(592)	(1,038)
Assets acquired in a business combination	-	-	-
Closing value of assets	436,481	58,146	494,627

JARDINE LLOYD THOMPSON GROUP PLC

31. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The analysis of the fair value of the scheme assets is as follows:

	At 31 December 2018	UK Schemes		Overseas Schemes	
		Value £'000	Value %	Value £'000	Value %
Equities		88,572	20%	32,529	56%
Equity-linked liability driven investments (LDI)		86,573	20%	-	-
Bonds		77,597	18%	12,317	21%
Investment funds		-	-	-	-
Qualifying insurance policies		181,069	41%	-	-
Other assets		-	-	7,283	13%
Cash		2,670	1%	6,017	10%
Total market value		436,481	100%	58,146	100%

Other assets include hedge funds and property. The schemes do not hold cash as a strategic investment and cash balances at 31 December represent working balances.

Reconciliation of return on assets

	UK Schemes		Overseas Schemes	Total
	2018 £'000	2018 £'000	2018 £'000	2018 £'000
Expected return on assets	11,779	1,753	13,532	
Actuarial (loss)/gain	(41,153)	(3,442)	(44,595)	
Actual return on assets	(29,374)	(1,689)	(31,063)	

The amounts recognised in the consolidated income statement are as follows:

	UK Schemes		Overseas Schemes	Total
	2018 £'000	2018 £'000	2018 £'000	2018 £'000
Service cost	-	(133)	(133)	
Past service cost	(2,886)	-	(2,886)	
Expenses	(446)	(592)	(1,038)	
Total (included within salaries and associated expenses)	(3,332)	(725)	(4,057)	
Interest cost	(15,411)	(2,105)	(17,516)	
Expected return on assets	11,779	1,753	13,532	
Total (included within finance costs)	(3,632)	(352)	(3,984)	
Expenses before taxation	(6,964)	(1,077)	(8,041)	

JARDINE LLOYD THOMPSON GROUP PLC

31. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The amounts included in the consolidated statement of comprehensive income are as follows:

	UK Schemes		Overseas Schemes	Total
	2018	2018	2018	2018
	£'000	£'000	£'000	£'000
Actuarial gain/(loss) on defined benefit obligation	20,155	2,487		22,642
Actuarial loss/(gain) on plan assets	(41,153)	(3,442)		(44,595)
Total actuarial gain/(loss) recognised	(20,998)	(955)		(21,953)
Cumulative actuarial loss recognised	(281,003)	(32,883)		(313,886)

The five year history of experience adjustments is as follows:

	UK Schemes				
	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation at end of year	(604,011)	(652,028)	(674,029)	(576,343)	(641,759)
Fair value of plan assets	436,481	495,616	489,533	457,396	479,139
Deficit in the schemes	(167,530)	(156,412)	(184,496)	(118,947)	(162,620)

Difference between the actual and expected return on plan assets

- amount (£'000)	(41,153)	35,159	50,118	(11,593)	16,437
- expressed as a percentage of the plan assets	(9.43%)	7.09%	10.24%	(2.53%)	3.43%

Experience (gain)/loss on plan liabilities

- amount (£'000)	25,375	(5,793)	(7,009)	(8,840)	1,592
- expressed as a percentage of the present value of the plan liabilities	(4.20%)	0.89%	1.04%	1.53%	(0.25%)

	Overseas Schemes				
	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation at end of year	(71,561)	(72,553)	(72,315)	(61,940)	(78,044)
Fair value of plan assets	58,146	59,681	58,399	50,500	61,629
Deficit in the schemes	(13,415)	(12,872)	(13,916)	(11,440)	(16,415)

Difference between the actual and expected return on plan assets

- amount (£'000)	(3,442)	4,550	1,201	(762)	2,450
- expressed as a percentage of the plan assets	(5.92%)	7.62%	2.06%	(1.51%)	3.98%

Experience (gain)/loss on plan liabilities

- amount (£'000)	1,261	233	(4,450)	(1,427)	1,265
- expressed as a percentage of the present value of the plan liabilities	(1.76%)	(0.32%)	6.15%	2.30%	(1.62%)

The expected employer contributions in respect of the year ending 31 December 2019 are as follows:

	Defined benefit £'000
UK Scheme	16,500
US Scheme	1,671
Canadian Scheme	257
Irish Scheme	41
Belgian Scheme	201
Total expected contributions	18,670

JARDINE LLOYD THOMPSON GROUP PLC

32. RELATED-PARTY TRANSACTIONS

Transactions with the Jardine Matheson Group

As at 13 February 2019 the Jardine Matheson Group owns 40.16% of the Company's shares via its wholly-owned subsidiary JMH Investments Limited. The remaining 59.84% of the shares are widely held.

In the normal course of business a number of the Group's subsidiaries undertake, on an arm's-length basis, a variety of transactions with the Jardine Matheson Group (JMG) and its associates (JMA).

The following transactions were carried out during the year:

	2018		Total £'000
	JMG £'000	JMA £'000	
Income			
Fees and commissions	5,395	2,348	7,743
Expenditure			
Administrative expenses	1,548	-	1,548
Year-end balances arising from these transactions:			
Trade and other receivables	2,058	591	2,649
Trade and other payables	(784)	-	(784)
	1,274	591	1,865

Transactions with associates

The following transactions were carried out with associates during the year:

	2018 £'000
Income	
Fees and commissions	3,344
Expenditure	
Administrative expenses	28
Year-end balances arising from these transactions:	
Trade and other receivables	2,113
	2,113

Refer to note 37 for details on the agreement with Jardine Matheson Group in relation to the gift contribution.

Transactions with key management

The related-party disclosure regarding key management is detailed in note 5.

33. COMMITMENTS & CONTINGENCIES

Capital commitments

Capital expenditure contracted for 2018 at the balance sheet date amounts to £831,000.

Operating lease commitments - where a Group company is the lessee

The future aggregate minimum lease payments under a non-cancellable operating leases are as follows:

	2018 £'000
No later than 1 year	44,940
Later than 1 year and no later than 5 years	136,454
Later than 5 years	265,098
	446,492

The Group leases various offices under non-cancellable operating lease agreements. The principal lease term on the Group's headquarters at The St Botolph Building is for 21 years from the balance sheet date. Rent was reviewed on 1 October 2018, and will be every 5 years thereafter, calculated by reference to the prevailing market rate.

JARDINE LLOYD THOMPSON GROUP PLC

33. COMMITMENTS & CONTINGENCIES CONTINUED

Sub-leases

Operating lease commitments - where a Group company is the lessor

The future aggregate minimum lease payments under non-cancellable operating sub-leases are as follows:

	2018 £'000
No later than 1 year	219
Later than 1 year and no later than 5 years	409
	628

Legal and other loss contingencies

Jardine Lloyd Thompson Group plc and its subsidiaries are subject to various claims, legal proceedings, investigations by regulatory and other government authorities and disputes around the world including alleged errors and omissions in connection with the placement of insurance and reinsurance risks and consulting services.

IFRS requires that liabilities for contingencies be recorded when it is probable that a liability has been incurred before the balance sheet date and the amount can be reasonably estimated. Significant management judgement is required to comply with this guidance. The Group analyses its exposures based on available information, including external legal consultation where appropriate, to assess its potential liability.

On the basis of present information, amounts already provided, availability of insurance coverages and legal advice received, it is the opinion of management that the disposition or ultimate determination of such claims or matters will not have a material adverse effect on the consolidated financial position of the Group. However, it is possible that future results of operations or cash flows for any annual period could be materially affected by an unfavourable resolution of these matters.

As at 31 December 2018, the Group has contingent liabilities in respect of guarantees and letters of credit given on behalf of Group companies amounting to £15,159,000.

34. SUBSEQUENT EVENTS

On 4 March 2019, JLT announced that MMC had committed to divest JLT's global aerospace insurance broking business to address a potential overlap in this area which had been identified by the European Commission as part of its Phase 1 competition review of the proposed acquisition of JLT by MMC. The aerospace business is a global retail broker of commercial non-life risks associated with commercial aircraft, aerospace manufacturing, aerospace infrastructure, space and general aviation. Subject to the European Commission's approval, an agreement was reached with Arthur J Gallagher & Co. to sell the aerospace business to it, including the transfer of personnel, for approximately £190 million, a proportion of which is deferred subject to the attainment of performance conditions. The sale is conditional upon approval by the European Commission as well as customary regulatory approvals.

35. CHANGES IN ACCOUNTING POLICIES

IFRS 9 *Financial Instruments* (IFRS 9) became mandatorily effective on 1 January 2018. The Group adopted the requirements of IFRS 9 in respect of classification and measurement and impairment on 1 January 2018, the date of initial application, which resulted in changes in the Group's accounting policies. The Group has elected to continue to apply the IAS 39 *Financial Instruments* (IAS 39) provisions in respect of hedge accounting as permitted by paragraph 7.2.21 of IFRS 9.

This note explains the impact of the adoption of IFRS 9 on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

The Group has applied IFRS 15 retrospectively. IFRS 9 has been applied prospectively. The adjustments arising from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Consequently, the amendments to IFRS 7 *Financial Instruments: Disclosures* (IFRS 7) disclosure requirements, which are consequential to IFRS 9 becoming effective, have been applied to the current period.

A) NEW ACCOUNTING POLICIES IN RESPECT OF FINANCIAL INSTRUMENTS

Financial Instruments

The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for the recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

The accounting policies in the Significant Accounting Policies section, were applied to the Group's financial instruments from 1 January 2018.

The Group's accounting policy in respect of hedge accounting is set out in page 47 in the Significant Accounting Policies section and continues to comply with IAS 39.

B) IMPACT ON THE FINANCIAL STATEMENTS

The following tables show the adjustments recognised for each individual line item in the Group's Balance Sheet as at 31 December 2017 and 1 January 2018.

