NERA UK Limited

Report and Financial Statements

31 December 2005

Company Registration No. 3974527

NERA

Economic Consulting

NERA Economic Consulting
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Report and Financial Statements 2005

Officers and Professional Advisers

Directors

W R Baker
D C Bucco
A S Carron
J S Dodgson
G Shuttleworth

Secretary

P B Crosby

Registered Office

15 Stratford Place
London
W1C 1BE

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Activities

The principal activity of the company is to provide economic consulting services.

Review of developments and future prospects

The company continues to benefit from the excellent performance of its immediate parent, National Economic Research Associates (California), Inc. The London-based practices expect to see improved performance through an increase in staffing and in utilisation rates throughout 2006 and into the future.

Branches

The company operates a branch in Brussels, Belgium.

Dividends and transfer to reserves

A dividend of £nil (2004- £nil) was paid during the year and a retained loss of £2,053,313 (2004 - £1,546,035 (as restated) loss) was transferred to reserves.

Financial risk management

The directors considered the risks attached to the company's financial instruments which principally comprise operating debtors, operating creditors and loans to and from other group companies. The directors have taken a prudent approach in their consideration of the various risks attached to the financial instruments of the company. The company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of asset, liabilities and the financial statements.

The directors' policy on hedging is to hedge all financial risks where it is feasible and cost effective to do so. The company had no hedged transactions during the year.

Directors and their interests

The directors of the company throughout the year and subsequently, unless otherwise stated, are:

W R Baker		
D C Bucco	(US citizen)	
A S Carron	(US citizen)	(appointed 1 January 2006)
D W Colenutt		(resigned 7 July 2006)
J S Dodgson		
R T Rapp	(US citizen)	(resigned 31 December 2005)
G Shuttleworth		(appointed 7 July 2006)

None of the directors had any beneficial interests in the shares of the company or any other UK group companies at any time during the year.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

G Shuttleworth
Director
20th December 2006

Statement of Directors' Responsibilities

The directors are responsible for preparing the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of NERA UK Limited

We have audited the financial statements of NERA UK Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended;
- and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
20 December 2006

Profit and Loss Account

Year ended 31 December 2005

	Note	2005	2004 (Restated)
		£	£
Turnover	2	10,781,220	11,260,186
Cost of sales		(6,507,299)	(6,293,927)
Gross profit		4,273,921	4,966,259
Administrative expenses		(7,052,659)	(7,139,980)
Operating loss	4	(2,778,738)	(2,173,721)
Interest receivable and similar income	5	34,774	20,630
Interest payable and similar charges	6	(83,601)	(3,978)
Other finance income	17	51,000	1,000
Loss on ordinary activities before taxation		(2,776,565)	(2,156,069)
Tax credit on loss on ordinary activities	7	723,252	610,034
Retained loss for the financial year	14	**(2,053,313)**	**(1,546,035)**

All of the company's activities in the above two financial years are derived from continuing operations.

The 2004 Profit and Loss Account has been restated following the implementation of FRS 17, Retirement Benefits and FRS 20, Share Based Payments. Please see notes 1 and 16 respectively for details.

Statement of Total Recognised Gains and Losses

Year ended 31 December 2005

	2005	2004 (Restated)
	£	£
Retained loss for the financial year	(2,053,313)	(1,546,035)
Actuarial gain on pension liability	*132,000*	*846,000*
Deferred tax on actuarial gain	(39,600)	(253,800)
Total recognised loss relating to the year	**(1,960,913)**	**(953,835)**
Prior year adjustment (see note 16) relating to the implementation of FRS 17	(1,140,000)	
Prior year adjustment (see note 16) relating to the reversal of the SSAP 24 creditor	453,000	
Prior year adjustment (see note 16) relating to the implementation of FRS 20	143,667	
Total recognised loss since last financial statements	**(2,504,246)**	

