

NERA UK Limited
Annual Report and Financial
Statements for the year ended
31 December 2014

Company Registration No. 03974527

NERA
Economic Consulting

THURSDAY



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Annual report and financial statements 2014

Officers and professional advisers

Directors

W Baker
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 27.

Turnover reduced from £11,782k to £11,359k due to reduced headcount resulting in less work done for fellow group companies. Operating costs increased due to one-off cost of moving to new premises, foreign exchange rate losses on the settlement of intercompany balances and increased staff costs which caused the company to be loss making in 2014. The directors expect the company to return to profit in 2015.

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 (2013- £nil) was paid during the year and a retained loss of £1,271,072 (2013 - £1,136,975 profit) was transferred to reserves. As shown on the balance sheet on page 9 net assets have reduced by £1,752,188 as a result of the retained loss for the year and costs related to the company's defined benefit pension scheme.

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 2014, were equivalent to 9 days' purchases (2013 - 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 £412 (2013 - £576).

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



Director

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Directors

The directors of the company during the year ended 31 December 2014, all of whom were directors throughout the year except as noted below, were:

W R Baker
M Cunningham
J Drzik (resigned 28 February 2014)
S Gammons (appointed 1 April 2014)
R Hern
G Shuttleworth (resigned 28 February 2014)
S McDonald (appointed 1 March 2014)
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.



Director

Director's 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 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 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 21. 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).

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 2014 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 Review 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
18 December 2015

Profit and loss account

For the year ended 31 December 2014

	Notes	2014 £	2013 £
Turnover	2	11,359,227	11,782,449
Operating expenses		(13,003,554)	(10,754,874)
Operating (loss)/profit	4	(1,644,327)	1,027,575
Interest receivable and similar income	5	11,083	11,260
Other finance income	6	416,000	434,000
(Loss)/profit on ordinary activities before taxation		(1,217,244)	1,472,835
Tax charge on (loss)/profit on ordinary activities	7	(53,828)	(335,860)
(Loss)/profit for the financial year	14	<u>(1,271,072)</u>	<u>1,136,975</u>

All of the company's activities in the current and preceding financial years are derived from continuing operations.

Statement of total recognised gains and losses

For the year ended 31 December 2014

	Notes	2014 £	2013 £
Retained (loss)/profit for the financial year		(1,271,072)	1,136,975
Actuarial (loss)/gain on pension	16	(1,356,000)	1,726,000
Deferred tax credit/(charge) on actuarial gain/(loss)	14	271,200	(345,200)
Pension scheme surplus cap	16	747,000	(6,324,000)
Deferred tax (charge)/credit on surplus cap	14	(149,400)	1,264,800
Total recognised gains and losses relating to the year		<u>(1,758,272)</u>	<u>(2,541,425)</u>

Balance sheet**As at 31 December 2014**

	Notes	2014 £	2013 £
Fixed assets			
Tangible assets	9	840,534	118,848
Current assets			
Debtors: amounts falling due within one year	10	10,225,612	10,265,234
Cash at bank and in hand		3,155,977	6,201,037
		13,381,589	16,466,271
Creditors: amounts falling due within one year	11	(14,834,920)	(15,398,612)
Net current (liabilities)/assets		(1,453,331)	1,067,659
Total assets less current liabilities		(612,797)	1,186,507
Creditors: amounts falling due after more than one year	12	(620,253)	(707,369)
Net (liabilities)/assets excluding pension		(1,233,050)	479,138
Pension liability	16	(64,800)	(24,800)
Net (liabilities)/assets including pension liability		(1,297,850)	454,338
Capital and reserves			
Called up share capital	13	100	100
Share premium account	14	241,048	241,048
Capital contribution account	14	242,299	236,215
Profit and loss account	14	(1,781,297)	(23,025)
Shareholders' (deficit)/funds	14	(1,297,850)	454,338

These financial statements of NERA UK Limited, registered number 03974527, were approved by the Board of Directors on and authorised for issue on 18/12/2015.

Signed on behalf of the Board of Directors



Director

Notes to the financial statements

For the year ended 31 December 2014

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.

Basis of preparation

The financial statements are prepared under the historical cost convention.

Going concern

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.

NERA UK Limited are reliant on support and the parent [NERA Inc.] has committed support for the next 12 months as long as NERA UK Ltd remain a subsidiary but not in respect of any fraud or wilful misconduct, and that the directors have considered this and concluded that any necessary support will be available for at least the next 12 months and accordingly have prepared the accounts on going concern basis.