JARDINE LLOYD THOMPSON GROUP PLC

35. CHANGES IN ACCOUNTING POLICIES CONTINUED

TRANSITION TO IFRS 9 CONSOLIDATED BALANCE SHEET

As at 31 December 2017 and 1 January 2018

	31 Dec 2017	1 Jan 2018	1 Jan 2018
		IFRS 9 adjustments	IFRS 9 carrying amounts restated
	£'000	£'000	£'000
NET ASSETS			
Non-current assets			
Goodwill	577,778	-	577,778
Other Intangible assets	108,954	-	108,954
Property, plant and equipment	68,645	-	68,645
Investments in associates	53,055	-	53,055
Available-for-sale financial assets	16,858	(16,858)	-
Other financial assets at fair value through other comprehensive income	-	6,137	6,137
Other financial assets at fair value through profit or loss	-	4,870	4,870
Other financial assets at amortised cost	-	5,851	5,851
Derivative financial instruments	82,569	-	82,569
Trade and other receivables*	21,609	(37)	21,572
Contract assets	18,249	(165)	18,084
Retirement benefit surpluses	92	-	92
Deferred tax assets	63,751	310	64,061
	1,011,560	108	1,011,668
Current assets			
Trade and other receivables*	495,725	(104)	495,621
Contract assets	68,576	(610)	67,966
Derivative financial instruments	5,545	-	5,545
Other financial assets at amortised cost	-	115,080	115,080
Available-for-sale financial assets	115,080	(115,080)	-
Held-for-sale financial assets	189	-	189
Cash and cash equivalents	1,015,087	-	1,015,087
	1,700,202	(714)	1,699,488
Current liabilities			
Borrowings	(19,226)	-	(19,226)
Trade and other payables	(1,212,988)	-	(1,212,988)
Contract liabilities	(60,392)	-	(60,392)
Derivative financial instruments	(10,265)	-	(10,265)
Current tax liabilities	(10,290)	-	(10,290)
Provisions for liabilities and charges	(6,865)	-	(6,865)
	(1,320,026)	-	(1,320,026)
Net current assets	380,176	(714)	379,462
Non-current liabilities			
Borrowings	(690,872)	-	(690,872)
Trade and other payables	(49,475)	-	(49,475)
Contract liabilities	(27,278)	-	(27,278)
Derivative financial instruments	(85,516)	-	(85,516)
Deferred tax liabilities	(11,773)	(141)	(11,914)
Retirement benefit obligations	(169,376)	-	(169,376)
Provisions for liabilities and charges	(1,549)	-	(1,549)
	(1,035,839)	(141)	(1,035,980)
TOTAL EQUITY	355,897	(747)	355,150
Capital and reserves attributable to the owners of the parent			
Ordinary shares	11,008	-	11,008
Share premium	104,111	-	104,111
Fair value and hedging reserves	9,290	(81)	9,209
Exchange reserves	48,963	-	48,963
Retained earnings	163,072	(646)	162,426
Shareholders' equity	336,444	(727)	335,717
Non-controlling interests	19,453	(20)	19,433
	355,897	(747)	355,150

*£9,882,000 of other receivables have been reclassified from current to non-current.

JARDINE LLOYD THOMPSON GROUP PLC

35. CHANGES IN ACCOUNTING POLICIES CONTINUED

D) IFRS 9 FINANCIAL INSTRUMENTS - EXPLANATION OF THE IMPACT OF ADOPTION

The Group adopted the requirements of IFRS 9 in respect of classification and measurement and impairment from 1 January 2018 on a prospective basis in accordance with the transition provisions of IFRS 9. Any impact to retained earnings on adoption of the new requirements has been recognised in the Group's Balance Sheet as at 1 January 2018. The Group has elected to continue to apply the IAS 39 requirements in respect of hedge accounting as provided by paragraph 7.2.21 of IFRS 9.

Implementation of the new revenue recognition standard, IFRS 15, effective from 1 January 2018, resulted in retained earnings being restated with a reduction of £41.7 million due to a re-phasing of profits as a consequence of the new rules and prior period results were revised to conform to the new presentation when IFRS 15 was adopted. The financial statements for the year 31 December 2018 were prepared using IFRS 15.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	1 Jan 2018 £'000
Retained earnings as originally presented	204,781
Cumulative impact of adopting IFRS 15	(41,709)
Retained earnings - restated for adoption of IFRS 15	163,072
Increase in provision for trade receivables and contract assets, net of tax	(727)
Recycling of the fair value reserves to retained earnings	81
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018	(646)
Retained earnings - restated for adoption of IFRS 15 and IFRS 9	162,426

i) Classification and measurement

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 eliminates the previous IAS 39 categories for financial assets of held-to-maturity (HTM), loans and receivables and available-for-sale (AFS), and replaces these categories with two principal measurement and classification categories – fair value through other comprehensive income (FVOCI) and amortised cost. The fair value through profit or loss (FVTPL) classification category for financial assets has been retained. IFRS 9 has not significantly changed the classification and measurement rules in respect of financial liabilities.

On 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has reclassified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

		Closing balances as at 31 Dec 2017 (restated for IFRS 15)		Opening balances as at 1 Jan 2018		
		Original measurement category under IAS 39		New measurement category under IFRS 9		
	Notes	Available- for-sale £'000	Loans and receivables £'000	FVOCI (debt/ equity) £'000	Amortised cost £'000	FVTPL £'000
Investments and deposits	Reclassify fixed term deposits, bonds and certificates of deposit from AFS to amortised cost	(1)	120,931	-	120,931	-
Other investments	Reclassify other investments from AFS to FVOCI/FVTPL	(2)	11,007	6,137	-	4,870
Trade receivables	Reclassify trade receivables from loans and receivables to amortised cost	(3)	-	-	426,178	-
Other receivables	Reclassify other receivables from loans and receivables to amortised cost/FVTPL	(3)	-	-	62,770	1,219
Cash and cash equivalents	Reclassify cash and cash equivalents from loans and receivables to amortised cost/FVTPL	(4)	-	-	991,050	24,037
			131,938	6,137	1,600,929	30,126

(1) Reclassification from available-for-sale to amortised cost

Certain investments in fixed term deposits were reclassified from available-for-sale to amortised cost on adoption of IFRS 9. At the date of initial application the Group's business model is to hold these investments for the collection of the principal and the interest. As no fair value movement had been recognised in previous periods, there is no impact on retained earnings on reclassification.

(2) Reclassification from available-for-sale to fair value through other comprehensive income/fair value through profit or loss

A receivable relating to contingent consideration was classified as an available-for-sale debt instrument under IAS 39. The contractual cash flows of this receivable do not represent solely payments of principal and interest, with the result that the receivable does not qualify to be measured at amortised cost or fair value through other comprehensive income under IFRS 9. Consequently, it has been reclassified to the fair value through profit or loss measurement category on adoption of IFRS 9. As no fair value movement had been recognised in previous periods, there is no impact on retained earnings on reclassification.

JARDINE LLOYD THOMPSON GROUP PLC

35. CHANGES IN ACCOUNTING POLICIES CONTINUED

(3) Reclassification from loans and receivables to amortised cost/fair value through profit or loss

These reclassifications to the appropriate IFRS 9 measurement categories have no impact on the presentation on the balance sheet.

(4) Reclassification of cash and cash equivalents from loans and receivables to amortised cost/FVTPL

These reclassifications to the appropriate IFRS 9 measurement categories have no impact on the presentation on the balance sheet. Money market funds investments are measured at fair value through profit or loss under IFRS 9 as they do not meet the criteria to be measured at amortised cost, on account of the contractual cash flows not representing solely payments of principal and interest. The investments continue to be classified as cash equivalents on the basis of their liquid nature.

ii) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost, certain contract assets and debt instruments measured at fair value through other comprehensive income, but not to investments in equity instruments measured at fair value through other comprehensive income. Under IFRS 9 an entity is required to make ongoing assessments of estimated ECLs to reflect the general pattern of deterioration or improvement in the credit quality of financial assets since initial recognition. One consequence of this change is that credit losses are recognised earlier than under IAS 39.

The application of IFRS 9's impairment requirements at 1 January 2018 resulted in £0.8 million additional credit loss allowance, which has been recognised as a reduction of the Group's retained earnings as at 1 January 2018. Related net deferred tax assets amounting to £0.1 million have been recognised.

The Group applies the IFRS 9 simplified approach to measure ECLs on trade receivables and certain contract assets. Under this approach, the credit losses expected over the life of trade receivables and contract assets are recognised on the balance sheet at each reporting date. Contract assets within the scope of IFRS 9's impairment requirements represent unbilled consideration for which goods or services have been delivered, but the right to consideration is dependent on other additional conditions unrelated to the passage of time. They are therefore considered to possess the same risk characteristics as trade receivables, and have been assessed together with trade receivables as a single group of financial assets. The average loss rate of trade receivables is considered a reasonable approximation of the ECLs on contract assets when they are eventually invoiced.

ECLs on financial assets other than trade receivables and contract assets are calculated based on the ECL within the next 12 months when no material increase of credit risk has occurred between the inception and the reporting period. The impact of the change in methodology on the Group's retained earnings and equity is immaterial.

Cash and cash equivalents are also subject to the impairment provisions of IFRS 9. The expected credit loss related to these assets is immaterial.

The following table analyses the ECL recognised on trade receivables and contract assets as at 1 January 2018, by age category.

	Restated for IFRS 15		IFRS 9		
	Trade receivables	Contract assets	Total	Expected credit loss rate	Provision for impairment
1 January 2018	£'000	£'000	£'000	£'000	£'000
Not overdue	335,408	59,137	394,545	1.0%	(3,939)
Past due not more than three months	68,880	-	68,880	1.4%	(978)
Past due more than three months and not more than six months	20,704	-	20,704	4.9%	(1,012)
Past due more than six months and not more than one year	7,826	-	7,826	38.6%	(3,020)
Past due more than one year and not more than two years	5,304	-	5,304	73.7%	(3,911)
Past due more than two years	6,231	-	6,231	100.0%	(6,231)
	444,353	59,137	503,490	3.8%	(19,091)

The loss allowances for trade receivables and contract assets as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Trade receivables	Contract assets	Total
	£'000	£'000	£'000
Loss allowance at 31 December 2017 (IAS 39)	(18,175)	-	(18,175)
Amounts restated through opening retained earnings	(133)	(783)	(916)
Loss allowance at 1 January 2018 (IFRS 9)	(18,308)	(783)	(19,091)

JARDINE LLOYD THOMPSON GROUP PLC

36. SUBSIDIARIES AND ASSOCIATED COMPANIES

The following were the subsidiaries and associated undertakings at 31 December 2018. 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.