Balance Sheet

31 December 2005

	Note	2005	2004 (Restated)
		£	£
Fixed assets			
Tangible assets	*8*	*1,185,851*	*1,318,419*
Current assets			
Debtors: amounts falling due within one year	9	6,184,578	4,157,796
Debtors: amounts falling due after more than one year	10	18,444	168,389
Cash at bank and in hand		1,494,114	566,596
		7,697,136	4,892,781
Creditors: amounts falling due within one year	11	(10,327,665)	(5,741,223)
Net current liabilities		(2,630,529)	(848,442)
Total assets less current liabilities		(1,444,678)	469,977
Creditors: amounts falling due after more than one year	12	(115,558)	(23,100)
Net (liabilities)/assets excluding pension liability		(1,560,236)	446,877
Pension liability	17	(1,093,800)	(1,140,000)
Net liabilities including pension liability		**(2,654,036)**	**(693,123)**
Capital and reserves			
Called up share capital	13	100	100
Share premium account		241,048	241,048
Profit and loss account		(2,895,184)	(934,271)
Equity shareholders' deficit	14	**(2,654,036)**	**(693,123)**

The 2004 Balance Sheet has been restated following the implementation of FRS 17, Retirement Benefits and FRS 20, Share Based Payments. Please see notes 1 and 16 respectively for details.

These financial statements were approved by the Board of Directors on 20th December 2006.

Signed on behalf of the Board of Directors

G. Shuttleworth

G Shuttleworth
Director

Notes to the Accounts

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. A summary of the principal accounting policies is set out below. Except as noted below in relation to FRS 17 and FRS 20, these polices have been applied consistently through the year and the previous year.

Changes in Accounting Policies

FRS 20 Share based payments*:* The Standard requires share based payments granted to employees and directors to be measured at fair value at grant date and charged to the profit and loss account over the vesting period of the awards. Management has reviewed the accounting for deferred bonus payments which are accounted for so as to spread the cost over the period from which they are granted to the time the bonus vests.

FRS 17 Retirement Benefits: The Standard requires defined benefit scheme assets and liabilities to be valued at each balance sheet date with the resulting asset or liability being recognised on the balance sheet. Current and past service costs, interest costs and expected return on the scheme assets are recognised in the profit and loss account whilst actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The prior year comparatives have been restated to reflect these changes in accounting policies. The impact of doing so is shown in notes 14 and 16.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover comprises the total of fees earned in the financial year. Fee income is recognised in the profit and loss account on the basis of hours charged and any uninvoiced amounts are shown as unbilled debtors, net of any provisions for amounts considered to be unbillable.

Tangible fixed assets

Tangible fixed assets are shown at original historical cost net of depreciation. Depreciation is provided on a straight-line basis over their estimated useful lives, as follows:

Leasehold improvements	Over the shorter of remaining life of the lease or 10 years
Furniture and equipment	3 to 10 years

Current tax

Current tax including UK Corporation Tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantively enacted by the balance sheet date.

Deferred taxation

In accordance with FRS 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in current taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment properties where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on inception of the lease and depreciated over the shorter of the period of the lease or the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in portion to the capital outstanding and charged to the profit and loss account.

Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term.

Pension costs

FRS 17 Retirement Benefits has been adopted in the year and the impact of this is set out in note 16.

Amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as part of the finance costs. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted as a rate equivalent to the current a rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign exchange

Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. All foreign currency assets and liabilities at the balance sheet date are translated at the rates ruling at that date. Translation gains or losses arising during the year are included in the profit and loss account.

The financial statements of the Brussels branch are translated into sterling at the closing rate of exchange.

Cash flow statement

As a subsidiary of a group the company has taken advantage of the exemption provided by FRS1 Cash Flow Statements (revised) and has not prepared a cash flow statement.

2. Turnover

The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to one activity, the provision of economic consultancy services.

	2005 £	2004 £
With third parties	10,508,900	10,965,546
Within the group	272,320	294,640
	10,781,220	11,260,186

Geographical analysis of turnover

	2005 £	2004 £
United Kingdom	6,260,600	8,029,097
Other European countries	2,389,110	1,213,200
Rest of the World	2,131,510	2,017,889
	10,781,220	11,260,186

3. Information regarding directors and employees

	2005	2004 (Restated)
	£	£
Directors' remuneration		
Emoluments	772,927	937,987
Pensions and other retirement benefits	65,455	231,893
	838,382	1,169,880

Retirement benefits accrued to three directors (2004 - four) under the defined benefit scheme and nil directors (2004 - nil) under the money purchase scheme.

