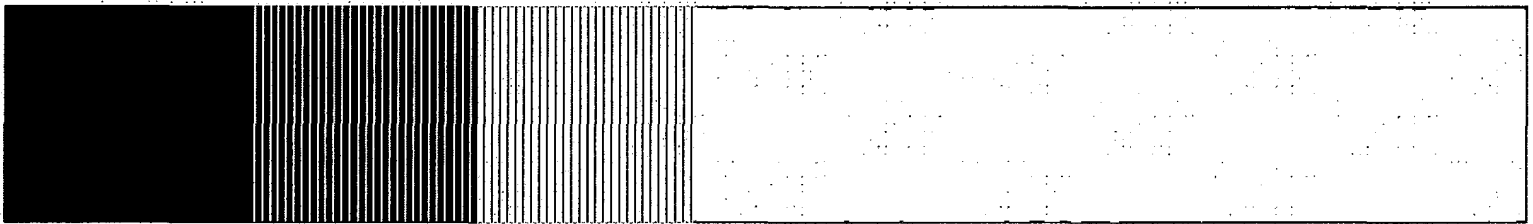


NERA UK Limited
Annual Report and Financial
Statements for the year ended
31 December 2015

Company Registration No. 03974527



NERA
Economic Consulting



NERA Economic Consulting

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Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6
Profit and loss account	8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	13

Annual report and financial statements 2015

Officers and professional advisers

Directors

W Baker (resigned on 1 April 2016)
M Cunningham
R Hern
S Gammons
S McDonald
L Wu

Company Secretary

P Crosby

Registered Office

Marble Arch House
66 Seymour Street
London
W1H 5BT

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London,
United Kingdom

Strategic report

The directors, in preparing the Strategic Report, have complied with s414C of the Companies Act 2006.

Principal activities

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

Review of business and future developments

The results for the year and financial position of the company are shown on pages 8 to 30.

Turnover reduced from £11,359k to £11,203k due to market conditions. Expenses reduced due to lower rent costs and lower foreign exchange losses. The directors expect the company to return to profit in 2016.

The directors have acknowledged the latest guidance on going concern. Although the company made a loss we have a letter of support and will seek a capital contribution to make good the current net liability position. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making due enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

The principal risks to future profitability depend in part on the global economy, demand for project work and efforts to manage costs.

Dividends and transfer to reserves

No dividend (2014- £nil) was paid during the year and a retained loss of £1,015k (2014 restated - £1,368k loss) was transferred from reserves. 2014 results have been restated for the transition to FRS102 as explained in note 22.

As shown on the balance sheet on page 10 net assets have reduced by £239k as a result of the retained loss for the year offset by gains related to the company's defined benefit pension scheme. 2014 net assets have been restated and increased by 344% compared to the previously reported amounts due to the recognition of the surplus on the pension fund upon adoption of FRS 102 (see note 22).

Strategic report (Continued)

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 assets, 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.

Supplier payment policy

The company's policy is to agree terms of payment with suppliers when agreeing the terms of each transaction. Trade creditors of the company at 31 December 2015, were equivalent to 21 days' purchases (2014 - 9 days'), based on the average daily amount invoiced by suppliers during the year.

Payments for charitable purposes

Donations to charitable organisations in the United Kingdom totalled £1,553 (2014 - £412).

Branches

The company operates a branch in Brussels, Belgium.

Employee consultation

The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

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

 (Sean Gammans.)

Director

7/11/16

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

Directors

The directors of the company during the year ended 31 December 2015, all of whom were directors throughout the year except as noted below, were:

W R Baker (resigned on 1 April 2016)
M Cunningham
S Gammons
R Hern
S McDonald
L Wu

Auditor

Each of the directors at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the director has taken all the steps he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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

 (Sean Gammons.)