Company	% Holding (if less than 100%)	Registered Office address	Notes
United Kingdom			
Aldgate Trustees Ltd		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Aviary Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Burke Ford Trustees (Leicester) Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Chartwell Healthcare Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
CPRM Limited		Lochside House, 7 Lochside Avenue, Edinburgh, EH12 9DJ, Scotland	
Fly Fizzi Limited	33.00	Pyers Croft, Compton, Chichester, West Sussex, PO18 9EX, England	
GCube Underwriting Limited		155 Fenchurch Street, London, EC3M 6AL, England	
Gracechurch Trustees Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Gresham Pension Trustees Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Hayward Aviation Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
iimia (Holdings) Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Independent Trustee Services Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JIB Group Holdings Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JIB Group Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JIB Overseas Holdings Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JIB UK Holdings Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	3
JLT Actuaries and Consultants Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Advisory Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Benefit Consultants Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Benefit Solutions Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Colombia Retail Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Colombia Wholesale Limited	94.37	The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Consultants & Actuaries Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Corporate Services Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT EB Holdings Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT EB Services Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Financial Consultants Ltd		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Insurance Group Holdings Ltd		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Investment Management Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT LATAM (Southern Cone) Wholesale Limited	53.00	The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Latin American Holdings Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Management Services Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Mexico Holdings Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Pension Trustees Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Pensions Administration Holdings Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Pensions Administration Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Peru Reinsurance Solutions Limited	80.07	The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Peru Retail Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Peru Wholesale Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Re Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Reinsurance Brokers Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Secretaries Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Specialty Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	

JARDINE LLOYD THOMPSON GROUP PLC

36. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

Company	% Holding (if less than 100%)	Registered Office address	Notes
JLT Trustees (Southern) Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Trustees Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT UK Investment Holdings Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
JLT Wealth Management Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Leadenhall Independent Trustees Ltd		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Lloyd & Partners Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
M.P. Bolshaw and Company Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Marine, Aviation & General (London) Limited	25.00	10 Eastcheap, London, EC3M 1AJ, England	4
Moola Systems Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Pension Capital Strategies Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Personal Pension Trustees Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Pet Animal Welfare Scheme Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Portland Pensions Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Portsoken Trustees (No. 2) Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Portsoken Trustees Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Premier Pension Trustees Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Profund Solutions Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Renewable Energy Loss Adjusters Limited		The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	
Angola			
Jardines PF - Consultoria Em Gestao de Risco Lda		Rua Kuamme Krumah Numero 31, Ingombota, Luanda, Angola	1
Anguilla			
JLT Towner Insurance Management (Anguilla) Limited		Babrow's Commercial Complex, The Valley, AI-2640, Anguilla	
Argentina			
JLT Re Argentina Corredores de Reaseguros S.A.	53.00	Della Paolera 265, Torre Boston, 24th Floor Retiro, C.A.B.A, Argentina	
JLT Insurance Brokers S.A.	74.50	c/o Estudio Becar Varela, Tucuman 1, 4th Floor, Buenos Aires, Argentina	
Australia			
AssetVal Pty Ltd		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
Australian Insurance Brokers Pty Ltd		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
Broderick Piller Pty Ltd		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
Echelon Australia Pty Limited		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
Group Promoters Pty Limited		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
Jardine Lloyd Thompson Australia Pty Limited		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
JLT Group Services Pty Limited		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
Jardine Lloyd Thompson Pty Limited		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
JLT Re Pty Ltd		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
Key Underwriting Pty Limited		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
Premium Services Australia Pty Limited		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
The Recovre Group Pty Ltd		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
Risk Management Australia Pty Limited		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
Local Government Insurance Brokers Pty Limited		Grosvenor Place, Level 37, 225 George Street, Sydney, NSW 2000, Australia	
Austria			
GRECo International Holding AG	20.00	Elmargasse 2-4, Postfach 299, Vienna, 1190, Austria	4
Barbados			

JARDINE LLOYD THOMPSON GROUP PLC

36. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

Company	% Holding (if less than 100%)	Registered Office address	Notes
Isosceles Insurance (Barbados) Limited	90.91	1st Floor, Limegrove Centre, Holetown, St James, Barbados	
JLT Holdings (Barbados) Ltd	90.91	1st Floor, Limegrove Centre, Holetown, St James, Barbados	
JLT Insurance Management (Barbados) Ltd	90.91	1st Floor, Limegrove Centre, Holetown, St James, Barbados	
JLT Management (Barbados) Ltd	90.91	1st Floor, Limegrove Centre, Holetown, St James, Barbados	
JLT Trust Services (Barbados) Limited	90.91	1st Floor, Limegrove Centre, Holetown, St James, Barbados	
Belgium			
Belgibo N.V.		De Gerlachekaai 20, 2000 Antwerp, Belgium	
CMC-Belgibo		De Gerlachekaai 20, 2000 Antwerp, Belgium	
Bermuda			
Agnew Higgins Pickering & Co. (Bermuda) Ltd		Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda	
Eagle & Crown Limited		Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda	
Evolution Management Ltd		Crawford House, 50 Cedar Avenue, Hamilton, HM11, Bermuda	
Isosceles Insurance Ltd		Crawford House, 50 Cedar Avenue, Hamilton, HM11, Bermuda	3
JLT Holdings (Bermuda) Ltd.		Crawford House, 50 Cedar Avenue, Hamilton, HM11, Bermuda	
JLT Bermuda Ltd		Crawford House, 50 Cedar Avenue, Hamilton, HM11, Bermuda	
JLT Insurance Management (Bermuda) Limited		Crawford House, 50 Cedar Avenue, Hamilton, HM11, Bermuda	
Sail Insurance Company Limited		Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda	
Scalene		Crawford House, 50 Cedar Avenue, Hamilton, HM 11, Bermuda	
Secure Limited		Jardine House, 33-35 Reid Street, Hamilton, Bermuda	
Brazil			
International Risk Consultants do Brasil Corretora de Seguros Ltda	90.68	Praça das Dracenas, n° 50, Centro Comercial de Alphaville, Barueri/SP, CEP: 06453-009, Brazil	1
JLT Brasil Holdings Participacoes Ltd	75.72	Avenida Beira Mar no. 200, 8° andar (parte), Centro, Rio de Janeiro, Brazil	
JLT do Brasil Corretagem de Seguros Ltda	75.72	Avenida Engenheiro Luis Carlos Berrini no. 105, Condomino Thera One, Sao Paulo, Brazil	1
JLT RE Brasil, Administracao e Corretagem de Resseguros Ltda	75.72	Avenida Beira Mar no. 200, 8° andar (parte), Centro, Rio de Janeiro, Brazil	1
JLT SCK Affinity Administracao e Corretora de Seguros Ltda.	59.40	Ave. Presidente Wilson, 231, 74.107.483/0001-64, Centro, Rio de Janeiro, Brazil	1
JLT SCK Corretora e Administradora de Seguros	59.40	Ave. Presidente Wilson, 231, 74.107.483/0001-64, Centro, Rio de Janeiro, Brazil	1
Canada			
Jardine Lloyd Thompson Canada Inc		Suite 2900, 550 Burrard Street Vancouver BC V6C 0A3, Canada	
Cayman Islands			
Colombian Insurance Broking Wholesale Limited	74.50	Walkers Corporate Ltd, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1 9008, Cayman Islands	
Chile			
JLT Chile Corredores de Reaseguro Limitada	50.10	Costanera Sur 2730, Piso 14, Las Condes, Santiago, Chile	
Alta SA	50.10	Costanera Sur 2730, Piso 14, Las Condes, Santiago, Chile	
JLT Asesorias Ltda	50.10	Costanera Sur 2730, Piso 14, Las Condes, Santiago, Chile	
JLT Chile Holdings SpA		Miraflores 222 piso 28 Santiago, Chile	
JLT-Orbital Corredores de Seguros Limitada	50.10	Costanera Sur 2730, Piso 14, Las Condes, Santiago, Chile	
China			
Jardine Risk Consulting Co., Limited		No.14, Lane 1502, Loushan Road, Pilot Free Trade Zone, Shanghai, China	

JARDINE LLOYD THOMPSON GROUP PLC

36. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

Company	% Holding (if less than 100%)	Registered Office address	Notes
JLT Insurance Brokers Co., Limited		Room1801A, Kerry Parkside, No.1155 Fangdian Road, Pudong District, Shanghai, 201204, China	
JLT Essential Benefit Solutions Corporation Limited	51.00	6/F, Building 2, Pudong Harvest Park, 3601 Dongfang Road, Pudong, Shanghai 200125, China	
Colombia			
JLT Affinity Colombia Solutions SAS	82.65	Carrera 7 # 71- 21 , Torre B, Bogota, Colombia	
Beneficios Integrales Oportunos SA	82.65	Calle 72 N° 10 – 07 Of. 1004, Bogota, Colombia	
JLT Re Colombia, Corredores Colombianos de Reaseguros	94.66	Calle 742 No. 10-51 PH, Bogota, Colombia	
Jardine Lloyd Thompson Valencia y Iragorri Corredores de Seguros SA	82.65	Calle 72 N° 10 – 07 Of. 1004, Bogota, Colombia	
Denmark			
JLT Specialty Insurance Broker A/S		Hellerupgardvej 18, 2900 Hellerup, Denmark	
France			
JLT France Holdings		94 Rue de la Victoire, 75009, Paris, France	
JLT Specialty France		94 Rue de la Victoire, 75009, Paris, France	
JLT Energy (France) SAS	35.40	18 Rue de Courcelles, 75008, Paris, France	4
JLT PLA		94 Rue de la Victoire, 75009, Paris, France	
Germany			
JL Marine Insurance-Brokers GmbH & Co. KG		Große Bäckerstraße 9, 20095, Hamburg, Germany	
JLM Verwaltungs GmbH		Große Bäckerstraße 9, 20095, Hamburg, Germany	
JLT Reinsurance Brokers GmbH		Arnulfstrabe 19, 80335, Munchen, Germany	
OWL Marine Insurance-Brokers GmbH & Co.KG		Große Bäckerstraße 9, 20095, Hamburg, Germany	
OWL Marine Verwaltungs GmbH		Große Bäckerstraße 9, 20095, Hamburg, Germany	
Guernsey			
Isosceles PCC Limited		Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey	
JLT Insurance Management (Guernsey) Limited		Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey	
Hong Kong			
JLT Agencies Limited		25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	
JLT Essential Holdings Limited	51.00	25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	
Jardine ShunTak Insurance Brokers Limited	50.00	25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	
Jardine Lloyd Thompson PCS Limited	75.00	25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	
Jardine Lloyd Thompson Limited		25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	
Lambert Brothers Holdings Limited		25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	
Lambert Brothers Insurance Brokers (Employee Benefits) Ltd		25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	
Lambert Brothers Insurance Brokers (Hong Kong) Ltd		25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	
JLT Insurance Agencies Limited		25th Floor Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	
International Risk Consultants (Asia) Limited	91.30	Unit 17, 15/F Chevaliers Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon , Hong Kong	
IRC Asia Insurance Brokers Limited	91.30	Unit 17, 15/F Chevaliers Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon , Hong Kong	