	2005	2004 (Restated)
	£	£
Highest paid director		
Total emoluments:		
Defined benefit pension	401,161	380,359
Accrued pension per annum at the end of year	3,567	5,533
	No.	No.
Average number of persons employed		
Consultancy	50	64
Administration	18	20
	68	84
	£	£
Staff costs during the year (inclusive of directors' emoluments)		
Wages and salaries	6,676,112	6,447,928
Social security costs	761,908	913,398
Pension costs	671,741	692,912
	8,109,761	8,054,238

The company has adopted FRS 20, Share based Payments early and has adjusted the period over which deferred bonuses have been recognised in the accounts. This has resulted in an increase in staff costs of £82,078 (2004 - £890) decrease). A prior year adjustment has been made to reflect the change in policy which has increased opening reserves by £208,445.

4. Operating loss

	2005 £	2004 £
Operating loss is after charging:		
Depreciation and amortisation		
Owned assets	217,325	191,286
Leased assets	6,654	19,958
Rentals under operating leases		
Other operating leases	959,815	1,066,144
Auditors' remuneration		
Audit fees	49,000	43,000
Other services	2,300	8,992

5. Interest receivable and similar income

	2005 £	2004 £
Bank interest	34,774	20,630

6. Interest payable and similar charges

	2005 £	2004 £
Finance leases	99	3,978
Interest paid to fellow subsidiary undertaking	78,323	-
Other interest	5,179	-
	83,601	3,978

7. Tax on profit on ordinary activities

	2005	2004 (Restated)
	£	£
Current tax		
United Kingdom corporation tax at 30% based on the loss for the year	(553,728)	(475,571)
Overseas tax	4,188	-
Group relief	(549,540)	(475,571)
Prior year adjustment	(5,829)	(65,808)
	(555,369)	(541,379)
Deferred tax	(167,883)	(68,655)
	(723,252)	(610,034)

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK 30% (2004 - 30%). The differences are explained by:

	2005	2004 (Restated)
	%	%
Standard rate for the period as a percentage of profits	30.00	30.00
Effects of:		
Expenses not deductible for tax purposes	(5.69)	(4.86)
Transfer pricing adjustment	-	(0.17)
Overseas tax	(0.15)	-
Movement in short term timing in respect of deferred bonus	(2.14)	-
Movement in short term timing	(0.71)	(0.89)
Other deferred tax movements	(1.51)	(2.06)
Prior year	0.20	3.09
Current tax rate for period as a percentage of profits	20.00	25.11

Movement on deferred taxation balance in the period

	2005	2004 (Restated)
	£	£
(Debit) to the profit and loss account	(167,883)	(68,655)
Credit to statement of total recognised gains and losses	19,799	8,401
Closing balance	(176,682)	(28,598)
Capital allowances in excess of depreciation	(159,531)	(70,819)
Other timing differences	(17,151)	42,221
Pension and post retirement benefit obligations	(468,600)	(488,400)
	(645,282)	(516,998)
Less set off against pension liability	468,600	488,400
	(176,682)	(28,598)

8. Tangible fixed assets

	Short-term leasehold improvements £	Furniture and equipment £	Total £
Cost			
As at 31 December 2005	1,005,783	739,077	1,744,860
Additions	40,663	50,748	91,411
Disposals	-	(26,524)	(26,524)
At 31 December 2005	1,046,446	763,301	1,809,747
Accumulated depreciation			
As at 31 December 2005	(89,558)	(336,883)	(426,441)
Charge for the year	(106,958)	(117,021)	(223,979)
Disposals	-	26,524	26,524
At 31 December 2005	(196,516)	(427,380)	(623,896)
Net book value			
At 31 December 2005	849,930	335,921	1,185,851
At 31 December 2004	916,225	402,194	1,318,419

Included in tangible fixed assets are assets held under finance leases of £nil (2004 - £99,789) and accumulated depreciation of £nil (2004 - £93,136).

9. Debtors: amounts falling due within one year

	2005 £	2004 (Restated) £
Billed debtors	3,125,161	2,089,749
Unbilled debtors	1,403,989	1,180,087
Trade debtors	4,529,150	3,269,836
Amounts owed by group undertakings		
Immediate parent and fellow subsidiary undertakings	41,000	82,192
Group relief	934,619	377,300
Other debtors	15,503	23,530
Corporation tax	100,000	100,000
Deferred tax	176,682	28,598
Foreign tax recoverable	-	25,736
Prepayments and accrued income	387,624	250,604
	6,184,578	4,157,796

