

Company Registration No: 03974527

NERA UK LIMITED

Annual Report and Financial Statements

For the Year Ended 31 December 2016

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**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2016**

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STRATEGIC REPORT

The directors present their Strategic Report for NERA UK Limited (the "Company") for the year ended 31 December 2016. The Company's registration number is 03974527.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The Company operated a branch in Brussels, Belgium during the year.

The Company's key financial and other performance indicators during the year were as follows:

	2016 £'000	2015 £'000	Movement £'000	Movement %
Turnover	8,685	11,203	(2,518)	(22)
Administrative expenses	(12,842)	(12,573)	(269)	(2)

Turnover decreased by £2,518,000 in 2016 due to market conditions. Total administration expenses increased by £269,000 in 2016. This was mainly due to increased staff related costs in the year. The directors expect the results to improve in 2017.

The Company carries its own section of the MMC UK Pension Fund (along with associated pension obligations) on its balance sheet and its financial position is affected by actuarial valuations. The latest pension valuation has resulted in a net post retirement asset at the end of 2016 of £1,676,000 (2015: £6,418,000).

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company are those relating to people and competition.

People Risks

The willingness of competitors to offer key staff higher remuneration and benefits packages will always be a risk to the Company's ability to attract and retain key people.

Periodic benchmarking of salaries is carried out to ensure the Company remains competitive.

Competitive Risks

The competitive environment for economic consulting services is intense. The Company mitigates this risk by continued focus on clients, enhancing and differentiating the value of its consulting services.

FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. Due to the nature of the Company's business and the assets and liabilities contained within the Company's Statement of Financial Position, the only financial risks the directors consider relevant to the Company are credit risk and liquidity risk. These risks are mitigated by credit control procedures and group support to enable it to meet its cash requirements. The Company engages with central treasury and finance functions working for the Marsh & McLennan Companies, Inc. Group to monitor and control its cash flows and working capital requirements.

STRATEGIC REPORT (continued)

Pension asset risk

The Company's defined benefit pension scheme is closed to new members. The pension scheme valuation is subject to inherent risks from factors beyond management's direct control such as the investment returns, inflation rates, mortality rates, regulatory changes, legal changes and underlying custodianship risk relating to investments. There are controls in place monitored by the Company and the Trustee to mitigate these as much as is possible.


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 2016, was equivalent to 1 day of purchases (2015:21 days), based on the average daily amount invoiced by suppliers during the year.

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.

By order of the board



S Gammons
Director
06 December 2017

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of NERA UK Limited (the "Company") for the year ended 31 December 2016. The Company's registration number is 03974527.

DIRECTORS

The directors who served throughout the year and to the date of this report, except as noted, were as follows:

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

RESULTS AND DIVIDENDS

The results of the Company for the financial year ended 31 December 2016 are set out on page 8.

The Company reports a loss after taxation for the financial year of £4,259,000 (2015: Loss £1,015,000).

The directors do not recommend the payment of a final dividend (2015: £nil).

FUTURE DEVELOPMENTS

The activities of the Company are expected to continue along similar lines for the foreseeable future.

GOING CONCERN

The directors acknowledge the latest guidance on going concern. The Company continues to monitor the uncertainty in the current economic and business environment. Furthermore, the directors are satisfied through the review of forecasts and analysis that the services of the Company will continue to be attractive to clients. At 31 December 2016 the Company had net liabilities of £5,867,000 (2015: net assets of £2,925,000) however its parent company, NERA Inc. has committed to provide adequate liquid resources to enable the Company to settle its obligations for at least the next twelve months. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

INDEMNITY

The Company has put in place an indemnity in the Articles of Association to indemnify directors and officers of the Company against losses or liabilities sustained in the execution of their duties of office. The indemnity is a qualifying third party indemnity provision under s232 and s234 of the Companies act 2006.

EMPLOYEE INVOLVEMENT

Employees are provided with information on a regular basis concerning the activities and performance of the companies within the group. This is achieved by the circulation of management bulletins and intranet news sheets. In addition, regular meetings of representatives of management and staff are held to seek the views of employees upon matters likely to affect their interests.

DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a director of the Company at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that 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 provision of s418 of the Companies Act 2006.

AUDITOR

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 and signed on its behalf by:



S Gammons
Director
06 December 2017

NERA UK Limited
66 Seymour Street
London
W1H 5BT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). 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 year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 proper 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 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 TO THE MEMBERS OF NERA UK LIMITED

We have audited the financial statements of NERA UK Limited for the year ended 31 December 2016 which comprises the statement of comprehensive income, the statement of changes in equity, the statement of financial position the notes to the financial statements 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Company's member, 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 member 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 Statement of Directors' Responsibilities, 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 (APB'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 to identify material inconsistencies with the 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 implications 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 2016 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.


In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NERA UK LIMITED
(continued)**

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 ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

8/12 2017

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
TURNOVER	2	8,685	11,203
Administrative expenses		(12,842)	(12,573)
OPERATING LOSS		(4,157)	(1,370)
Interest receivable and similar income	3	2	11
Other finance income	4	252	206
LOSS BEFORE TAXATION		(3,903)	(1,153)
Tax (charge)/credit on loss	7	(356)	138
LOSS FOR THE FINANCIAL YEAR		(4,259)	(1,015)
OTHER COMPREHENSIVE (LOSS) / INCOME			
Actuarial (loss)/ gain on defined benefit pension scheme	13	(5,332)	1,093
Deferred tax relating to actuarial gains and losses	8	906	(197)
Experience adjustment	13	342	(451)
Deferred tax on Experience adjustment		(58)	81
Transfer of pension obligations from group undertaking		-	69
Effect of changes in deferred tax rate	8	64	110
Deferred tax on transfer of pension obligations from group undertaking		-	(12)
(Loss)/Gain on retirement benefits liability net of tax		(4,078)	693
Foreign currency translation differences arising on consolidation of branches		(455)	83
TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME		(4,533)	776
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(8,792)	(239)

All transactions derive from continuing operations.

The information on pages 8 to 10 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
At 31 December 2016

	Notes	Share Capital £'000	Share Premium £'000	Capital Contribution £'000	Profit and loss £'000	Total £'000
Year ended 31 December 2015						
As at 1 January 2015		-	241	242	2,680	3,163
Loss for the financial year		-	-	-	(1,015)	(1,015)
Actuarial gain on defined benefit pension schemes	13	-	-	-	1,093	1,093
Experience adjustment	13	-	-	-	(451)	(451)
Increase due to effect of business combinations		-	-	-	69	69
Foreign currency translation differences arising from branches		-	-	-	83	83
Deferred tax relating to items of other comprehensive loss	8	-	-	-	(18)	(18)
Total comprehensive loss		-	-	-	(239)	(239)
Credit to equity for equity settled share-based payments		-	-	1	-	1
As at 31 December 2015		-	241	243	2,441	2,925

	Notes	Share Capital £'000	Share Premium £'000	Capital Contribution £'000	Profit and loss £'000	Total £'000
Year ended 31 December 2016						
As at 1 January 2016		-	241	243	2,441	2,925
Loss for the financial year		-	-	-	(4,259)	(4,259)
Actuarial loss on defined benefit pension schemes	13	-	-	-	(5,332)	(5,332)
Experience adjustment	13	-	-	-	342	342
Foreign currency translation differences arising from branches		-	-	-	(455)	(455)
Deferred tax relating to items of other comprehensive loss	8	-	-	-	912	912
Total comprehensive loss		-	-	-	(8,792)	(8,792)
Credit to equity for equity settled share-based payments		-	-	-	-	-
As at 31 December 2016		-	241	243	(6,351)	(5,867)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 £'000	2015 £'000
FIXED ASSETS			
Tangible fixed assets	9	1,107	1,260
CURRENT ASSETS			
Debtors: Amounts falling due within one year	10	5,201	8,516
Cash at bank and in hand		2,935	3,618
		8,136	12,134
CREDITORS: Amounts falling due within one year	11	(16,010)	(15,532)
NET CURRENT LIABILITIES		(7,874)	(3,398)
TOTAL ASSETS LESS CURRENT LIABILITIES		(6,767)	(2,138)
CREDITORS: Amounts falling due after one year	12	(580)	(551)
Deferred tax	8	(196)	(804)
NET LIABILITIES EXCLUDING RETIREMENT BENEFITS LIABILITY		(7,543)	(3,493)
Pension asset	13	1,676	6,418
NET (LIABILITIES) / ASSETS INCLUDING RETIREMENT BENEFITS		(5,867)	2,925
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Share premium		241	241
Capital contribution	16	243	243
Profit and loss account	16	(6,351)	2,441
SHAREHOLDER'S (DEFICIT) / FUNDS		(5,867)	2,925