JARDINE LLOYD THOMPSON GROUP PLC

36. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

Company	% Holding (if less than 100%)	Registered Office address	Notes
India			
JLT Independent Insurance Brokers Private Limited	49.00	Peninsula Corporate Park, Ganpat Rao Kadam Marg, Off, Senapati Bapat Marg, Mumbai, 400013, India	4
JLT Vantage Risk and Benefit Consulting Private Limited	49.00	C-6.2 Dr Herekar Park, Nehru Park, Pune, Maharashtra, 411004, India	4
Jardine Lloyd Thompson Insurance Consultants Limited	92.61	E-2/16, 2nd Floor, White House, Ansari Road, Darya Ganj, New Dehli, 110002, India	
Jardine Lloyd Thompson India Private Limited		1001-A, Supreme Business Park, Supreme City, Hiranandani Gardens, Powai, Mumbai, Maharashtra, 400076, India	
Indonesia			
PT Jardine Lloyd Thompson	80.00	World Trade Center, 10th Floor, Jl. Jendral Sudirman Kav. 29-31, Jakarta 12920, Indonesia	
PT Nexus Asia Pacific		World Trade Center, 10th Floor, Jl. Jendral Sudirman Kav. 29-31, Jakarta 12920, Indonesia	
PT JLT Reinsurance Brokers	75.00	World Trade Center, 10th Floor, Jl. Jendral Sudirman Kav. 29-31, Jakarta 12920, Indonesia	
Ireland			
JLT Risk Management Limited		Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland	
Freedom Trust Services Limited		Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland	
JLT Intellectual Property Limited		Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland	
International Loss Control Services Limited		Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland	
Jardine Pension Trustees Ireland Limited		Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland	
Jardine Lloyd Thompson Ireland Holdings Limited		Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland	
Jardine Lloyd Thompson Ireland Unlimited Company		Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland	
JLT Financial Planning Limited		Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland	
JLT Insurance Brokers Ireland Limited		Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland	
JLT QFM Services Limited		Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland	
Italy			
MAG JLT SpA	25.00	Francesco Crispi 74, Naples, Italy	4
Japan			
JLT Holdings Japan Limited		Halifax Bldg. 4F, 16-26 Roppongi 3-chome, Minato-ku, Tokyo, Japan	
JLT Risk Services Japan Limited		Halifax Bldg. 4F, 16-26 Roppongi 3-chome, Minato-ku, Tokyo, Japan	
JLT Japan Limited		Halifax Bldg. 4F, 16-26 Roppongi 3-chome, Minato-ku, Tokyo, Japan	
Republic of Korea			
Jardine Lloyd Thompson Korea Limited		(Gongpyeong-dong), 16th Floor, 47, Jongno-gu, Seoul, Republic of Korea	
Malaysia			
Echelon Claims Consultants Sdn Bhd		Level 42-01B (West Wing), Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia	
JLT Asia Shared Services Sdn Bhd		Level 42-01B (West Wing), Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia	
JLT Re Labuan Limited		Level 42-01B (West Wing), Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia	
Jardine Lloyd Thompson Sdn Bhd	49.00	Level 42-01B (West Wing), Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia	
Malta			
JLT Insurance Management Malta Limited	34.00	Abate Rigord Street, Ta'Xbiex, XBX 1111, Malta	4
Manoel Management Services Ltd	34.00	Abate Rigord Street, Ta'Xbiex, XBX 1111, Malta	4

JARDINE LLOYD THOMPSON GROUP PLC

36. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

Company	% Holding (if less than 100%)	Registered Office address	Notes
Mauritius			
JLT Holdings Limited		c/o SGG Corporate Services (Mauritius) Ltd, Les Cascades, Edith Cavell Street, Port Louis, Republic of Mauritius	
Mexico			
JLT Mexico, Intermediario de Reaseguro, S.A. de C.V.		Avenida Insurgentes Sur 1898, Piso 19, Colonia Florida, CP 01030 México City	
Netherlands			
JLT Netherlands BV		Schouwburgplein 30-34, 3012 CL, Rotterdam, Netherlands	
JLT Asia Holdings BV		Atrium Building, Strawinskylaan 3007, 1077 ZX Amsterdam, Netherlands	
JMIB Holdings BV		Atrium Building, Strawinskylaan 3007, 1077 ZX Amsterdam, Netherlands	
New Zealand			
Alpha Consultants Limited		Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand	
Client Provide Limited	90.10	Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand	
Echelon New Zealand Limited		Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand	
JLT Holdings (NZ) Limited		Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand	
Jardine Lloyd Thompson Limited		Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand	
Wellnz Limited	90.10	Level 5, Tower Centre, 45 Queen Street, Auckland, New Zealand	
Norway			
JLT Norway AS		Strandveien 13, N-1325, Lysaker, Baerum, Norway	
Peru			
JLT Corredores de Reaseguros SA	80.10	Avda Santa María 110-140, oficina 202. Miraflores, Lima, Peru	
JLT Peru Corredores de Seguros SA	99.32	Av, Santo Toribio 173, San Isidro, Lima, Peru	
Philippines			
Jardine Lloyd Thompson Insurance and Reinsurance Brokers, Inc.		111 Paseo de Roxas Building, Legaspi Village, Makati City 1229, Philippines	
Russian Federation			
Jardine IBR Limited		Office 226, Building 14, 39 Leningradskiy Prospect, Moscow, Russia	
JLT (Insurance Brokers) Limited		Office 226, Building 14, 39 Leningradskiy Prospect, Moscow, Russia	
Singapore			
Anda Insurance Agencies Pte Ltd		239 Alexandra Road, Singapore 159930	
Jardine Lloyd Thompson Private Limited		239 Alexandra Road, Singapore 159930	
Jardine Lloyd Thompson Asia Pte Ltd		239 Alexandra Road, Singapore 159930	
JLT Interactive Pte Ltd		239 Alexandra Road, Singapore 159930	
JLTPCS Holdings Pte. Ltd	75.00	239 Alexandra Road, Singapore 159930	
Jardine Lloyd Thompson PCS Pte Ltd	75.00	239 Alexandra Road, Singapore 159930	
JLT Specialty Pte Ltd		239 Alexandra Road, Singapore 159930	
JLT Singapore Holdings Pte Ltd		239 Alexandra Road, Singapore 159930	
South Africa			
JLT Marine (Pty) Ltd		Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa	
JLT Employee Benefits SA (Pty) Ltd		Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa	
Jardine Lloyd Thompson (Proprietary) Limited	80.00	Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa	
JLT Benefit Solutions SA (Pty) Ltd		Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa	

JARDINE LLOYD THOMPSON GROUP PLC

36. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

Company	% Holding (if less than 100%)	Registered Office address	Notes
JLT Employee Benefits Holding Company (Pty) LTD		Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa	
JLT IB Holdings Company (Proprietary) Limited		Block D, Nicol Main Office Park, 2 Burton Road, Bryanston, 2191, South Africa	
Spain			
March-JLT, Correduria de Seguros y Reaseguros, S.A.	25.00	Calle de Lagasca 88, Madrid, Spain	4
JLT Re Iberia, Correduria de Reaseguros, S.A.U.		Calle Principe de Vergara nº. 43, 3º, Spain	
Sweden			
JLT Re (Northern Europe) AB		Jakobsbergsgatan 7, 11144 Stockholm, Sweden	
JLT Risk Solutions AB	65.00	Jakobsbergsgatan 7, 11144 Stockholm, Sweden	
Lavaretus Underwriting AB		Jakobsbergsgatan 7, 11144 Stockholm, Sweden	
Switzerland			
Jardine Lloyd Thompson PCS SA	75.00	Rue de Chantepoulet 1-3, 1201, Geneva, Switzerland	
Taiwan			
Jardine Lloyd Thompson Limited		13F, 50 Hsin Sheng S. Road, Sec 1, Taipei, Taiwan	
Thailand			
Jardine Lloyd Thompson Limited	49.00	The 9th Towers, 31st Floor, Rama 9 Road, Huay Khwang, Bangkok, 10310, Thailand	
JLT Life Assurance Brokers Limited	49.00	The 9th Towers, 31st Floor, Rama 9 Road, Huay Khwang, Bangkok, 10310, Thailand	
Turkey			
JLT Sigorta ve Reasürans Brokerliği A.Ş.	75.10	Kavak Sok, Smart Plaza, No: 31/1 B Blok Kat: 4, 34805 Beykoz, Istanbul, Turkey	
United Arab Emirates			
Insure Direct (Brokers) LLC	49.00	Burj Al Salam , World Trade Centre Roundabout, Sheikh Zayed Road, Dubai, P.O.BOX 57006, UAE	
Insure Direct - Jardine Lloyd Thompson Limited	61.30	P.O. Box 9731, Dubai, UAE	
Jardine Lloyd Thompson PCS (Dubai) Limited	75.00	Gate Village Building 3, Dubai International Financial Centre, Dubai, PO BOX 507288, UAE	
United States			
1763 Enterprises LLC		Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	
Charter Risk Management Services LLC	35.70	141 Weston Street #1981, Hartford, Connecticut 06144	
Construction Risk Partners LLC	45.74	Campus View Plaza, 1250 Route 28, Suite 201, Branchburg NJ 08876	
Core Risks Ltd. LLC		Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	
CRP Holding Company LLC	45.74	Campus View Plaza, 1250 Route 28, Suite 201, Branchburg NJ 08876	
GCube Insurance Services Inc		CSC Lawyers Incorporating Service, 2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA95833	
Isosceles Insurance Company Limited		148 College Street, Suite 204, Burlington, Vermont 05401	
International Risk Consultants Inc	91.30	692 North High Street, Columbus OH, United States	
Johnstone Downey Klein, Inc	91.30	692 North High Street, Columbus OH, United States	
Jardine Lloyd Thompson Capital Markets Inc.		Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	
Jardine Lloyd Thompson Insurance Services, Inc		Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	
JLT Facilities, Inc.		Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	