10. Debtors: amounts falling due after more than one year

	2005 £	2004 (Restated) £
Prepayments and accrued income	18,444	168,389

11. Creditors: amounts falling due within one year

	2005 £	2004 (Restated) £
Trade creditors	592,356	336,648
Amounts owed to group undertakings		
Immediate parent and fellow subsidiary undertakings	6,718,808	2,628,589
Group relief	325,306	325,306
Taxation and social security	297,446	334,807
Other creditors	1,634,413	1,832,529
Accruals and deferred income	759,336	283,344
	10,327,665	5,741,223

Included in amounts owed to group undertakings are short term loans from Mercer Management Consulting Ltd. for £425,000 repayable on 21st January 2006 at an annual interest rate of 3.16%, £900,000 repayable on 16th February 2006 at an annual interest rate of 3.16% and £1,000,000 repayable on 16th June 2006 at an annual interest rate of 5.05%.

12. Creditors: amounts falling due after more than one year

	2005	2004 (Restated)
	£	£
Other creditors	86,758	-
Taxation and social security	28,800	23,100
	115,558	23,100

13. Called up share capital

	2005	2004
	£	£
Authorised, allotted, called up and fully paid:		
100 ordinary shares of £1 each	100	100

14. Combined statement of movement in reserves and statement of reconciliation of shareholders' funds

	Issued share capital	Share premium account	Profit and loss account	2005 Total	2004 Total
	£	£	£	£	£
As previously reported	100	241,048	(390,938)	(149,790)	1,375,025
FRS 17 adjustment to opening balances	-	-	(1,140,000)	(1,140,000)	(1,712,600)
SSAP 24 adjustment to opening balances	-	-	453,000	453,000	453,000
FRS 20 adjustment to opening balances	-	-	143,667	143,667	145,287
Restated opening balance	100	241,048	(934,271)	(693,123)	260,712
Loss for the financial year	-	-	(2,053,313)	(2,053,313)	(1,546,035)
Actuarial gain/(loss)	-	-	132,000	132,000	846,000
Deferred tax on actuarial gain/(loss)	-	-	(39,600)	(39,600)	(253,800)
At the end of the year	100	241,048	(2,895,184)	(2,654,036)	(693,123)

15. Operating lease commitments

At 31 December 2005 the company was committed to make the following payments during the next year in respect of operating leases.

	2005 Land and buildings £	2004 Land and buildings £
Leases which expire:		
Within one year	-	74,000
Within two to five years	1,328	-
After five years	872,000	872,000
	873,328	946,000

16. Change in accounting policy

During the year, the company adopted FRS 17 Retirement Benefits and FRS 20 Share-based Payments. The comparative figures in the primary statements and notes have been restated to reflect the new policies. These changes of accounting policies resulted in the following changes to prior year amounts and had the following effect on current year amounts.

		2005 £	2004 £
FRS 17 Retirement Benefits			
Balance Sheet			
Decrease in creditors: amounts falling due within one year	FRS17	-	453,000
(Increase)/Decrease in pension liability	FRS17	47,000	(1,140,000)
Decrease/(Increase) in net assets		47,000	(687,000)
Profit and loss account			
Increase in cost of sales	FRS17	95,000	15,000
Increase in administrative expenses	FRS17	22,000	13,000
(Increase) in other finance income	FRS17	(51,000)	(1,000)
(Increase)/Decrease in tax charge	FRS17	(44,423)	(8,499)
Increase in loss for the financial year		21,577	18,501
FRS 20 Share Based Payments			
Balance Sheet			
Increase/(decrease) in debtors: amounts falling due within one year	FRS20	42,445	(17,694)
Increase/(decrease) in debtors: amounts falling after one year	FRS20	18,444	(86,861)
Decrease in creditors: amounts falling due within one year	FRS20	-	313,000
(Increase) in creditors: amounts falling after one year	FRS20	(65,478)	-
(Increase)/Decrease in net assets		(4,589)	208,445
Profit and loss account			
Increase in administrative expenses	FRS20	82,078	809
Increase in loss for the financial year		82,078	809

17. Pension commitments

The company is a participating employer of the Marsh & McLennan Companies Inc (MMC) UK Pension Fund (formerly Marsh Mercer Pension Fund). The assets of the plan are held separately from those of the company.

The group operates a defined contributions section of the Fund for employees less than 30 years old. Contributions to this section amounted to £49,460 (2004 £41,776) and are charged to the profit and loss account as incurred.

The group also operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 December 2003 and updated to 31 December 2005 by a qualified actuary (who is employed within the MMC group).