Director

7/11/16

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible 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

We have audited the financial statements of NERA UK Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standard FRS 102 (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implication for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Timothy Steel (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

10 November 2016

Profit and loss account

For the year ended 31 December 2015

	Notes	2015 £	2014 Restated £
Turnover	3	11,203,406	11,359,227
Operating expenses		(12,573,163)	(13,014,554)
Operating loss	5	(1,369,757)	(1,655,327)
Interest receivable and similar income	6	10,816	11,083
Other finance income	7	206,000	306,000
Loss on ordinary activities before taxation		(1,152,941)	(1,338,244)
Tax credit/(charge) on loss on ordinary activities	8	137,470	(29,628)
Loss for the financial year		<u>(1,015,471)</u>	<u>(1,367,872)</u>

Turnover and operating loss derive solely from continuing operations

Statement of comprehensive income

For the year ended 31 December 2015

		2015		2014
	Notes	£	£	Restated £
Loss for the financial year		(1,015,471)		(1,367,872)
Actuarial gains/ (losses) on defined benefit pension schemes	16	1,093,000	(2,177,000)	
Deferred tax relating to actuarial gains and losses	9	(196,740)	434,400	
Experience adjustment	16	(451,000)	943,000	
Deferred tax on Experience adjustment	9	81,180	(188,600)	
Transfer of pensions obligations from fellow group company	16	69,000	-	
Effect of changes in deferred tax rate		110,120	-	
Deferred tax on transfer of pensions obligations from fellow group company	9	<u>(12,420)</u>	<u>-</u>	
Gain/(loss) on retirement benefits liability net of taxation		<u>693,140</u>	<u>(988,200)</u>	
Foreign currency translation differences arising on consolidation of branches		82,956	-	
Total comprehensive loss		<u>(239,375)</u>	<u>(2,356,072)</u>	

Balance sheet**As at 31 December 2015**

	Notes	2015 £	2014 Restated £
Fixed assets			
Tangible assets	10	1,259,502	840,534
Current assets			
Debtors: amounts falling due within one year	11	8,515,956	10,151,507
Cash at bank and in hand		3,618,109	3,155,977
		12,134,065	13,307,484
Creditors: amounts falling due within one year	12	(15,531,548)	(14,834,919)
Net current liabilities		(3,397,483)	(1,527,435)
Total assets less current liabilities		(2,137,981)	(686,901)
Creditors: amounts falling due after more than one year	13	(550,656)	(620,253)
Deferred tax provision	9	(804,450)	(1,025,296)
Net liabilities excluding pension asset		(3,493,087)	(2,332,450)
Pension asset	16	6,418,000	5,496,000
Net assets including pension asset		2,924,913	3,163,550
Capital and reserves			
Called up share capital	14	100	100
Share premium account	14	241,048	241,048
Capital contribution account	14	243,037	242,299
Profit and loss account	14	2,440,728	2,680,103
Shareholders' funds		2,924,913	3,163,550

These financial statements of NERA UK Limited, registered number 03974527, were approved by the Board of Directors on and authorised for issue on 7 / 11 / 2016.

Signed on behalf of the Board of Directors

Director

S. Gammon (Sean Gammon S.)

Statement of changes in equity

As at 31 December 2015

	Note	Share Capital £'000	Share Premium £'000	Capital Contribution £'000	Profit and Loss £'000	Total £'000
At 31 December 2014 as previously stated		100	241,048	242,299	(1,781,297)	(1,297,850)
Changes on transition to FRS 102	22	-	-	-	4,461,400	4,461,400
As at 1 January 2015		100	241,048	242,299	2,680,103	3,163,550
Loss for the financial year		-	-	-	(1,015,471)	(1,015,471)
Actuarial gains/ (losses) on defined benefit pension schemes	16	-	-	-	1,093,000	1,093,000
Deferred tax relating to actuarial gains and losses	9	-	-	-	(196,740)	(196,740)
Experience adjustment	16	-	-	-	(451,000)	(451,000)
Deferred tax on experience adjustment	9	-	-	-	81,180	81,180
Increase due to effect of business combinations	16	-	-	-	69,000	69,000
Effect of changes in deferred tax rate		-	-	-	110,120	110,120
Foreign currency translation differences arising on consolidation of branches		-	-	-	82,956	82,956
Deferred tax due to effect of pension acquisition	9	-	-	-	(12,420)	(12,420)
Total comprehensive loss		-	-	-	(239,375)	(239,375)
Credit to equity for equity settled share-based payments		-	-	738	-	738
As at 31st December 2015		100	241,048	243,037	2,440,728	2,924,913