JARDINE LLOYD THOMPSON GROUP PLC

36. SUBSIDIARIES AND ASSOCIATED COMPANIES CONTINUED

Company	% Holding (if less than 100%)	Registered Office address	Notes
JLT Aerospace (North America) Inc		Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	
JLT Holdings Inc		Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	
JLT Re Consultants Inc		Corporation Service Company, 1201 Hays Street, Tallahassee, FL 32301	
JLT Re (North America) Inc		Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	
JLT Re Solutions Inc		Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	
JLT Specialty Insurance Services Inc	91.30	Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	
JLT Towner Insurance Management (USA) LLC	70.00	100 Main Street, Suite 2, Barre, VT 0541	
Risk and Reinsurance Solutions Corporation		9150 S Dadeland Blvd, Suite 1008, Miami, FL 33156	
Weston Preference LLC		Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	
Worldlink Specialty Insurance Services Inc		22 Century Hill Drive, Suite 102, Latham, NY 12110	
Vietnam			
Jardine Lloyd Thompson Limited		5th Floor, CJ Building, 6 Le Thanh Ton Street, District 1, Ho Chi Minh City, Vietnam	
Virgin Islands, British			
JIB Holdings (Pacific) Limited		Skelton Building, Main Street, Road Town, Tortola, British Virgin Islands	

Notes

1 = Quotas; 3 = Ordinary and Preference shares;
2 = Preference shares; 4 = Associates as at 31 December 2018

Shares held in all companies are Ordinary shares unless where stated.

The proportion of voting rights held corresponds to the aggregate interest percentage held by the holding company and its subsidiary undertakings.

JARDINE LLOYD THOMPSON GROUP PLC

37. ACQUISITION OF THE GROUP BY MARSH & MCLENNAN COMPANIES, INC.

On 18 September 2018, MMC Treasury Holdings (UK) Limited, a wholly owned subsidiary of Marsh & McLennan Companies, Inc. and the directors of Jardine Lloyd Thompson Group plc (other than Dominic Burke, Mark Drummond Brady and Charles Rozes), the ultimate parent company announced that they had reached an agreement on the terms of a recommended cash acquisition of Jardine Lloyd Thompson Group plc ('JLT') by MMC Treasury Holdings (UK) Limited. The transaction, which was approved by shareholders on 7 November 2018 and effected by a court sanctioned scheme of arrangement under part 26 of the Companies Act 2006, became effective on 1 April 2019, when the Company became a wholly owned subsidiary of Marsh & McLennan Companies Inc.

Additional expenses recognised in the income statement in 2018 directly attributable to this transaction include retention and reward accruals (£53.6 million); acceleration of share-based payment expense (£27.9 million); other staff related costs (£3.7 million); and legal and professional fees (£3.0 million).

The holder of the largest portion of JLT shares, the Jardine Matheson Group agreed to gift £50 million to the Group on completion of the transaction, to partially fund transaction related costs.

The Group routinely monitors and reassesses contingent liabilities arising from matters such as litigation and warranties and indemnities relating to past acquisitions and disposals. Other than as noted above, the announcement of the acquisition of JLT by Marsh & McLennan Companies, Inc. does not affect the nature of such items, however certain obligations have crystallised upon change of control on 1 April 2019. Additionally, certain transaction related payments will be recognised and become due upon completion.

38. PRINCIPAL RISKS & UNCERTAINTIES

RISK MANAGEMENT

With its global markets and operations, JLT faces a range of risks which have the potential to negatively impact the achievement of our strategic business objectives, outcomes for clients and our reputation. Properly identified and managed, these risks can also provide opportunities in the right circumstances. We consider that intelligent and considered risk taking helps facilitate growth and continued success. It allows us to maximise the positive impact that our business can have on society and communities, and minimise the downside risk. JLT's risk management arrangements enable us to understand the risks we face; manage risk in a smart, conscious, methodical, agile and balanced way; enhance performance and maximise opportunities; and operate with rigour to:

- protect our key stakeholders, our reputation and our results from reasonably foreseen events;
- provide our clients and other key stakeholders with confidence of sustainability and resilience that is able to service their needs when they need us; and
- comply with applicable regulations, laws and corporate governance obligations.

JLT operates a '3 lines of defence' governance model. The first line (the business) is responsible for the identification and management of all the risks inherent in its operations; the second line (Group Risk & Compliance) provides policy, advice, guidance and challenge to the business; and the third line (Group Internal Audit) independently assesses and reports on the effectiveness of governance, risk management and internal controls.

Our businesses operate an enterprise-wide risk management framework. This has been developed in reference to internationally recognised standards (including ISO 31000) and best practice models. This framework is periodically reviewed to check its effectiveness and relevance to our business shape and the environment within which we trade.

The principal financial risks faced by the JLT Group are summarised in the following table.

JARDINE LLOYD THOMPSON GROUP PLC

38. PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

RISK	NATURE OF RISK	MITIGATION
FINANCIAL RISKS		
Liquidity/Financing	<p>Risk that JLT is not able to meet its obligations when they fall due, or can do so only at excessive cost. This risk may occur through:</p> <ul style="list-style-type: none"> - Lack of undrawn credit facilities. - Inability to obtain financing, including refinancing at maturity. - Breach of debt covenants. 	<ul style="list-style-type: none"> • Multiple banking facilities. • Cash management processes. • Financial planning and forecasting. • Group cash management policy & process.
Foreign Exchange	<p>JLT has foreign exchange exposures to:</p> <ul style="list-style-type: none"> - Risk arising from the need to convert currencies into GBP for reporting purposes. - Risk arising from revenues and costs being denominated in different currencies. 	<ul style="list-style-type: none"> • Prudent management of transactional currency exposures through a structured hedging programme. • Regular review and sensitivity analysis of currency translation impacts to financial reports. • Centralised hedging of material transactional exposures. • Reporting and auditing of hedging and exposures.
Counterparty	<p>Counterparty risk can arise for JLT from two key sources:</p> <ul style="list-style-type: none"> - Banks: risk of loss of own cash, fiduciary funds, investments & deposits, derivative assets & trade receivables as a result of bank failure - (Re)Insurers: JLT owes a duty of care to place clients' business with security, which may reasonably be regarded as being sufficiently sound financially to meet potential claims as they may fall due. In the event of insurer impairment, this could result in client detriment and damage to the broker/client relationship(s). Also, in the event of JLT having been adjudicated, not to have exercised reasonable endeavours to mitigate this risk, it could result in an E&O claim. 	<ul style="list-style-type: none"> • Board approved investment and counterparty policy to limit the concentration of funds and exposure with any one counterparty. • Defined cash and investments policy. • Active management and monitoring of counterparty limits, financial strength and credit profile of key counterparties. • Regular review by Board and Audit & Risk Committee of counterparty limits, ratings, credit default swap spread rates, utilisation levels and compliance with applicable regulation. • Market security due diligence. • Group Market Security team. • Insurer Impairment Plan.
Defined Benefit Scheme Liabilities	<p>Risk of adverse financial impact as a consequence of increase in the Defined Benefit Pension Scheme deficit.</p>	<ul style="list-style-type: none"> • Appropriate scheme investment strategy and diversification. • Triennial actuarial valuations and regular trustee funding updates. • Agreed deficit funding plan. • Regular review of long term de-risking strategy. • Regular scheme membership data verification. • Effective independent trustee governance. • Regular review of employer covenant. • Regular monitoring and reporting of scheme asset performance liability positions.
Interest Rate	<p>Risk of volatility of earnings and cash flows arising from exposure to movements in interest rates. This may also impact the Defined Benefit Pension Scheme assets and liabilities.</p>	<ul style="list-style-type: none"> • Group Treasury management of cash balances. • Interest rate hedging programme. • Financial planning and forecasting.
Financial Reporting	<p>The risk of inaccurate accounting and reporting, internally and externally.</p>	<ul style="list-style-type: none"> • Group Accounting Policy. • Attestation process for financial reporting. • Financial reporting policy and procedures. • Internal and external audit of financial controls and reports.
Fraud	<p>Risks relating to the theft or mis-use of JLT and client monies.</p>	<ul style="list-style-type: none"> • Group Treasury Policy, Procedures & Controls. • IT system access management and restrictions. • Segregation of duties. • Segregation of client and company funds. • Whistleblowing Policy and hotline. • Financial Crime team.

JARDINE LLOYD THOMPSON GROUP PLC

38. PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

PRINCIPAL FINANCIAL RISKS

The Group has identified four principal financial risks: capital and liquidity risk, foreign currency risk, counterparty risk and the defined benefit pension scheme risk.

FINANCIAL INSTRUMENTS: DISCLOSURE

Other disclosures, required by IFRS 7 Financial Instruments Disclosure, regarding financial risks and sensitivities can be found in the following notes: 3,4,13,14,15,16,17,20 and 21.

1) Capital and Liquidity Risk

The Group's objectives when managing capital are to safeguard its ability to continue to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to ensure an optimal cost of capital. In order to achieve these objectives, the Group may adjust, for example, the amount of dividends paid to shareholders, return capital by a share buy-back, issue new shares or sell assets to reduce debt. The Group manages its balance sheet through monthly reviews, management controls and financial reporting. In order to manage liquidity risk, the Group maintains committed, long-term credit facilities to ensure that it is well positioned to meet seasonal capital requirements and to support the strategic growth of the business. There are no restrictions on the use of these facilities in the normal course of business. At 31 December 2018 the facility headroom was £230 million. The insurance and reinsurance broking operations within the Group operate in a number of jurisdictions where local regulation requires a minimum level of capital to be maintained. The total regulatory capital to be held by the Group is not considered significant in the context of the total available capital. The total capital of the Group at 31 December 2018 was as follows:

£m	2018
Total own funds	(198.0)
Borrowings	733.4
Net debt	535.4
Total equity	310.6
Total capital	846.0

There were no breaches of any debt covenants during the year.