The financial statements of NERA UK Limited (registration number 03974527) were approved by the Board of Directors and authorised for issue on 06 December 2017.

They were signed on its behalf by:



S Gammons
 Director
 06 December 2017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

NERA UK Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 4. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company other than its branch in Belgium is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The functional currency of the branch is Euros. NERA UK Limited is a private company limited by shares.

NERA UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of:

- the presentation of a statement of cashflows and related notes;
- disclosure of inter-group transactions within the wholly owned group;
- share based payments;
- categories of financial instruments; and
- key management personnel.

The group consolidated financial statements of Marsh & McLennan Companies Inc. can be obtained from the address listed in note 18.

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 liabilities, NERA UK Limited has a letter of support from its parent company, NERA Inc. stating that it will provide continued financial support to enable the company to meet its liabilities as they fall due for at least the next twelve months. 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. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover comprises the total of fees earned in the financial year. Fee income is recognised in the Statement of Comprehensive Income 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.

Interest income

Interest income is recognised using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments that are classified as payable or receivable within one year and which meet the below conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment:

- (a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- (d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

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 reporting date.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred taxation

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 reporting 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.

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.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

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.

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

Dividends

Dividends payable are accounted for when declared.

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.

Retirement benefits

For the defined benefit section of the pension scheme the amounts charged to operating profit are the current service costs and gains and losses on settlements. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Comprehensive Income.

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 a separate trustee administered fund. 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 prepared annually by a professionally qualified actuary employed within the Marsh & McLennan Companies Inc. Group.

The difference between the market value 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension and other post retirement benefits (continued)

For the defined contribution section of the pension scheme the amount charged to the Statement of Comprehensive Income 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 Statement of Financial Position.

Share-based payments

The Company's ultimate parent company, Marsh & McLennan Companies Inc. ("MMC"), 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, Stock Awards and Share Purchase Plans.

Share-based payments are measured at the fair value at grant, expensed 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.

Stock Options vest at 25% per annum beginning one year from the date of grant, and have a maximum contractual term of 10 years.

Fair value is measured using either the Black-Scholes pricing model (no market-based triggering event) or the Binomial valuation model (market based triggering event). The expected life used in the models is estimated using the contractual term of the option and the effects of employees' expected exercise and post-vesting employment termination behaviour.

SAYE awards vest over a period of either 3 or 5 years. Options must be exercised within 6 months of vesting.

Stock Awards vest over a periods up to 5 years, taking into account the estimated effect of forfeitures. Members are entitled to receive dividend payments during the vesting period.

The Company also provides employees with the ability to purchase MMC's ordinary shares at 95% of the current market value. The Company records an expense, based on the 5% discount, on the date the shares are purchased.

Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Foreign currency transactions are translated into sterling at the rates of exchange at the dates the transactions occurred.

All gains and losses arising from foreign exchange transactions are recognised in the Statement of Comprehensive Income.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, 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 on-going 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.

There were no 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 a significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position 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.

Pension and other post-retirement benefits

The cost of defined benefit pension plan and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the plan, such estimates are subject to significant uncertainty. Further details are provided in note 13.

Deferred tax

Deferred tax timing differences have been provided at tax rates enacted at the date of the Statement of Financial Position which are expected to apply when the timing differences are expected to reverse. Deferred tax balances are reviewed and only recognised to the extent that it is probable that future taxable profits will allow the asset to be recovered.