In preparing the valuation, at 31 December 2005, the major assumptions used by the actuary were as follows:

	At year-end 31 December 2005	At year end 31 December 2004	At year end 31 December 2003
Valuation method	Projected unit	Projected unit	Projected unit
Rate of increase in salaries	4.00%	4.00%	4.00%
Rate of increase of pensions in payment	2.75%	2.75%	2.50%
Rate of increase of pensions in deferment	2.75%	2.75%	2.50%
Discount rate	4.70%	5.30%	5.40%
Inflation assumption	2.75%	2.75%	2.50%

The assets in the scheme and the expected long term rates of return were:

	Expected long term rate of return at 31 December 2005	Value at 31 December 2005 £'000	Expected long term rate of return at 31 December 2004	Value at 31 December 2004 £'000	Expected long term rate of return at 31 December 2003	Value at 31 December 2003 £'000
Equities	7.10%	8,508	7.50%	6,728	7.75%	5,639
Government Bonds	4.10%	2,354	4.50%	1,317	4.75%	950
Non-gov Bonds	4.70%	2,162	5.30%	2,286	5.40%	1,486
Property	7.10%	288	7.50%	163	7.75%	84
Cash	4.50%	268	4.80%	392	3.75%	4
Total market value of assets		13,580		10,886		8,163
Actuarial value of liability		(15,142)		(12,514)		(10,609)
Total deficit in the scheme		(1,562)		(1,628)		(2,446)
Related deferred tax asset		469		488		734
Net pension liability		(1,093)		(1,140)		(1,712)

Certain of the actuarial assumptions as disclosed in the 2004 financial statements have been updated as a result of additional information provided by the actuary.

Analysis of the amount charged to operating profit

	2005 £'000	2004 £'000
Service cost	628	642
Past service cost	-	12
Total operating charge	628	654

Analysis of net return on pension scheme

	2005 £'000	2004 £'000
Expected return on pension scheme assets	724	593
Interest on pension liabilities	(673)	(592)
Net return	51	1
Other finance income	51	1

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2005 £'000	2004 £'000
Actual return less expected return on assets	1,737	1,453
Experience gains and losses on liabilities	151	731
Changes in assumptions	(1,756)	(1,338)
Net gain recognised	132	846

Movement in deficit during the year

	2005 £'000	2004 £'000
Deficit in scheme at beginning of year	(1,628)	(2,446)
Movement in year:		
Current service cost	(628)	(642)
Contributions	511	625
Past service costs	-	(12)
Other finance income	51	1
Actuarial gain	132	846
Deficit in scheme at end of year	(1,562)	(1,628)

The actuarial valuation at 31 December 2005 showed a decrease in the deficit from £1,628,000 to £1,562,000. Regular Employer contributions were made in 2005 of 18.1% of pensionable pay. It has been agreed with the Trustee that Employer contributions will increase from 1 January 2006 to 20.1% of pensionable pay.

History of experience gains and losses

	Financial year ending in			
	2005	**2004**	**2003**	**2002**
Difference between expected and actual return on scheme assets:				
amount (£ 000)	1,737	1,453	485	(392)
percentage of scheme assets	13%	13%	6%	(6%)
Experience gains and losses on scheme liabilities:				
amount (£ 000)	151	731	1,058	1,276
percentage of scheme liabilities	1%	6%	10%	13%
Total amount recognised in statement of total recognised gains and losses:				
amount (£ 000)	132	846	595	856
percentage of scheme liabilities	1%	7%	6%	(9%)

18. Ultimate parent undertaking and controlling party

The company is a member of two groups. The largest group, of which the ultimate parent undertaking and controlling entity is Marsh & McLennan Companies Inc., is incorporated in the State of Delaware. USA. The smallest group is headed by National Economic Research Associates (California), Inc., incorporated in the State of California, USA. The company has taken advantage of the exemption granted by paragraph 3c of FRS 8 "Related Party Disclosures" not to disclose transactions with National Economic Research Associates (California), Inc. and Marsh & McLennan Companies, Inc. who are related parties. The accounts of Marsh McLennan Companies, Inc. are available to the public and may be obtained from:

Corporate Development
Marsh & McLennan Companies, Inc.
1166 Avenue of the Americas
New York
New York 10036 USA

Marsh & McLennan Companies, Inc. is the smallest and largest group that the accounts of the company are consolidated into.

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