2) Foreign Currency Risk

The Group has transactional and translational foreign currency exposures. The transactional exposure arises primarily in the London Market businesses, which have a sterling cost base but which have a significant proportion of US dollar denominated revenues (approximately USD 354 million in 2019). The Group continues to operate a US dollar hedging programme to reduce the volatility caused by exchange rate movements, by entering into forward foreign exchange contracts. As at 28 February 2019, 86% of these anticipated dollar revenues for 2019 earned in the UK (anticipated at approximately USD 354 million) are hedged at an average rate of USD 1.34. For 2020, 75% of expected dollar revenues are hedged at an average rate of USD 1.35, for 2021 50% are hedged at an average rate of USD 1.43 and 17% are hedged for 2022 at an average rate of USD 1.39. Other hedging programmes are operated for other transactional currency exposures, primarily in respect of the Euro, Indian rupee and Canadian dollar.

The Group has significant investments in overseas operations. Movements in exchange rates between balance sheet dates will affect the sterling value of the Group's consolidated balance sheet.

The currency profile of the Group's borrowings is managed to mitigate balance sheet translation exposures where practical and cost effective.

JLT is also exposed to translational foreign exchange movements which are not hedged. Given the relative size and profitability of the Group's Australian business, this is the most material such exposure.

JARDINE LLOYD THOMPSON GROUP PLC

38. PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

3) Counterparty Risk

The Group's gross exposure to counterparty risk at 31 December 2018 is £1.96 billion, representing own cash, fiduciary funds, investments and deposits, derivative assets, contract assets and trade receivables. The Group maintains a counterparty policy based on credit analysis, market data and published credit ratings to manage the concentration of funds and its exposure to individual counterparties. Deposit limits are assigned to each counterparty appropriate to its credit rating and overall financial profile.

The Group manages its own cash and invested fiduciary funds in the form of deposits with a number of banks, AA money market funds, and other secure short-term money market instruments.

The Group's counterparty approval criteria include a requirement that financial institutions maintain a minimum long term investment grade rating, except where this is not possible or practical due to local operating or regulatory requirements.

The Group's credit criteria also include reference to credit default swap spreads and capital ratios. All exposures to individual counterparties are subject to a formal credit limit to control concentrations of credit exposure and limit the impact of default risk. Counterparty limits, ratings and credit default spread rates, together with utilisation levels, are reviewed regularly.

The respective credit quality by rating of each class of financial asset is included within the notes to the financial statements.

4) Defined Benefit Pension Scheme Risk

The Group has exposure to movements in the balance sheet, income statement and statement of comprehensive income as a consequence of changes in the valuation of retirement benefit assets and liabilities and the impact of such changes on the Group's defined benefit pension scheme positions.

The Group seeks to manage this exposure through regular monitoring and reporting of scheme asset performance and liability positions, suitable scheme investment and risk mitigation strategies and appropriate funding arrangements based on periodic actuarial valuations.

Assets held in the UK defined benefit pension scheme include annuity buy-in contracts which secure the future benefits relating to approximately 69% of pensioner liabilities and which reduce exposure to ongoing longevity and asset risk arising from that portion of the pension scheme liabilities.

The Trustees completed an updated triennial actuarial valuation of the UK defined benefit scheme in June 2018 together with a revised deficit recovery schedule. Based on the updated actuarial valuation position of £169 million, annual deficit recovery contributions of £16.5 million were agreed between the Trustees and the Company.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated financial information is derived from and should be read in conjunction with the historical consolidated financial statements and related notes of Marsh and McLennan Companies, Inc. ("MMC" or the "Company") in MMC's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on February 21, 2019 and the Audited Financial Statements of Jardine Lloyd Thompson Group plc ("JLT") which are included in this Current Report on Form 8-K/A to which this unaudited pro forma financial information is included as an exhibit.

The unaudited pro forma consolidated balance sheet as of December 31, 2018 and the unaudited pro forma consolidated statement of income for the year-ended December 31, 2018 are presented herein. The unaudited pro forma consolidated balance sheet combines the consolidated balances sheets of MMC and JLT as of December 31, 2018 and gives effect to MMC's acquisition of JLT by way of a Scheme of Arrangement (the "Transaction"), as if it had been completed on December 31, 2018. The unaudited pro forma consolidated statement of income combines the historical results of MMC and JLT for the year-ended December 31, 2018 and gives effect to the Transaction as if it occurred on January 1, 2018.

The unaudited pro forma consolidated financial information is based on the assumptions and adjustments described in the accompanying notes. The unaudited pro forma financial information is presented for illustrative purposes and does not purport to represent what the financial position or results of operations would actually have been if the Transaction occurred as of the dates indicated or what the financial position or results of operations would be for any future period. The unaudited pro forma consolidated financial information is based on the respective historical consolidated financial statements of MMC and JLT and should be read in conjunction with (1) the accompanying notes to the unaudited pro forma financial information, (2) the audited consolidated financial statements for the year ended December 31, 2018 and notes thereto included in MMC's Annual Report, (3) the audited consolidated financial statements and notes thereto of JLT for the year ended December 31, 2018, which are included herein as Exhibit 99.1.

The unaudited pro forma statement of income also includes certain purchase accounting adjustments, including items expected to have a continuing impact on the combined results, such as increased amortization of acquired intangible assets. The unaudited pro forma financial information also includes debt issued to finance the Transaction and related interest expense. The pro forma statement of income does not include any revenue, cost or other operating synergies that may result from the acquisition or any related restructuring costs or other potential impacts. The unaudited pro forma consolidated financial information also excludes the results of the JLT aerospace business, which was divested as part of the European Commission's approval of the JLT Transaction.

Marsh & McLennan Companies, Inc.
Unaudited Pro Forma Consolidated Statement of Income
For the Year Ended December 31, 2018
(In millions, except per share figures)

	Historical Marsh & McLennan Companies, Inc.	Conformed JLT IFRS (See Note 3)	IFRS to U.S. GAAP Adjustments	(Note)	Conformed JLT (U.S. GAAP)	Pro Forma Adjustments	(Note)	Total Pro Forma Combined
Revenue	\$ 14,950	\$ 1,938	\$ (24)	5d	\$ 1,914	\$ (87)	7a	\$ 16,777
Expense:								
Compensation and benefits	8,605	1,322	(112)	5a,5b	1,210	(46)	7a	9,769
Other operating expenses	3,584	479	2		481	150	7a, 7b, 7e	4,215
Operating expenses	12,189	1,801	(110)		1,691	104		13,984
Operating income	2,761	137	86		223	(191)		2,793
Other net benefit credits (costs)	215	(5)	15	5a	10	—		225
Interest income	11	5	—		5	—		16
Interest expense	(290)	(32)	—		(32)	(207)	7c	(529)
Investment loss	(12)	—	—		—	—		(12)
Acquisition related derivative contracts	(441)	—	—		—	441	7d	—
Income before income taxes	2,244	105	101		206	43		2,493
Income tax expense	574	42	20	5c	62	18	7h	654
Net income before non-controlling interests	1,670	63	81		144	25		1,839
Less: Net income attributable to non-controlling interests	20	14	—		14	—		34
Net income attributable to the Company	\$ 1,650	\$ 49	\$ 81		\$ 130	\$ 25		\$ 1,805
Net income per share attributable to the Company								
- Basic	\$ 3.26							\$ 3.57
- Diluted	\$ 3.23							\$ 3.53
Average number of shares outstanding								
- Basic	506							506
- Diluted	511							511
Shares outstanding at December 31, 2018	504							504

See accompanying notes to unaudited pro forma consolidated financial information.

Marsh & McLennan Companies, Inc.
Unaudited Pro Forma Consolidated Balance Sheet
As of December 31, 2018
(In millions, except share amounts)

	Historical Marsh & McLennan Companies, Inc.	Conformed JLT IFRS (See Note 3)	IFRS to U.S. GAAP Adjustments	(Note)	Conformed JLT (U.S. GAAP)	Pro Forma Adjustments	(Note)	Total Pro Forma Combined
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 1,066	\$ 235	\$ —		\$ 235	\$ 278	7f	\$ 1,579
Net receivables	4,317	732	(7)	5e	725	—		5,042
Other current assets	551	124	(4)	5j	120	157	7a, 7c	828
Total current assets	5,934	1,091	(11)		1,080	435		7,449
Goodwill	9,599	784	—		784	3,993	7g	14,376
Other intangible assets	1,437	80	—		80	1,582	7e	3,099
Fixed assets, net	701	85	—		85	—		786
Pension related assets	1,688	—	—		—	—		1,688
Deferred tax assets	680	97	(17)	5c	80	(80)	7i	680
Other assets	1,539	340	(42)	5f	298	67	7a	1,904
TOTAL ASSETS	21,578	2,477	(70)		2,407	5,997		29,982
LIABILITIES AND EQUITY								
Current liabilities:								
Short-term debt	314	23	—		23	—		337
Accounts payable and accrued liabilities	2,234	325	11	5g	336	(1)	7c	2,569
Accrued compensation and employee benefits	1,778	330	(69)	5b	261	—		2,039
Acquisition related derivatives	441	—	—		—	(25)	7d	416
Accrued income taxes	157	19	—		19	—		176
Total current liabilities	4,924	697	(58)		639	(26)		5,537
Fiduciary liabilities	5,001	1,242	—		1,242	—		6,243
Less - cash and investments held in a fiduciary capacity	(5,001)	(1,242)	—		(1,242)	—		(6,243)
	—	—	—		—	—		—
Long-term debt	5,510	905	—		905	6,021	7c	12,436
Pension, post-retirement and post-employment benefits	1,911	229	(21)	5a	208	—		2,119
Other liabilities	1,649	254	(130)	5h	124	173	7i	1,946
Total equity	7,584	392	139	5i	531	(171)	7j	7,944
TOTAL LIABILITIES AND EQUITY	\$ 21,578	\$ 2,477	\$ (70)		\$ 2,407	\$ 5,997		\$ 29,982

See accompanying notes to unaudited pro forma consolidated financial information.