Revenue recognition – Unbilled debtors ("WIP") provisioning

The Company recognises revenue as services are performed and the right to consideration is earned. Accordingly revenues are recognised on a percent completion basis for projects which is based on estimations from the project managers. The WIP balance represents unbilled revenue which must be assessed for recoverability and provided against where appropriate.

2. SEGMENT INFORMATION

	2016 £'000	2015 £'000
Analysis of turnover:		
With third parties	7,179	7,743
With fellow group companies	1,506	3,460
	<u>8,685</u>	<u>11,203</u>

The turnover is attributable to one activity, the provision of economic consultancy services.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Bank interest	<u>2</u>	<u>11</u>

4. OTHER FINANCE INCOME

	2016 £'000	2015 £'000
Net finance income relating to pension scheme	<u>252</u>	<u>206</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	2016 £'000	2015 £'000
Staff costs (including redundancy costs)	7,690	8,578
Depreciation of tangible fixed assets	197	196
Rentals under operating leases	885	785
Auditor fees	53	51
Foreign exchange loss	936	229

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration	2016 £'000	2015 £'000
Emoluments	1,441	1,746
Pension and other retirement benefits	33	54
	<u>1,474</u>	<u>1,800</u>

In 2016 the directors were awarded a deferred cash bonus of £288,000 (2015: £17,355 not included in the table above that will vest in three equal tranches in 2017, 2018 and 2019 (2015: 2016, 2017 and 2018)).

Highest paid director	2016 £'000	2015 £'000
Emoluments	888	911
Defined benefit pension	30	29
	<u>918</u>	<u>940</u>

Particulars of employees (including executive directors) are as shown below:

	2016 £'000	2015 £'000
Staff costs	7,163	7,030
Social security costs	827	822
Pension costs	732	726
	<u>8,722</u>	<u>8,578</u>

	2016 No.	2015 No.
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The average monthly number of persons, including directors, employed by the Company during the year was as follows:

Consultancy	42	44
Administration	16	17
	<u>58</u>	<u>61</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

7. TAX (CHARGE)/CREDIT ON LOSS

(a) Analysis of total tax charge in the year

The corporation tax rate for the year was 20% (2015: 20.25%).

	2016 £'000	2015 £'000
The taxation charge/(credit) comprises:		
United Kingdom corporation tax at 20.00% (2015: 20.25%)		
Overseas Tax	56	101
Prior year adjustment	(4)	-
Total current tax	52	101
Deferred taxation (note 8)		
Current year	24	(20)
Impact of change in tax rate	-	33
Prior Year	280	(252)
Total deferred taxation	304	(239)
Total tax charge/(credit) on loss on ordinary activities	356	(138)

(b) Factors affecting the tax charge for the year

The tax charged for the period is higher (2015 is higher) than the resulting from applying the standard rate of corporation tax in the UK in 2016 of 20.00% (2015: 20.25%).

The differences are explained below:

	2016 £'000	2015 £'000
Loss before tax	(3,903)	(1,153)
	£'000	£'000
Expected tax credit for the period calculated at 20.00% (2015: 20.25%) of	(781)	(233)
Effects of:		
Expenses not deductible for tax purposes	2	35
Transfer pricing adjustment	-	4
Other permanent differences	(70)	(5)
Overseas tax	56	101
Current year group relief surrendered for nil consideration	873	177
Deferred tax – impact of change in tax rate	-	35
Prior year adjustment – current tax	(4)	-
Prior year adjustment – deferred tax	280	(252)
Actual tax charge/(credit)	356	(138)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

8. DEFERRED TAXATION

	2016 £'000	2015 £'000
Deferred tax is provided as follows:		
At 1 January	(804)	(1,025)
(Charged) / credited to Statement of Comprehensive Income:		
- current year	(24)	20
- impact of change in tax rate	-	(33)
- adjustment in respect of prior year	(280)	252
Credited / (charged) to other comprehensive income	848	(18)
Impact of change in tax rate to other comprehensive income	64	-
At 31 December	<u>(196)</u>	<u>(804)</u>
Deferred tax - amounts falling due within one year	-	-
- amounts falling due after more than one year	<u>(196)</u>	<u>(804)</u>
	<u>(196)</u>	<u>(804)</u>
Analysis of deferred tax balance:		
Other timing differences	35	272
Depreciation in excess of capital allowances	54	79
Pension contributions to defined contribution scheme	<u>(285)</u>	<u>(1,155)</u>
	<u>(196)</u>	<u>(804)</u>

Deferred tax timing differences have been provided at tax rates enacted at the balance sheet date which are expected to apply when the timing differences are expected to reverse. The tax rates substantively enacted at the balance sheet date are 20% from 1 April 2015, 19% from 1 April 2017 and 17% from 1 April 2020.