As at 31 December 2014

	Note	Share Capital £'000	Share Premium £'000	Capital Contribution n account £'000	Profit and Loss £'000	Total £'000
At 31 December 2013 as previously stated		100	241,048	236,215	(23,025)	454,338
Changes on transition to FRS 102	22	-	-	-	5,059,200	5,059,200
As at 1 January 2014		100	241,048	236,215	5,036,175	5,513,538
Loss for the financial year		-	-	-	(1,367,872)	(1,367,872)
Actuarial gains/ (losses) on defined benefit pension schemes	16	-	-	-	(2,177,000)	(2,177,000)
Deferred tax relating to actuarial gains and losses	9	-	-	-	434,400	434,400
Experience adjustment	16	-	-	-	943,000	943,000
Deferred tax on experience adjustment	9	-	-	-	(188,600)	(188,600)
Total comprehensive Loss		-	-	-	(2,356,072)	(2,356,072)
Credit to equity for equity settled share-based payments		-	-	6,084	-	6,084
As at 31st December 2014		100	241,048	242,299	2,680,103	3,163,550

Notes to the financial statements

For the year ended 31 December 2015

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, which have been applied consistently throughout the year and the previous year, is set out below.

a. General information and basis of accounting

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year (see note 22).

b. Basis of preparation

The company is a wholly owned subsidiary of Marsh & McLennan Companies, Inc., its ultimate parent undertaking, incorporated in the State of Delaware, USA. The company is exempt under section 401 of the Companies Act 2006 from preparing group financial statements for the company and its subsidiaries. The largest and smallest group into which the company's results are consolidated is that headed by Marsh & McLennan Companies, Inc.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in relation to share-based payments, financial instruments, presentation of a cash-flow statement and intra-group transactions.

c. Going concern

The directors have acknowledged the latest guidance on going concern. The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. As the company is currently in a loss making position and has net current liabilities, NERA has a current letter of support from its parent company stating it will provide continued financial support to enable the company to meet its liabilities as they fall due. With this support from the parent company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, they continue to adopt the going concern basis in preparing the financial statements turnover.

d. 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 un-invoiced amounts are shown as unbilled debtors, net of any provisions for amounts considered to be unbillable.

1. Accounting policies (continued)

e. 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

f. Leasing commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Rentals paid under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis.

g. Taxation

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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

1. Accounting policies (continued)

h. Taxation (continued)

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

i. Retirement benefits

For defined benefit schemes the 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

The net interest cost on the net defined benefit liability is shown within finance costs.

Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, 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 credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

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.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

The Company also operates an unfunded non-contributory scheme for medical benefits, whereby defined medical benefits are provided to current and retired UK members who started their services with the company on or prior to 1 December 1988 and completed five years of service with the company at retirement.

Regular valuations are prepared by an independent professionally qualified actuary employed within the Marsh & McLennan Companies, Inc. group. These determine the level of contributions required to fund the benefits set out in the rules of the plans and allow for the periodic increase of pensions in payment. The regular service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, is charged to operating profit in the year.

1. Accounting policies (continued)

A credit representing the expected return on the assets of the retirement benefit schemes during the year is included within other finance income. This is based on the market value of the assets of the schemes at the start of the financial year.

A charge representing the expected increase in the liabilities of the retirement benefit schemes during the year is included within other finance income. This arises from the liabilities of the schemes being one year closer to payment.

The difference between the market values of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet net of deferred tax. The asset figure disclosed reflects the fair value of assets (i.e. bid value where available) plus the amount held in the Trustee's bank account at the balance sheet date. The liabilities of the Fund are measured using the projected unit method.

Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences arising from changes in assumptions.

The MMC UK Pension Fund is a Trust based scheme, hence the assets are held separately from the Employer. Allowance has been made in the pension disclosure for unapproved unfunded pension benefits that cannot be provided through the MMC UK Pension Fund.

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.

The pension scheme surplus is included on the Company's balance sheet. Surpluses are only included to the extent they are recoverable through reduced contributions in the future or through refunds from the scheme.

j. Foreign currency

All foreign currency monetary assets and liabilities are recorded at the rate of exchange prevailing at the date of the balance sheet. Transactions in foreign currencies are recorded at the dates of the transactions. Translation gains or losses arising during the year are included in the profit and loss account.

k. Share-based payments

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes pricing model (no market based triggering event) or the Binominal valuation model (market based triggering event). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

1. Accounting policies (continued)

The company's ultimate parent company, Marsh & McLennan Companies, Inc., maintains multiple equity-settled share-based payment arrangements in the UK, under which employees are awarded grants of Stock Options, Save As You Earn (SAYE) awards, Stock Awards and Share Purchase Plans.

The company also provides employees with the ability to purchase Marsh & McLennan Companies, Inc.'s ordinary shares at 95% of the current market value. The company records an expense on the date the shares are purchased

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Revenue recognition – Unbilled debtors ("WIP") provisioning

The company recognises revenue as services are performed and the right to consideration is earned. Accordingly revenues are recorded as hours are worked and the WIP balance represents unbilled revenues which must be assessed for recoverability and provided against where appropriate.

Management calculate the WIP provision based on projects where the WIP has been unbilled for over 90 days. This generates a provision which is reviewed for reasonableness by management and manually adjusted if deemed necessary.

b. Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

2. Critical accounting judgements and key sources of estimation uncertainty

(ii) Retirement benefits

The company participates in a funded Defined Benefit Pension Scheme. The pension surplus is included in the company's balance sheet in accordance with the accounting policies set out above.

The determination of net periodic pension costs is based on a number of actuarial assumptions, including a discount rate for liability and return on assets.

Management utilises actuarial specialists to perform valuations of its pension scheme and calculate the costs included in its profit and loss account and statement of other comprehensive income.

3. 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.

	2015 £	2014 £
With third parties	7,742,631	10,760,153
With fellow group companies	3,460,775	599,074
	<u>11,203,406</u>	<u>11,359,227</u>

4. Information regarding directors and employees

	2015 £	2014 £
Directors' remuneration		
Emoluments	1,746,554	1,472,123
Pensions and other retirement benefits	53,800	80,382
	<u>1,800,354</u>	<u>1,552,505</u>

In 2015 the directors were awarded a deferred cash bonus of £17,355 (2014 - £344,793) not included in the table above that will vest in three equal tranches in March 2016, 2017 and 2018 (March 2015, 2016, 2017).

	2015 £	2014 £
Highest paid director		
Emoluments	910,756	630,356
Defined benefit pension	29,500	29,715
	<u>940,256</u>	<u>660,071</u>

In 2015 the highest paid director was awarded a deferred cash bonus in 2015 of £nil (2014 £201,352) not included in the table above that will vest in three equal tranches in March 2016, 2017 and 2018 (2014 March 2015, 2016 and 2017).