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL INFORMATION
(Unaudited)

Note 1 — Description of the Transaction

On September 18, 2018, the Company announced that it had reached agreement on the terms of a recommended cash acquisition of JLT, a public company organized under the laws of England and Wales. JLT is a provider of insurance, reinsurance and employee benefits related advice, brokerage and associated services with annual revenue of approximately \$2 billion and 10,000 colleagues.

On April 1, 2019, the Company completed the JLT Transaction to purchase all of the outstanding shares of JLT. Under the terms of the Transaction, JLT shareholders received £19.15 in cash for each JLT share, which valued JLT's existing issued and to be issued share capital at approximately £4.3 billion (or approximately \$5.6 billion based on an exchange rate of U.S. \$1.31:£1), and the Company assumed existing JLT indebtedness of approximately \$1 billion. The Company implemented the Transaction by way of a scheme of arrangement under Part 26 of the United Kingdom Companies Act 2006, as amended.

Note 2 — Basis of Presentation

The unaudited pro forma consolidated balance sheet was prepared using the historical audited balance sheets of MMC and JLT as of December 31, 2018. The unaudited pro forma consolidated statement of income was prepared using the historical audited statements of income of MMC and JLT for the year ended December 31, 2018.

The unaudited pro forma financial information was prepared using the acquisition method of accounting with MMC treated as the acquiring entity. Accordingly, the historical financial information has been adjusted to give effect to the impact of the consideration paid in connection with the transaction and the issuance of debt used to finance the transaction. In the unaudited pro forma consolidated balance sheet, MMC's purchase price has been allocated to the assets and liabilities assumed based on management's preliminary estimate of their respective fair values as of the date of the Transaction. Any differences between the fair value of the assets and liabilities and purchase consideration are recorded as goodwill. Definitive allocations will be performed and finalized based on certain valuation and other studies that will be performed by MMC and will take into account, in part, the services of third party valuation specialists. Accordingly, the purchase price allocation adjustments and related depreciation and amortization reflected in the unaudited pro forma information are preliminary, and have been made solely for the purpose of preparing this unaudited pro forma financial information and are subject to revision based on a final determination of fair value.

The unaudited pro forma consolidated statement of income also includes certain purchase accounting adjustments, including items expected to have a continuing impact on the combined results, such as increased amortization expense on acquired intangible assets. The unaudited pro forma consolidated statement of income does not include the impacts of any revenue, cost or other operating synergies that may result from the Transaction or any related restructuring costs. The unaudited pro forma consolidated financial information also excludes the results of the JLT aerospace business, which was divested as part of the European Commission's approval of the JLT Transaction.

Financing Arrangements

Prior to the closing of the Transaction, the Company issued \$5,250 million and €1.1 billion of senior notes to finance the cash consideration and to repay approximately \$450 million of existing JLT debt and certain transaction expenses. The interest related to the new debt is included in the pro forma statement of income as if it had been issued on January 1, 2018.

Note 3 — Reclassifications and Foreign Exchange Translation

Certain balances in JLT's historical balance sheet and certain line items in JLT's historical income statement have been reclassified to conform with MMC's presentation in the unaudited pro forma consolidated balance sheet and statement of income as described below.

JLT
Consolidated Statement of Income
For the Year Ended December 31, 2018
(In millions)

	Historical JLT IFRS As Reported GBP	Reclassifications	Note	Conformed JLT in MMC Format-GBP	US \$
Revenue	£ —	£ 1,456	(a)	£ 1,456	\$ 1,938
Fees and commissions	1,438	(1,438)	(a)	—	—
Investment Income	13	(13)	(a)	—	—
Total Revenue	1,451	5		1,456	1,938
Salaries and associated expenses	1,002	(8)	(a)	994	1,322
Premises	73	(73)	(a)	—	—
Other operating costs	238	123	(a)	361	479
Depreciation, amortization and impairment charges	36	(36)	(a)	—	—
Net credit impairment losses on financial and contract assets	4	(4)	(a)	—	—
Operating Expenses	1,353	2		1,355	1,801
Operating income	98	3		101	137
Other net benefit (costs) credits	—	(4)	(c)	(4)	(5)
Interest income (d)	4	—		4	5
Interest expense (d)	(28)	4	(c)	(24)	(32)
Share of results of associates	3	(3)	(b)	—	—
Income before income taxes	77	—		77	105
Income tax expense	32	—		32	42
Net income before non-controlling interests	45	—		45	63
Less: Net income attributable to non-controlling interests	11	—		11	14
Net income attributable to the Company	£ 34	£ —		£ 34	\$ 49

(a) Reclassifications within revenue and operating expenses to conform to MMC's presentation

(b) To reclassify equity in affiliates to revenue to conform to MMC's presentation

(c) To reclassify other net benefit costs from interest expense to conform to MMC's presentation

(d) JLT's audited financial statements classify interest income and interest expense as finance income and finance costs

JLT
Consolidated Balance Sheet
For the Year Ended December 31, 2018
(In millions)

	Historical JLT IFRS As Reported GBP		Reclassifications		Note	Conformed JLT in MMC Format-GBP		US \$
ASSETS								
Current assets:								
Cash and cash equivalents	£	1,008	£	(821)	(a)	£	187	\$ 235
Net receivables		579		—			579	732
Other current assets		260		(162)	(a)		98	124
Total current assets		1,847		(983)			864	1,091
Goodwill		620		—			620	784
Other intangible assets		113		(50)	(b)		63	80
Fixed assets, net		67		—			67	85
Derivative financial instruments		84		(84)	(b)		—	—
Deferred tax assets		77		—			77	97
Other assets		135		134	(b)		269	340
TOTAL ASSETS		2,943		(983)			1,960	2,477
LIABILITIES AND EQUITY								
Current liabilities:								
Short-term debt		18		—			18	23
Accounts payable and accrued liabilities		1,501		(1,244)	(a)(b)		257	325
Accrued compensation and employee benefits		—		261	(b)		261	330
Accrued income taxes		15		—			15	19
Total current liabilities		1,534		(983)			551	697
Fiduciary liabilities		—		983	(a)		983	1,242
Less - cash and investments held in a fiduciary capacity		—		(983)	(a)		(983)	(1,242)
		—		—			—	—
Long-term debt		716		—			716	905
Pension, post-retirement and post-employment benefits		181		—			181	229
Derivative financial instruments		113		(113)	(b)		—	—
Other liabilities		88		113	(b)		201	254
Total equity		311		—			311	392
TOTAL LIABILITIES AND EQUITY	£	2,943	£	(983)		£	1,960	\$ 2,477

(a) To reclassify fiduciary cash and fiduciary liabilities from current assets and current liabilities to conform with MMC's presentation

(b) Reclassifications to conform with MMC's presentation.

Note 4 — Foreign Currency Translation

The Company applied an average monthly exchange rate to each income and expense account in the income statement, effectively resulting in a weighted average year-to-date exchange rate between 1.33 to 1.25 to one U.S. dollar, depending on the specific line and the timing of revenue and expenses recorded in each account.

The balance sheet was translated using an exchange rate of approximately 1.26 to one U.S. dollar.

Note 5 — U.S. GAAP and Conforming Adjustments

IFRS to GAAP Adjustments

- (a) Accounting for defined benefit pension and other benefit plans – Under U.S. GAAP, assumptions for the discount rate and the expected return on plan assets are independently determined using the best available estimate for each item. Under IFRS, the expected return on plan assets is set equal to the discount rate. In addition, U.S. GAAP allows an alternative to recognize actuarial gains and losses, as well as prior service costs in equity and to amortize those items through the income statement over the average life expectancy of plan participants if substantially all participants are inactive. Under IFRS, prior service costs are recognized immediately in earnings. In addition, under IFRS, actuarial gains and losses are recognized immediately in other comprehensive income, and are not subsequently amortized through the income statement. To conform JLT's accounting for defined benefit pension and other benefit plans from IFRS to U.S. GAAP, the Company recorded a \$3 million adjustment to reduce compensation and benefits and a credit of \$15 million to other net benefit credits in the consolidated statement of income, and a reduction of \$21 million to the pension liability and a credit of \$3 million to accumulated other comprehensive income in the consolidated balance sheet.
- (b) Accounting for Stock Compensation and Cash Awards – Under U.S. GAAP, the amortization of stock compensation expense and other deal contingent payments do not get accelerated for vesting contingent upon a change in control, even if such change in control is probable. Under IFRS, the amortization is accelerated over the period that the change in control becomes probable through the estimated closing date. The \$110 million adjustment to compensation and benefits reflects the reduction to reverse the acceleration of stock compensation awards of \$41 million and a reversal of accrued retention cash awards related to the Transaction of \$69 million to conform JLT's results to U.S. GAAP in the consolidated statement of income. The Company recorded an adjustment to reduce additional paid in capital by \$41 million and accrued compensation and employee benefits by \$69 million to reflect the balance sheet impact of the adjustment.
- (c) Income Taxes – Reflects the income tax expense associated with the pre-tax IFRS to U.S. GAAP and conforming accounting policies adjustments.

Conforming Accounting Policies

Quota Share Reinsurance - Upon the adoption of the new revenue recognition standard ("ASC 606") on January 1, 2018, MMC began recognizing revenue from quota share reinsurance placements on the effective date of the underlying reinsurance arrangement. Previously, the Company recognized such revenue at the later of the billing date or effective date. MMC adopted ASC 606 on a modified retrospective basis, with the cumulative effect of adopting the new guidance recorded as an adjustment to retained earnings on January 1, 2018. The Company uses a comprehensive portfolio of historical transactions to estimate the constraint necessary to determine if it is probable that a significant negative adjustment to the estimated revenue will not occur in the future. Typically, the brokerage revenue on a quota share program is billed and received over a 12 to 18 month period as underlying risk from the ceding reinsurer attach to the reinsurance treaty. MMC uses an analysis of cash received over subsequent periods to update the expected revenue and appropriate constraint over the billing and collection period. JLT's policy prior to and following the adoption of the new revenue recognition standard ("IFRS 15") on January 1, 2018, was to recognize such revenue on the policy effective date using estimates of expected revenue to be collected. JLT adopted IFRS 15 on a retrospective basis.