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.

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

1. Accounting policies (continued)

Current tax

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

Deferred taxation

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

Leases

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

Pension costs

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 if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as part of the finance costs. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

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

The pension scheme surplus is included on the Company's balance sheet, net of the related amount of deferred tax. Surpluses are only included to the extent they are recoverable through reduced contributions in the future or through refunds from the scheme. In accordance with FRS17, recoverability through reduced contributions is assessed based on the FRS17 cost of future benefit accrual which could be offset by the surplus. At 31 December 2013, the Company determined that it no longer expects the pension scheme surplus to be recoverable under FRS17.

1. Accounting policies (continued)

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.

Share-based payments

The company has applied the requirements of FRS 20 Share-based payments. The company has also adopted Urgent Issues Task Force Abstract (UITF) 44 Group and Treasury Share Transactions (UITF 44).

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 and Save As You Earn (SAYE) awards, Stock Awards and Share Purchase Plans.

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

Fair value is measured using either 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 is estimated using the contractual term of the option and the effects of employees' expected exercise and post-vesting employment termination behaviour.

Share Awards are measured at fair value at the grant date, and this expense is recognised over the vesting period of three years.

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.

Foreign exchange

Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. All foreign currency assets and liabilities at the balance sheet date are translated at the rates ruling at that date.

Translation gains or losses arising during the year are included in the profit and loss account.

Cash flow statement

As a subsidiary of a group the company has taken advantage of the exemption provided by FRS 1 Cash Flow Statements (revised) and has not prepared a cash flow statement.

2. Turnover

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

	2014 £	2013 £
With third parties	10,760,153	8,296,724
With fellow group companies	599,074	3,485,725
	<u>11,359,227</u>	<u>11,782,449</u>

3. Information regarding directors and employees

	2014 £	2013 £
Directors' remuneration		
Emoluments	1,472,123	1,062,574
Pensions and other retirement benefits	80,382	75,236
	<u>1,552,505</u>	<u>1,137,810</u>

In 2014 the directors were awarded a deferred cash bonus of £344,793, (2013 - £185,141) not included in the table above that will vest in three equal tranches in March 2015, 2016 and 2017 (2013 March 2014, 2015 and 2016).

	2014 £	2013 £
Highest paid director		
Emoluments	630,356	515,864
Defined benefit pension	29,715	26,365
	<u>660,071</u>	<u>542,229</u>

In 2014 the highest paid director was awarded a deferred cash bonus in 2014 of £201,352 (2013 - £110,784) not included in the table above that will vest in three equal tranches in March 2015, 2016 and 2017 (2013 March 2014, 2015 and 2016).

	2014 No.	2013 No.
Average number of persons employed		
Consultancy	42	50
Administration	17	17
	<u>59</u>	<u>67</u>

3. Information regarding directors and employees (continued)

	2014 £	2013 £
Staff costs during the year (inclusive of directors' emoluments)		
Wages and salaries	6,645,894	5,526,051
Stock option and related costs	-	5,128
Social security costs	722,582	684,104
Pension costs	909,498	702,725
	<u>8,277,974</u>	<u>6,918,008</u>

4. Operating (loss)/profit

	2014 £	2013 £
Operating (loss)/profit is after charging:		
Depreciation and amortisation:		
Owned assets	129,602	131,981
Rentals under operating leases:		
Other operating leases	1,191,963	932,043
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	50,200	48,800
Foreign exchange loss	<u>469,313</u>	<u>39,302</u>

5. Interest receivable and similar income

	2014 £	2013 £
Bank interest	<u>11,083</u>	<u>11,260</u>

6. Other finance income

	2014 £	2013 £
Net finance income relating to pension scheme	<u>416,000</u>	<u>434,000</u>

7. Tax on (loss)/profit on ordinary activities

	2014 £	2013 £
Current tax		
United Kingdom corporation tax 21.49% (2013 23.25%) based on the profit for the year	-	(23,713)
Overseas tax	218,000	48,607
	218,000	24,894
Prior year adjustment	(299,319)	3,919
	(81,319)	28,813
Deferred tax		
Current year	135,193	353,453
Impact of change in tax rate	-	(51,954)
Prior year adjustment	(46)	5,548
	135,146	307,047
Total tax charge for the year	53,828	335,860