4. Information regarding directors and employees (continued)

	2015	2014
	No.	No.
Average number of persons employed		
Consultancy	44	42
Administration	17	17
	<u>61</u>	<u>59</u>

	2015	2014
	£	Restated £
Staff costs during the year (inclusive of directors' emoluments)		
Wages and salaries	7,029,445	6,645,894
Stock option and related costs	-	-
Social security costs	822,135	722,582
Pension costs	726,188	920,498
	<u>8,577,768</u>	<u>8,288,974</u>

5. Operating loss

	2015	2014
	£	£
Operating loss is after charging:		
Depreciation and amortisation:		
Owned assets	196,250	129,602
Rentals under operating leases:		
Other operating leases	785,299	1,191,963
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	51,000	50,200
Foreign exchange loss	<u>229,303</u>	<u>469,313</u>

6. Interest receivable and similar income

	2015	2014
	£	£
Bank interest	<u>10,816</u>	<u>11,083</u>

7. Other finance income

	2015	2014
	£	Restated £
Net finance income relating to pension scheme	<u>206,000</u>	<u>306,000</u>

8. Tax on profit on ordinary activities

	2015 £	2014 Restated £
Current tax		
United Kingdom corporation tax 20.25% (2014 21.49%) based on the profit for the year	-	-
Overseas tax	101,235	218,000
	101,235	218,000
Prior year adjustment	-	(299,319)
	101,235	(81,319)
Deferred tax		
Current year	(19,675)	110,992
Impact of change in tax rate	32,570	-
Prior year adjustment	(251,600)	(45)
	(238,705)	110,947
Total tax (credit)/charge for the year	(137,470)	29,628

The total tax credit for the period of (£137,470) (2014 £29,628 charge) is higher (2014 is higher) than that resulting from applying the standard rate of corporation tax in the UK: 2015 20.25% (2014 21.49%).

	2015 £	2014 £
(Loss) on ordinary activities before tax	(1,152,941)	(1,338,244)
Expected tax charge for period calculated at 20.25% (2014 21.49%)	(233,431)	(287,630)
Standard tax rate for the year as a percentage of profits		
Effects of:		
Expenses not deductible for tax purposes	35,488	31,583
Overseas tax	101,235	184,082
Difference in tax rates	35,475	(8,286)
Adjustments in respect of prior year:	-	(299,319)
Other permanent differences	(4,976)	-
Transfer pricing adjustment	3,681	-
Prior year deferred tax adjustment	(251,600)	(45)
Current year group relief for nil consideration	176,658	409,243
Actual tax (credit)/charge for period	(137,470)	29,628

The adjustment in respect of prior year relates to group relief given for nil consideration with another group company.

9. Deferred tax

Movement on deferred taxation liability in the period

	2015 £	2014 Restated £
Opening balance at 1 January	(1,025,296)	(1,161,099)
Debit to the profit and loss account	19,675	(110,992)
Prior year adjustments	251,600	45
Impact of change in tax rate	(32,571)	-
Movement in net pension asset	(17,859)	246,750
Closing balance at 31 December	<u>(804,450)</u>	<u>(1,025,296)</u>
Depreciation in excess of capital allowances	78,654	68,807
Other timing differences	272,136	5,247
	<u>350,790</u>	<u>74,054</u>
Pension and postretirement benefit obligations	<u>(1,155,240)</u>	<u>(1,099,350)</u>
	<u>(804,450)</u>	<u>(1,025,296)</u>

The rate of corporation tax reduced from 21% to 20% effective from 1 April 2015, and will reduce from 20% to 19% effective 1 April 2017 and from 19% to 17% from April 2020.

10. Tangible fixed assets

	Short-term leasehold improvements £	Furniture and equipment £	Total £
Cost			
As at 1 January 2015	725,338	321,439	1,046,777
Additions	364,884	250,334	615,218
Disposals	-	(174,162)	(174,162)
At 31 December 2015	<u>1,090,222</u>	<u>397,611</u>	<u>1,487,833</u>
Accumulated depreciation			
As at 1 January 2015	(3,860)	(202,383)	(206,243)
Charge for the year	(111,024)	(85,226)	(196,250)
Disposals	-	174,162	174,162
At 31 December 2015	<u>(114,884)</u>	<u>(113,447)</u>	<u>(228,331)</u>
Net book value			
At 31 December 2015	<u>975,338</u>	<u>284,164</u>	<u>1,259,502</u>
At 31 December 2014	<u>721,478</u>	<u>119,056</u>	<u>840,534</u>