In order to reflect MMC's accounting policy for JLT quota share and certain excess of loss treaties, the following steps were taken:

- MMC applied its model and approach described above to existing JLT treaties in effect at December 31, 2017 to provide a constraint on estimated revenue. The estimated revenue less that constraint was recorded as a contract asset at January 1, 2018 to conform with MMC's modified retrospective adoption of ASC 606.
- Revenue for treaties effective on or after January 1, 2018 was also recognized using the MMC model and approach to establishing estimated revenue and constraints. Subsequent billings and collections on treaties in effect on December 31, 2017 were also monitored using MMC's model and approach to determine what, if any, adjustments of revenue constraints were appropriate.
- Any contract assets related to the JLT policy were reversed as of December 31, 2017, to conform with MMC's policy for recognizing revenue at the later of billing or effective date.

Brokerage revenue – MMC and JLT each recognize revenue on the policy effective date, the point at which the services are transferred and the client has accepted the services.

(d) Revenue recognition – Adjustments of \$24 million are primarily related to conforming with MMC policies for reinsurance excess of loss ("XOL") treaties and quota share constraint methodology as discussed in more detail above.

Balance Sheet Adjustments Not Included Above

(e) Reflects the impact of a reduction of \$17 million related to conforming JLT's reinsurance revenue recognition policy to MMC's policy, offset by a net increase of \$10 million to conform JLT's consulting projects to MMC's policy.

(f) Reflects a reduction of \$42 million primarily due to reinsurance quota share related contract assets to conform to MMC's policy and constraint methodology.

(g) Reflects an adjustment of \$38 million to establish a post placement obligation partly offset by a reversal of \$27 million of deferred revenue to conform IFRS to U.S. GAAP and MMC policy.

(h) Reversal of \$24 million of deferred revenue related to post placement services and the reclassification of non- controlling interests of \$106 million from other liabilities to equity to conform IFRS to GAAP.

(i) The IFRS to U.S. GAAP and conforming adjustments to equity include:

	Increase/(Decrease) (In millions)
1) Adjustments to reflect the net income related to the U.S. GAAP adjustments	\$ 81
2) Accumulated other comprehensive income adjustment related to conforming the pension liability to U.S. GAAP	3
3) Equity due to the reversal of expense related to the accelerated vesting of stock awards	(41)
4) APIC related to the excess income tax benefit on share based compensation	(2)
5) Opening balance adjustments to retained earnings to conform with MMC accounting policies and methodologies and reflect IFRS/U.S. GAAP differences, net of tax benefit of \$6 million *	(8)
6) Reclass of non-controlling interests from other liabilities to conform IFRS to GAAP	106
U.S. GAAP Adjustments to Shareholders Equity	\$ 139

* Decrease of Quota Share contract assets and XOL accounts receivable offset by increases related to reversal of deferred revenue and establishment of a post placement obligation liability.

(j) Reflects adjustment to the deferral of fulfillment costs to conform with MMC policies.

Note 6 — Purchase Price

The following is a summary of the Company's preliminary allocation of purchase price as reflected in the unaudited pro forma consolidated balance sheet as of December 31, 2018:

	Amounts in millions
Cash and cash equivalents	\$ 167
Net receivables	725
Other current assets	284
Fixed assets, net	85
Other intangible assets	1,662
Goodwill	4,777
Other assets	365
Current liabilities	(639)
Long-term debt	(905)
Other liabilities	(519)
Non controlling interest	(416)
Total consideration	\$ 5,586

The preliminary purchase price allocation has been used to prepare pro forma adjustments in the pro forma balance sheet and income statement. The final purchase price allocation will be recorded once final valuations are completed. The final valuation may differ materially from the valuation used for the pro forma adjustments.

Included in the purchase price allocation are the impacts of rights or obligations that occurred as a result of the close of the Transaction and were received or paid at or near the close. This included the receipt of a capital contribution from JLT's largest shareholder, and the payment of retention and completion bonuses, the effects of which are reflected in cash as a net reduction of \$68 millions. It also includes the initial payment of \$164 million and contingent consideration of \$67 million related to the disposal of the aerospace business in other current assets and other assets, respectively.

The goodwill balance is primarily attributed to the assembled workforce, expanded market opportunities and cost and other operating synergies anticipated upon the integration of the operations of MMC and JLT.

Note 7 — Pro Forma Adjustments

- (a) As part of the European Commission's approval of the JLT Transaction, MMC agreed to dispose of JLT's aerospace business, which was completed on June 1, 2019. The pro forma adjustments reflect the elimination of the aerospace revenue of \$87 million, compensation and benefits of \$46 million and other operating expenses of \$5 million for the year ended December 31, 2018.

The Company recorded pro forma adjustments of \$164 million in other current assets related to the expected proceeds on the sale of the aerospace business and \$67 million in other assets to reflect the fair value of the contingent purchase consideration asset, based on projections of future revenue of the aerospace business.

- (b) Reflects the elimination of nonrecurring transaction costs of \$11 million incurred by MMC and \$4 million incurred by JLT for the year ended 2018, that are directly related to the JLT Transaction and the elimination of \$5 million of other operating expenses related to the elimination of the aerospace business discussed above.
- (c) Prior to the closing of the JLT Transaction, the Company issued \$5,250 million and €1.1 billion (\$1,263 million) of senior notes, net of debt issuance costs of \$42 million to finance the cash consideration and repay approximately \$450 million of existing JLT debt. The net increase in interest expense reflects the interest on the new debt to finance the JLT Transaction and the amortization of related debt issuance costs of approximately \$252 million offset by the elimination of interest expense related to elimination of JLT debt discussed above of \$15 million.

On September 18, 2018, the Company entered into a bridge loan agreement to finance the JLT Transaction. The bridge loan agreement provided for commitments in the aggregate principal amount of £5.2 billion. The Company paid approximately \$35 million of customary upfront fees related to the bridge loan at the inception of the loan commitment, of which \$30 million was amortized as interest expense in 2018 based on the period of time the facility was expected to be in effect. There were no borrowings under the bridge loan agreement, which was terminated on April 1, 2019. The adjustment reflects the elimination of the bridge loan fees of \$30 million that were incurred during 2018, since they were nonrecurring acquisition related costs that were directly related to the JLT Transaction.

The Company recorded pro forma adjustments to the consolidated balance sheet as of December 31, 2018 reflecting a reduction to retained earnings for the additional charge to interest expense incurred in 2019 of \$6 million, a debit to accounts payable and accrued liabilities of \$1 million and a credit to other current assets of \$7 million.

- (d) In connection with the JLT Transaction, to hedge the risk of appreciation of the GBP-denominated purchase price relative to the U.S. dollar, on September 20, 2018, the Company entered into a deal contingent foreign exchange contract ("FX Contract") to, solely upon consummation of the Transaction, purchase £5.2 billion and sell a corresponding amount of U.S. dollars at a contracted exchange rate. An unrealized loss of \$325 million related to the change in fair value of the FX contract was recorded in the consolidated statement of income during 2018 primarily related to the depreciation of the GBP from September 2018. The FX Contract did not qualify for hedge accounting treatment under applicable accounting guidance. The Company settled the FX Contract on April 1, 2019. The Company recorded a pro forma adjustment to reverse the \$325 unrealized loss that was recorded in 2018, since it is a non-recurring charge that is directly attributable to the transaction.

In connection with the JLT Transaction, to hedge the risk of increases in future interest rates prior to its issuance of senior notes, in the fourth quarter of 2018, the Company entered into treasury locks related to \$2 billion of the expected debt. The fair value at December 31, 2018 is based on the published treasury rate plus forward premium as of December 31, 2018 compared to the all in rate at the inception of the contract. The

contracts were not designated as an accounting hedge. The Company recorded an unrealized loss of \$116 million related to the change in the fair value of this derivative in the consolidated statement of income during 2018. The Company settled the treasury lock derivative in January 2019. The Company recorded a pro forma adjustment to reverse the \$116 million unrealized loss that was recorded in 2018, since it is a non-recurring charge that is directly attributable to the transaction.

During 2019, the Company recorded a net credit of \$25 million upon settlement of the derivatives discussed above. The pro forma balance sheet reflects the impact of the elimination of this credit from retained earnings, since these costs were directly attributable to the Transaction and non recurring in nature.

(e) Reflects the adjustment of JLT's historical carrying value to estimated fair value.

The following table provides estimated information of identified intangibles related to JLT:

	Estimated Fair Value	Weighted Average Amortization Period	Year Ended December 31, 2018 Amortization Expense
Client relationships	1,566	13 years	152
Other	96	5 years	28
Amortization associated with the JLT Transaction	1,662		180
Less: Historical Amortization			(10)
Pro forma adjustment to amortization expense			170

(f) The following cash related adjustments reflect:

1) Add: Net cash received from the issuance of debt	\$	6,471
2) Less: Payment to former JLT shareholders to complete the JLT Transaction		(5,586)
3) Less: Repayment of a portion of JLT debt		(450)
4) Less: Bonus payments paid upon the completion of the transaction		(131)
5) Less: Payments of transaction related costs for investment banking, legal and stamp duty fees, which were incurred and paid in 2019		(89)
6) Add: Contribution received in April 2019 from JLT's largest shareholder to partially fund retention bonuses		63
Pro forma Adjustments to cash and cash equivalents	\$	278

(g) Reflects adjustment to eliminate JLT's historical goodwill of \$784 million and record goodwill associated with the Transaction of \$4,777 million.

(h) Reflects the income tax effect of pro forma adjustments.

(i) Reflects an increase to record the step up in deferred tax liabilities of \$293 million resulting from the pro forma fair value adjustments for the net assets acquired offset by other pro forma related adjustments of \$40 million and the reclassification of JLT's deferred tax assets of \$80 million, since JLT post acquisition is in a net deferred tax liability position.

(j) The following reflect the pro forma adjustments to equity:

	Increase/(Decrease) (In millions)
1) Transaction costs incurred and paid in 2019	\$ (82)
2) Cost recognized on settlement of Euro hedge in 2019	(7)
3) Cost incurred in 2019 on settlement of bridge loan financing	(6)
4) Historical JLT equity as of acquisition date	(401)
5) Treasury lock cost incurred in 2019 upon settlement	(6)
6) Adjust JLT non controlling interest to fair value	285
7) Gain incurred in 2019 on settlement of FX Forward	31
8) Income tax impact of pro forma adjustments	15
Pro forma Adjustments to Shareholders Equity	\$ (171)