There are no unrecognised deferred tax balances.

9. TANGIBLE FIXED ASSETS

	Short-term leasehold improvements £'000	Office furniture and equipment £'000	Total £'000
Cost			
At 1 January 2016	1,090	398	1,488
Additions	24	20	44
Write off	-	(22)	(22)
At 31 December 2016	<u>1,114</u>	<u>396</u>	<u>1,510</u>
Accumulated depreciation			
At 1 January 2016	(115)	(113)	(228)
Charge for the year	(112)	(85)	(197)
Write off	-	22	22
At 31 December 2016	<u>(227)</u>	<u>(176)</u>	<u>(403)</u>
Net book value			
At 31 December 2016	<u>887</u>	<u>220</u>	<u>1,107</u>
At 31 December 2015	<u>975</u>	<u>285</u>	<u>1,260</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Billed debtors	2,229	1,881
Unbilled debtors	659	1,797
Amounts owed by group undertakings	1,945	4,325
Other debtors	26	290
Foreign tax	42	34
Prepayments	300	189
	<u>5,201</u>	<u>8,516</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Trade creditors	12	137
Amounts owed to group undertakings	11,664	11,665
Taxation and social security	588	417
Foreign tax payable	42	106
Other creditors	2,428	1,748
Accruals and deferred income	1,276	1,459
	<u>16,010</u>	<u>15,532</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
	£'000	£'000
Amounts owed to group undertakings	336	336
Deferred compensation	238	215
Other creditors	6	-
	<u>580</u>	<u>551</u>

13. PENSION SCHEME

The Company operates a pension scheme (the Fund) in the UK with defined benefit and defined contributions sections. The existing sections of the Fund closed to all future benefit accrual with effect from 1 August 2014. Pension benefits accrued prior to that date retain the link to future salary growth or career revaluation, as applicable.

A comprehensive actuarial valuation of the defined benefit sections was carried out at 31 December 2015 and updated to 31 December 2016 by a qualified actuary (who is employed within the Marsh & McLennan Companies, Inc. Group). The update in 2016 allowed approximately for known cash flows and turnover, inflation experience and the estimated effect of changes in assumptions. The statutory funding objective is that the defined benefit sections of the Fund have sufficient and appropriate assets to pay their benefits as they fall due (the technical provisions). The general funding principles are that the technical provision assumptions taken as a whole will be sufficiently prudent, including appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding methods and assumptions do not completely remove the risk that the technical provisions could be insufficient to provide benefits in the future. The funding principles were agreed in November 2016. The current agreement with the Trustees sets out the annual deficit contributions which would be due based on the deficit at 31 December 2015.

The Company participates in a defined benefit plan that shares risks between entities under common control. The policy for charging the defined benefit costs is determined based on an allocation of accounting liabilities for each member between the employees participating in the section. Under thus established policy, the contributions and assets are also allocated to the Company in proportion to the Company's share of the accounting liabilities in the section.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

13. PENSION SCHEME (continued)

a) Components of pension cost

	2016	2015
	£'000	£'000
Interest cost	1,360	1,302
Expected return on plan assets	(1,612)	(1,508)
Administrative expenses/levies	97	76
Total pension (credit) recognised in the profit and loss account	(155)	(130)
Actuarial loss/ (gains)	4,990	(642)
Total pension debit/ (credit) recognised in other comprehensive income	4,990	(642)
Total defined benefit (cost) / income before tax recognised in statement of comprehensive income	(4,835)	772

b) Amounts recognised in the balance sheet

	2016	2015
	£'000	£'000
Present value of funded obligations	(46,565)	(35,075)
Fair value of plan assets	48,241	41,493
Net amount recognised as assets excluding deferred tax	1,676	6,418