11. Debtors: amounts falling due within one year

	2015 £	2014 £
Billed debtors	1,881,181	2,861,770
Unbilled debtors	1,796,565	1,133,875
Trade debtors	3,677,746	3,995,645
Amounts owed by group undertakings:		
Immediate parent and fellow subsidiary undertakings	4,324,822	5,185,722
Other debtors	289,639	676,187
Foreign tax recoverable	34,681	156,113
Prepayments	189,068	137,840
	<u>8,515,956</u>	<u>10,151,507</u>

12. Creditors: amounts falling due within one year

	2015 £	2014 Restated £
Trade creditors	137,198	68,030
Amounts owed to group undertakings		
Immediate parent and fellow subsidiary undertakings	11,664,985	11,556,174
Group relief	-	-
Taxation and social security	417,184	589,092
Foreign tax payable	106,016	69,365
Other creditors	1,747,588	1,717,242
Accruals and deferred income	1,458,577	835,016
	<u>15,531,548</u>	<u>14,834,919</u>

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

	2015 £	2014 £
Other creditors	550,656	620,253
	<u>550,656</u>	<u>620,253</u>

Included in other creditors is an amount of £6,286 (2014: £315,109) representing the cost that the company has estimated that it is likely to incur on vacating its leased properties where there is a contractual obligation to remove leasehold improvements on expiration of the lease. The remaining amount relates to deferred compensation of £214,780 (2014: nil) and inter-company creditor of £335,876 (2014: £305,145).

14. Called up share capital and reserves

	2015 £	2014 £
Authorised, allotted, called up and fully paid:		
100 ordinary shares of £1 each	100	100

The company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

The Capital contribution account represents cumulative charges in respect of the company's equity settled share based payments.

The share premium account represents amounts paid on ordinary shares above par value.

15. Guarantees, contingent liabilities and other financial commitments**Operating lease commitments**

At 31 December 2015 the company was committed to make the following payments during the next year in respect of operating leases.

	2015 Land and buildings £	2014 Land and buildings £
Leases which expire:		
Within one year	889,166	60,126
Within two to five years	3,336,160	-
After five years	2,919,140	-

Bank guarantees

At 31 December 2015 the company had £nil (2014: £72,043) of guarantees outstanding in respect of lease agreements, performance and tender guarantees.

16. 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 benefit scheme in the UK. A full actuarial valuation was carried out at 31 December 2013 and updated to 31 December 2015 by a qualified actuary (who is employed within the MMC group). The service cost has been calculated using the Projected Unit Method.

After completion of a consultation period with affected colleagues, in January 2014, the group amended its UK defined benefit pension scheme, to close this scheme to future benefit accruals with effect from 1 August 2014 and replaced this scheme, along with its existing defined contribution plan, with a new, comprehensive defined contribution arrangement.

The group operates a defined contributions section of the Fund for all employees. Contributions to this section amounted to £650,188 (2014: £179,968) and are charged to the profit and loss account as incurred.

The pension expense charged to the profit and loss account makes no allowance for gains and losses during the year. Actuarial gains and losses are recognised in the statement of comprehensive income in the year that they occur.

16. Pension commitments (continued)

	2015	2014
	£000	Restated £000
Change in defined benefit obligation		
Defined benefit obligation at end of prior year	35,614	29,652
Service cost		
Change arising from employee service in reporting period	-	324
Interest expense	1,302	1,376
Cash flows		
Benefit payments from plan assets	(937)	(727)
Participant contributions	-	14
Insurance premiums for risk benefits	-	(8)
Other significant events	-	
Increase/ (decrease) due to effect of any business combinations/ divestitures/ transfers	-	265
Remeasurements		
Effect of changes in assumptions	(1,355)	5,661
Effect of experience adjustments	451	(943)
Benefit obligation at end of year	35,075	35,614
	2015	2014
	£000	Restated £000
Change in fair value of plan assets		
Fair value of plan assets at end of prior year	41,110	35,945
Interest income	1,508	1,682
Cash flows		
Employer contributions	81	487
Participant contributions	-	14
Benefit payments from plan assets	(937)	(727)
Administrative expenses paid from plan assets	(76)	(104)
Insurance premiums for risk benefits	-	(8)
Other significant events		
Increase (decrease) due to effect of any business combinations / divestitures / transfers	69	338
Remeasurements		
Return on plan assets	(262)	3,483
Fair value of plan assets at end of year	41,493	41,110