The tax assessed for the period is higher (2013 is lower) than that resulting 'applying the standard rate of corporation tax in the UK: 2014 21.49% (2013 23.25%) The differences are explained below:

	2014 £	2013 £
(Loss)/profit on ordinary activities before tax	(1,217,244)	1,472,835
Expected tax charge for period calculated at 21.49% (2013 23.25%)	(261,623)	342,434
Standard tax rate for the year as a percentage of profits		
Effects of:		
Expenses not deductible for tax purposes	31,583	49,460
Overseas tax	184,082	48,607
Movement capital allowances	559	(9,787)
Movement in short term timing difference	(9,278)	(30,983)
Movement in pension and post retirement benefit obligations	(136,566)	(380,339)
Adjustments in respect of prior year:	(299,319)	3,919
Transfer pricing adjustment	-	5,502
Current year group relief for nil consideration	409,243	
Current tax for period	(81,319)	28,813

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

8. Tax on profit on ordinary activities (continued)

Movement on deferred taxation asset in the period

	2014 £	2013 £
Opening balance at 1 January	97,451	158,344
Debit to the profit and loss account	(135,146)	(307,047)
Movement in net pension (liability)/asset	111,800	246,154
Closing balance at 31 December	<u>74,105</u>	<u>97,451</u>
Depreciation in excess of capital allowances	68,807	68,287
Other timing differences	5,298	29,164
Pension and post retirement benefit obligations	16,200	6,200
	<u>90,305</u>	<u>103,651</u>
Less set off against pension (liability) / asset	<u>(16,200)</u>	<u>(6,200)</u>
	<u>74,105</u>	<u>97,451</u>

The rate of Corporation Tax reduced from 23% to 21% from 1 April 2014, and will reduce from 21% to 20% from 1 April 2015.

Further reductions in the tax rate to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) have been included in the Finance (No. 2) Act 2015.

9. Tangible fixed assets

	Short-term leasehold improvements £	Furniture and equipment £	Total £
Cost			
As at 1 January 2014	929,330	499,948	1,429,278
Additions	736,546	122,852	859,398
Disposals	<u>(940,538)</u>	<u>(301,360)</u>	<u>(1,241,898)</u>
At 31 December 2014	<u>725,338</u>	<u>321,440</u>	<u>1,046,778</u>
Accumulated depreciation			
As at 1 January 2014	(881,264)	(429,166)	(1,310,430)
Charge for the year	(63,135)	(66,467)	(129,602)
Disposals	<u>940,538</u>	<u>293,250</u>	<u>1,233,788</u>
At 31 December 2014	<u>(3,861)</u>	<u>(202,383)</u>	<u>(206,244)</u>
Net book value			
At 31 December 2014	<u>721,477</u>	<u>119,057</u>	<u>840,534</u>
At 31 December 2013	<u>48,066</u>	<u>70,782</u>	<u>118,848</u>

10. Debtors: amounts falling due within one year

	2014 £	2013 £
Billed debtors	2,861,770	3,953,307
Unbilled debtors	1,133,875	463,020
Trade debtors	3,995,645	4,416,327
Amounts owed by group undertakings:		
- Immediate parent and fellow subsidiary undertakings	5,185,722	4,412,846
- Group relief	-	934,789
Other debtors	676,187	50,668
Deferred tax (note 8)	74,105	97,451
Foreign tax recoverable	156,113	26,468
Prepayments	137,840	326,685
	<u>10,225,612</u>	<u>10,265,234</u>

11. Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	68,031	50,040
Amounts owed to group undertakings		
Immediate parent and fellow subsidiary undertakings	11,556,174	11,805,850
Group relief	-	1,049,271
Taxation and social security	589,092	757,860
Corporation tax	-	-
Foreign tax payable	69,365	27,350
Other creditors	1,717,242	1,444,100
Accruals and deferred income	835,016	264,141
	<u>14,834,920</u>	<u>15,398,612</u>

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

	2014 £	2013 £
Other creditors	620,253	707,369
	<u>620,253</u>	<u>707,369</u>

Included in other creditors is an amount of £568,571 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.