c) Change in benefit obligation

	2016	2015
	£'000	£'000
Benefit obligation at beginning of year	35,075	35,614
Interest cost	1,360	1,302
Re-measurements:		
Effect of changes in assumptions	11,427	(1,355)
Effect of experience adjustments	(342)	451
Benefits paid	(955)	(937)
Benefit obligation at end of year	46,565	35,075

d) Change in plan assets

	2016	2015
	£'000	£'000
Fair value of plan assets at beginning of year	41,493	41,110
Interest income on plan assets	1,612	1,508
Return on plan assets (excluding interest)	6,095	(262)
Employer contributions	93	81
Administrative expenses	(97)	(76)
Benefits paid	(955)	(937)
Increase due to effect of business combination transfers	-	69
Fair value of plan assets at end of year	48,241	41,493

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

13. PENSION SCHEME (continued)

Fund assets

e) The asset allocation at the year end was as follows:

Asset Category	Fair Value of Assets	
	2016 £'000	2015 £'000
Equities	25,808	21,181
Government Bonds	9,552	9,248
Property	2,750	2,725
Other debt instruments	7,912	5,656
Other	1,544	1,609
Cash	675	1,073
	<u>48,241</u>	<u>41,492</u>
	2016 £'000	2015 £'000
Actual return on plan assets	<u>7,707</u>	<u>1,246</u>

f) Weighted average assumptions used to determine benefit obligations at:

	2016	2015
Discount rate	2.7%	3.9%
Rate of compensation increase	2.9%	2.8%
Inflation rate (RPI)	3.2%	3.0%
Inflation rate (CPI)	2.2%	2.0%
Rate of statutory pension increase in deferment	2.2%	2.0%

g) Weighted average assumptions used to determine net pension cost for the year ended:

	2016	2015
Discount rate	3.8%	3.6%
Rate of compensation increase	2.8%	2.7%
Inflation rate (RPI)	3.0%	3.0%
Inflation rate (CPI)	2.0%	2.0%

h) Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	2016		2015	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.2	25.2	23.1	25.1
Member age 45 (life expectancy at age 65)	24.8	27.1	24.7	27.0

Contributions

The Employer expects to pay contributions of £778,000 during 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

14. CALLED UP SHARE CAPITAL

	2016 £	2015 £
Authorised, allotted, called up and fully paid: 100 (2015: 100) Ordinary shares of £1 each	<u>100</u>	<u>100</u>

The share capital of the Company consists of fully paid ordinary shares with a par value of £1 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of the Company.

15. FINANCIAL COMMITMENTS

At the statement of financial position date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in the next year as follows:

	Land and Buildings 2016 £'000	Land and Buildings 2015 £'000
Amounts payable :		
Within one year	834	889
Within two to five years	3,336	3,336
After five years	<u>2,155</u>	<u>2,919</u>

16. RESERVES

Called-up share capital represents the nominal value of shares that have been issued.

The profit and loss account includes all current and prior year retained profits and losses.

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

17. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption under FRS 102 Section 33 "Related Party Disclosures" not to disclose transactions between entities within the Marsh & McLennan Companies, Inc. Group (the "Group"), where no less than 100% of voting rights are controlled within the Group, whose consolidated financial statements are publicly available. There are no other transactions requiring disclosure.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

18. IMMEDIATE AND ULTIMATE PARENT COMPANIES

The Company's immediate parent company is National Economic Research Associates (Delaware), Inc., incorporate in the State of Delaware, USA. The Company's ultimate parent company and controlling entity is Marsh & McLennan Companies, Inc., incorporated in the state of Delaware, USA.

The smallest and largest group in which the results of NERA UK Limited are consolidated is that headed by Marsh & McLennan Companies, Inc. The consolidated financial statements of Marsh & McLennan Companies, Inc. are available to the public and may be obtained from:

Companies House
Crown Way
Cardiff
CF14 3UZ

and also from:

The Company Secretary
MMC Treasury Holdings (UK) Limited
1 Tower Place West
Tower Place
London
EC3R 5BU