16. Pension commitments (continued)

Amounts recognised in the balance sheet	2015	2014
	£000	Restated £000
Defined benefit obligation	(35,075)	(35,614)
Fair value of plan assets	41,493	41,110
Net defined benefit asset	6,418	5,496

Costs relating to defined benefit plans	2015	2014
	£000	Restated £000
Service cost		
Charges arising from employee service in reporting period	-	324
Net interest cost		
Interest expense on defined benefit obligation	1,302	1,376
Interest income on plan assets	(1,508)	(1,682)
Administrative expenses	76	104
(Income) / costs relating to defined benefit plans included in profit and loss account	(130)	122
Remeasurements (recognised in other comprehensive income)		
Effect of changes in assumptions	(1,355)	5,660
Effect of experience adjustments	451	(943)
Return on plan assets (excluding interest income)	262	(3,483)
Total remeasurements included in other comprehensive income	(642)	1,234
Total (income)/cost related to defined benefit plans recognised in P&L and OCI	(772)	1,356

Net defined benefit asset reconciliation	2015	2014
	£000	Restated £000
Net defined benefit asset at start of year	5,496	6,293
Income relating to defined benefit plans included in P&L	130	(123)
Total remeasurements included in OCI	642	(1,234)
Net transfer in included in OCI	69	73
Cash flows - Employer contributions	81	487
Net defined benefit asset at end of year	6,418	5,496

16. Pension commitments (continued)

	2015	2014
	£m	Restated £m
Plan assets		
Fair value of plan assets:		
Cash & cash equivalents	1,073	4,957
Equity instruments	21,181	19,533
Government Bonds/LDI instruments	9,248	9,505
Other debt instruments	5,656	4,938
Real estate	2,725	1,974
Other	1,609	203
Total	41,492	41,110
Total return on plan assets (including interest income)	1,246	5,165

	2015	2014
Weighted average assumptions used to determine benefit obligations at:		
Discount rate	3.93%	3.70%
Rate of salary increase	2.82%	2.70%
Rate of price inflation (RPI)	3.07%	2.95%
Rate of price inflation (CPI)	2.07%	1.95%
Rate of statutory pension increase in deferment	2.07%	1.95%

Weighted-average assumptions used to determine cost relating to defined benefit plans:

Discount rate	3.70%	4.70%
Rate of compensation increase	2.70%	3.05%
Inflation rate (RPI)	2.95%	3.30%
Inflation rate (CPI)	1.95%	2.30%

	2015		2014	
	Male	Female	Male	Female
Weighted average life expectancy for mortality tables used to determine benefit obligations at:				
Member age 65 (current life expectancy)	23.1	25.1	23.3	25.3
Member age 45 (life expectancy at age 65)	24.7	27.0	25.0	27.2

If future life expectancy for all members were to increase by a further one year then this would increase the liabilities for FRS 102 purposes by about 3%. A change in the life expectancy assumption at the year-end balance sheet date also leads to an increase in the following year's pensions charge to the profit and loss.