13. Called up share capital

	2014 £	2013 £
Authorised, allotted, called up and fully paid:		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

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

	Issued share capital £	Share premium account £	Capital contribution account £	Profit and loss account £	2014 Total £
Opening balance 2014	100	241,048	236,215	(23,025)	454,338
Loss for the financial year	-	-	-	(1,271,072)	(1,271,072)
Actuarial loss	-	-	-	(1,356,000)	(1,356,000)
Deferred tax credit on actuarial loss	-	-	-	271,200	271,200
Surplus cap	-	-	-	747,000	747,000
Deferred tax charge on surplus cap	-	-	-	(149,400)	(149,400)
Capital contribution from parent	-	-	6,084	-	6,084
At the end of the year 2014	100	241,048	242,299	(1,781,297)	(1,297,850)

	Issued share capital £	Share premium account £	Capital contribution account £	Profit and loss account £	2013 Total £
Opening balance 2013	100	241,048	218,510	2,518,401	2,978,059
Profit for the financial year	-	-	-	1,136,975	1,136,975
Actuarial gain	-	-	-	1,726,000	1,726,000
Deferred tax charge on actuarial gain	-	-	-	(345,200)	(345,200)
Surplus cap	-	-	-	(6,324,000)	(6,324,000)
Deferred tax credit on surplus cap	-	-	-	1,264,800	1,264,800
Capital contribution from parent	-	-	17,705	-	17,705
At the end of the year 2013	100	241,048	236,215	(23,025)	454,338

15. Guarantees, contingent liabilities and other financial commitments

Operating lease commitments

At 31 December 2014 the company was committed to make the following payments during the next year in respect of operating leases.

	2014 Land and buildings £	2013 Land and buildings £
Leases which expire:		
Within one year		888,341
Within two to five years	60,126	
After five years	-	-

The above excludes an office property lease expiring in 2024 for which no rents are payable in 2015 and rents of £834,040 per annum will be payable thereafter.

15. Guarantees, contingent liabilities and other financial commitments (Continued)

Bank guarantees

At 31 December 2014 the company had £72,043 (2013 £131,015) 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 2014 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 £179,968 (2013: £55,256) 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 total gains and losses (STRGL) in the year that they occur.

16. Pension commitments (continued)

	2014	2013
	£ 000	£ 000
Components of pension cost/(credit)		
Current service cost	417	607
Interest cost	1,387	1,137
Expected return on plan assets	(1,803)	(1,571)
Past service cost	-	-
Total pension cost recognised in the P&L account	1	173
Actuarial loss/(gain) immediately recognised	1,356	(1,726)
Effect of surplus cap	(747)	6,324
Total pension cost recognised in the STRGL (before tax)	609	4,598
Cumulative amount of actuarial gains immediately recognised	(2,408)	(3,764)
Amounts recognised in the balance sheet		
Present value of funded obligations	(35,533)	(29,621)
Fair value of plan assets	41,110	35,945
	5,577	6,324
Effect of surplus cap	(5,577)	(6,324)
Present value of unfunded obligation	(81)	(31)
	(81)	(31)
Related deferred tax asset	16	6
Net amount recognised	(65)	(25)
Amounts recognised as:		
Liabilities	(81)	(31)
Assets	16	6
Net amount recognised	(65)	(25)
	2014	2013
	£ 000	£ 000
Change in benefit obligations		
Benefit obligations at the beginning of the year	29,652	24,775
Current service costs	417	607
Interest cost	1,387	1,137
Plan participants' contributions	14	23
Past service costs	-	-
Actuarial losses	4,718	3,872
Business combinations	265	-
Benefits paid	(839)	(762)
Benefit obligations at the end of the year	35,614	29,652
Analysis of defined benefit obligations		
Plans that are wholly or partly funded	35,533	29,621
Plans that are wholly unfunded	81	31
Total	35,614	29,652

16. Pension commitments (continued)

	2014 £ 000	2013 £ 000
Changes in plan assets		
Fair value of plan assets at the beginning of the year	35,945	27,676
Expected return on plan assets	1,803	1,571
Actuarial gains	3,362	5,598
Business combinations	338	-
Employer contributions	487	1,839
Member contributions	14	23
Benefits paid	(839)	(762)
Fair value of plan assets at the end of the year	<u>41,110</u>	<u>35,945</u>
 Funded status	 5,496	 6,293
Effect of surplus cap	(5,577)	(6,324)
Net amount recognised	<u>(81)</u>	<u>(31)</u>

Fund assets

The weighted-average asset allocations at the year-end were as follows:

Asset category	Plan assets at 2014	Plan assets at 2013
Equities	47.5%	54.2%
Government bonds	23.1%	14.8%
Corporate bonds	12.0%	19.5%
Property	4.8%	5.4%
Insured	0.5%	0.5%
Cash	12.1%	5.6%
	<u>100.00%</u>	<u>100.0%</u>

To develop the expected long-term rate of return on assets assumption, the Employer considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.69% assumption for the 2014 expense and 5.50% for the 2015 expense.

16. Pension commitments (continued)

	2014 £ 000	2013 £ 000		
Actual return on plan assets				
Actual return on plan assets	5,165	7,169		
Weighted average assumption used to determine benefit obligations at:	2014	2013		
Discount rate	3.70%	4.70%		
Rate of compensation increase	2.70%	3.05%		
Rate of pension increases in deferment (5% LPI)	1.95%	2.30%		
Weighted average assumption used to determine net pension cost for the For the For the For the For the For the year ended:	2014	2013		
Discount rate	4.70%	4.60%		
Expected long-term return on plan assets	5.69%	5.50%		
Rate of compensation increase	3.05%	2.65%		
Rate of pension increases in deferment (5% LPI)	2.30%	2.10%		
Rate of pension increases in deferment (2.5% LPI)	2.21%	2.10%		
Weighted average life expectancy for mortality tables used to determine benefit obligations at:	2014	2013		
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.3	25.3	23.3	25.2
Member age 45 (current life expectancy)	25.0	25.0	24.9	27.1

If future life expectancy for all members were to increase by a further one year then this would increase the liabilities for FRS17 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.

Five year history

	Financial year ending in (£ 000)				
	2014	2013	2012	2011	2010
Benefit obligation at end of year	(35,614)	(29,652)	(24,775)	(26,126)	(23,410)
Fair value of plan assets at end of year	41,110	35,945	27,676	24,915	25,061
Surplus/(deficit) before surplus cap	5,496	6,293	2,901	(1,211)	1,651
Difference between expected and actual return on scheme assets:					
amount (£ 000)	3,362	5,598	929	(2,102)	2,434
percentage of scheme assets	8%	16%	3%	(8)%	10%
Experience gains and losses on scheme liabilities:					
amount (£ 000)	(943)	(2,781)	1,083	435	(926)
percentage of scheme assets	(3)%	(9)%	4%	2%	(4)%

Contributions

The Company expects to pay contributions of £0.1m during 2015.

17. Share-based payments

NERA UK Limited'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, Shares Awards and Share Purchase arrangements (Share Purchase Plan and Share Incentive Plan).

From 1 January 2006, the company has applied the requirements of Financial Reporting Standard 20 *Share-based payment* ("FRS 20").

Share awards have been accounted for at their grant date values, expensed over their vesting period. The effect of forfeitures is recognised when they occur.

Non-qualified stock options

The company has a stock option scheme for designated employees. Options are granted with an exercise price equal to the market value of MMC's stock at the date of grant. The options vest at 25% per annum beginning one year from the date of grant, and have a contractual term of ten years.

On 16 March 2005 MMC began granting options that provide for a market-based triggering event before a vested option can be exercised. The terms and conditions of these stock option awards provide that options will vest at a rate of 25% per year beginning one year from the date of grant and each vested tranche will only become exercisable if the market price of MMC's stock appreciates to a level of 15% above the exercise price of the option and maintains that level for at least ten consecutive trading days after the award has vested. The company accounts for these awards as market-condition options. The effect of the market condition is reflected in the grant date fair value of such awards.

For both types of grant, the cost associated with each tranche of awards under each grant is spread over the appropriate vesting period. Stock options are forfeited if the employee leaves the company before the options vest. The vesting schedule is accelerated for retiree-eligible individuals should they retire before the options have vested in full.

17. Share-based payments (continued)

Effective 1 July 2005, employees were given the opportunity to exchange certain deeply underwater options for new options with an estimated fair value equal to 90% of the value of the options surrendered in exchange. The new options were unvested when granted and vest on the later of the second anniversary of the grant date of the new options and the original vesting date of the previous options.

Options granted without a market-based triggering event

The estimated fair value of options is calculated using the Black-Scholes option pricing valuation model.