16. Pension commitments (Continued)

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Five year history					
Fair value of plan assets at end of year	41,493	41,110	35,945	27,676	24,915
Benefit obligation at end of year	(35,075)	(35,614)	(29,652)	(24,775)	(26,126)
Surplus / (deficit)	6,418	5,496	6,293	2,901	(1,211)

	2015	2014	2013	2012	2011
Difference between expected and actual return on scheme assets:					
Amount (£000)	3016	3,362	5,598	929	(2,102)
Percentage of scheme assets	7%	8%	16%	3%	(8%)
Experience gains and losses on scheme liabilities					
Amount (£000)	451	(943)	(2,781)	1,083	435
Percentage of scheme liabilities	1%	(3%)	(9%)	4%	2%

17. Share-based payments

Mercer Limited's ultimate parent company, Marsh & McLennan Companies, Inc., maintains multiple equity-settled share-based payment arrangements in the UK, under which employees are awarded grants of stock options and Save As You Earn (SAYE) awards, Shares Awards and Share Purchase arrangements (Share Purchase Plan and Share Incentive Plan).

Prior to 1 January 2006, Share Awards were classified as liabilities and measured at their respective grant date fair values. Prepaid compensation cost was recognised for the unearned portion of such awards. Upon implementation of FRS 20, such awards were adjusted to the respective accrued grant date fair values, with an expense credited to the profit and loss reserve. The effect of forfeitures was recognised when they occurred and dividend equivalents were expensed in the period incurred. There has been no change to the treatment under FRS 102.

In addition, SAYE awards were not considered compensatory and there was no cost to the company; therefore no expense was required to be recognised.

Share Purchase Plan costs were accrued in the year of grant.

From 1 January 2015, the company has applied the requirements of Financial Reporting Standard 102. In accordance with the transitional provisions, FRS 102 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

As no benefit is granted by the company under the Share Incentive Plan, this plan does not fall under the scope of FRS 102.

18. Related party disclosures

The company has taken advantage of the exemption under FRS 102 not to disclose transactions with Marsh & McLennan Companies, Inc., or investees of the group qualifying as related parties.

19. Financial Commitments

Capital commitments are as follows:

	2015	2014
	£ 000	£ 000
Contracted for but not provided for		
Office move expenses	-	180
	-	180

20. Subsequent events

There were no material post balance sheet events.

21. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the company is National Economic Research Associates (Delaware), Inc., incorporated in the State of Delaware, USA. The company's ultimate parent undertaking and controlling entity is Marsh & McLennan Companies Inc., incorporated in the State of Delaware, USA. The accounts of Marsh McLennan Companies, Inc. are available to the public and may be obtained from:

The Company Secretary
Marsh & McLennan Companies UK Limited
1 Tower Place West
Tower Place
London EC3R 5BU

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

22. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

22. Explanation of transition to FRS 102 (continued)

Retirement Benefits

Upon transitioning to FRS 102, the company made the following changes in accounting policy in respect of its defined benefit pension. Interest on service cost is now fully recognised within service cost. Administration costs are now recognised explicitly within the profit and loss charge based upon actual costs incurred; and

The policy for recognition of surplus as a plan asset has changed from that used under FRS 17, as the company believes it has an unconditional right to a refund of surplus for the purpose of FRS 102 and therefore the plan surplus is recognised as an asset. This corresponds to a change in equity under FRS 102 compared to FRS 17 of £5.1m at 1 January 2014 and £4.5m at 1 January 2015 (before tax), corresponding to the asset limitation at those dates.

Deferred Tax

Previously deferred tax on retirement benefits were offset against the related retirement benefit asset/liability on the face of the balance sheet. Under FRS 102 the retirement benefit asset/liability is disclosed gross of the associated deferred tax liability/asset, which is aggregated with other deferred tax asset/liabilities in note 8.

Reconciliation of Equity

	At 1 January 2014 £'000	At 31 December 2014 £'000
Equity reported under previous UK GAAP	454	(1,298)
Adjustments to equity on transition to FRS 102:		
Recognition of defined benefit pension surplus and associated deferred tax	5,059	4,462
Equity reported under FRS 102	5,513	3,164

Reconciliation of profit and loss

	At 31 December 2014 £'000
Loss for the financial year under previous UK GAAP	(1,271)
Adjustments on transition to FRS 102:	
Defined benefit pension adjustment	(121)
Deferred tax on defined benefit pension adjustment	24
Loss reported under FRS 102	(1,368)

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