The inputs into the Black-Scholes option pricing model are as follows, in US dollars

	2014	2013	2012
Weighted average share price	\$48.00	\$36.49	\$31.89
Weighted average exercise price	\$48.00	\$36.49	\$31.89
Risk-free interest rate	1.88%	1.09%	1.27%
Expected life	6.0 Years	6.0 years	6.50 years
Expected volatility	24.16%	23.8%	26.2%
Expected dividend yield	2.08%	2.52%	2.76%

The risk free interest rate assumption is based on the yield on US Treasury zero-coupon issues with a term equal to the expected life of the option, as of the grant date.

Expected volatility prior to 1 July 2005 was calculated based on historical volatility for a period equal to the stock option's expected life, calculated on a monthly basis. Subsequent to 1 July 2005 a blended volatility rate was used based on the following: volatility derived from daily closing price observations for the ten year period ended on the valuation date; implied volatility derived from traded options for the period one week before and one week after the valuation date; and average volatility for the ten year periods ended on fifteen anniversaries prior to the valuation date, using daily closing price observations. This is consistent with the methodology adopted in the MMC group accounts.

The expected life used in the model is estimated using the contractual term of the option and the effects of employees' expected exercise and post-vesting employment termination behaviour.

The expected dividend yield is based on expected dividends for the expected term of the stock options.

17. Share-based payments (continued)

Options granted with a market-based triggering event

The estimated fair value of options granted with a market-based triggering event would be calculated using a binomial valuation model. The factors and assumptions used in this model are similar to those utilised in the Black-Scholes option pricing valuation model, except that the risk free interest rate is based on the US Treasury zero-coupon yield curve over the contractual term of the option, and the expected life is calculated by the model.

There were no options granted with a market-based triggering event in 2013 and 2014.

Details of the share options outstanding during the year are as follows:

	2014		2013	
	Number of share options	Weighted average exercise price (US\$)	Number of share options	Weighted average exercise price (US\$)
Outstanding at beginning of period	9,739	30.29	37,437	29.70
Exercised during the period	(6,676)	30.33	(17,198)	28.96
Forfeited during the period	-	-	(10,500)	30.35
Outstanding at the end of the period	3,063	30.33	9,739	30.29

The options outstanding at 31 December 2014 had a weighted average exercise price of \$30.33 and a weighted average remaining contractual life of 1.77 years. In 2014 no options were granted (2013 – nil).

In 2014 the company recognised no expense (2013 –nil) in relation to all non-qualified stock options as all options had vested.

17. Share-based payments (continued)

Share awards

Share awards - restricted stock units, deferred stock units and stock bonus units of MMC's common stock - may be awarded under MMC's Incentive and Stock Awards plans. The fair value at grant of these awards is amortised over the vesting period of three years, taking into account the estimated effect of forfeitures. Members are entitled to receive dividend payments during the vesting period. Stock units are forfeited if the employee leaves the company before the awards vest.

	2014		2013	
	Number of shares	Weighted average grant date fair value (US\$)	Number of shares	Weighted average grant date fair value (US\$)
Outstanding at beginning of period	1,854	31.51	6,156	29.12
Granted during the period	-	-	-	-
Forfeited during the period	-	-	(317)	30.60
Vested during period	(1,199)	31.30	(3,985)	27.90
Outstanding at the end of the period	655	31.89	1,854	31.51

In 2014 the company recognised a total expense of £6,084 (2013 - £17,705) in relation to stock awards with a corresponding entry to capital contributions.

SAYE awards

SAYE plans are UK Treasury sponsored schemes that run each year from 1 October. Members are granted options at a discounted rate based on the market value at that date, with either a three or five year vesting period. Options must be exercised within six months of vesting, otherwise they will lapse. No performance conditions apply. These options are immaterial for disclosure.

Other share-based payment plans

The employee share purchase plan is operated in the UK, and is open to almost all the employees in the UK. Employees pay monthly contributions and have the opportunity at every quarter end to purchase MMC common stock at 95% of market value. The related expense is immaterial for disclosure.

18. Related party disclosures

The company has taken advantage of the exemption granted by paragraph 3c of FRS 8 "Related Party Disclosures" not to disclose transactions with National Economic Research Associates (California), Inc. and Marsh & McLennan Companies, Inc. who are related parties.

19. Financial commitments

Capital commitments are as follows:

	2014 £ 000	2013 £ 000
Contracted for but not provided for		
- Office move expenses	180	-
	<u>180</u>	<u>-</u>

20. Post balance sheet 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.

NERA

Economic Consulting

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