

Company Registration No: 03974527

NERA UK LIMITED

Annual Report and Financial Statements

For the Year Ended 31 December 2017



**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2017**

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STRATEGIC REPORT

The directors present their Strategic Report for NERA UK Limited (the “Company”) for the year ended 31 December 2017. 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 considers year on year turnover growth and administrative expenses savings as key financial indicators and indicators of performance. Compared to prior year these key financial indicators and performance indicators were as follows:

	2017 £’000	2016 £’000	Movement £’000	Movement %
Turnover	12,525	8,685	3,840	44.2%
Administrative expenses	(11,586)	(12,842)	1,256	9.8%

Turnover increased by £3,840,000 in 2017 due to a turnaround in market conditions. Total administration expenses decreased by £1,256,000 in 2017. This was mainly due to reduced staff related costs in the year and intergroup recharges.

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 2017 of £8,138,000 (2016: £1,676,000).

ENVIRONMENT

The Company is responsible for the health, safety and welfare of its employees whilst working on behalf of the Company and for ensuring that its operations do not unnecessarily harm the environment. The Company is also required to seek assistance of competent persons and provide the resources necessary to meet its obligations. The Safety, Health and Environment (“SHE”) Unit fulfils this need as part of the Facilities Management structure within Marsh & McLennan Global Security Services and provides support for all employees. The SHE unit works closely with Facilities Management, Human Resources and the Company’s Occupational Health providers to accomplish this role.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company are those listed below:

Asset Risks

The Company is the custodian of leasehold, office furniture and equipment assets. Any losses of or damage to these assets would threaten the ability of the Company to provide its day-to-day business. The Company mitigates this risk through use of insurance and business continuity planning. The Company is also subject to impairment risk in relation to those fixed assets. The Company continually reviews its depreciation rates to ensure assets are amortised over the correct periods. In addition, the Company also reviews its tangible assets to ensure that they are not impaired.

Availability of IT systems

The Company has a number of Information Technology (IT) systems in order to carry on its day-to-day business. There is a risk that any of these systems as part of the overall IT infrastructure could fail, individually or collectively, with an adverse effect on the Company’s operations. The Company is part of the Marsh & McLennan Companies, Inc.’s global IT structure and there are business continuity plans in place.

STRATEGIC REPORT (continued)**PRINCIPAL RISKS AND UNCERTAINTIES (continued)****Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis by management who perform monthly balance reviews. Management does not expect any counterparty to fail to meet its obligations. When considering whether balances are impaired the Company considers any known financial difficulty of the customers and previous settlement history. The Company provides for bad debts if it considers there is a risk of impairment.

Currency risk

The Company is exposed to currency risk in respect of its assets and liabilities denominated in currencies other than pounds sterling. The most significant currencies to which the Company is exposed to is Euros in regards to its Belgium branch. The Company seeks to mitigate the risk as far as possible by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Interest rate risk

The Company has both cash deposits and overdrafts. The interest rate risk of the Company is managed by treasury staff, in line with guidelines issued by its ultimate parent company.

In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on earnings.

Liquidity/cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when due. The Company maintains liquid funds to mitigate against this risk. The Company makes use of forecasts and budgets to monitor and control its cash flows and working capital requirements and has access to other group liquid funds managed through a central treasury function.

Outsourcing risk

The Company outsources a number of its services to third party organisations. The ability of the Company to perform efficiently is directly impacted by the services of the third party providers. Outsourcing contracts and providers are respectively reviewed against performance expectations and key performance indicators.

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.

STRATEGIC REPORT (continued)**FUTURE DEVELOPMENTS**

The Company continues to be seen as a market leader in the provision of economic consultancy services to government authorities, law firms and corporations, and the directors consider the Company to be well placed in the market to continue these activities in the foreseeable future.

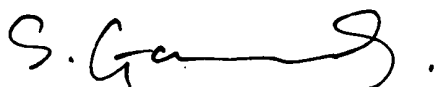
FINANCIAL RISK MANAGEMENT

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.

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.

By order of the board



Director
S Gammons

31 July 2018

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 2017. The Company's registration number is 03974527.

The principal activities of the Company are set out in the Strategic Report on page 1. The information that fulfils the Companies Act requirements of the business review are included in the Strategic Report on pages 1 to 3. Details of the principal risks and uncertainties are included in the Strategic Report.

DIRECTORS

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

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 2017 are set out on page 10.

The Company reports a profit after taxation for the financial year of £777,000 (2016: loss £4,259,000).

The directors do not recommend the payment of a final dividend (2016: £nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no subsequent events to report after the reporting period and up to the signing of these financial statements.

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 currently is in a net current liabilities and net liabilities position, NERA UK Limited has a letter of support from its parent company, National Economic Research Associates (Delaware), 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.

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.

DISABLED EMPLOYEES

It is the policy of the Company to give full consideration to suitable applications for employment of disabled persons. Every effort is made, where employees of the Company become disabled, to retain them in their employment, or consider them for other positions.

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:

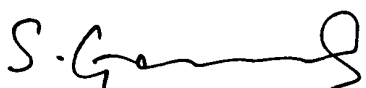
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that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



Director
S Gammons

31 July 2018

NERA UK Limited
66 Seymour Street
London
W1H 5BT

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 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 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 TO THE MEMBERS OF NERA UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of NERA UK Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or 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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Adam Knight, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
31 July 2018

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
TURNOVER	2	12,525	8,685
Administrative expenses		(11,586)	(12,842)
OPERATING PROFIT/(LOSS)		939	(4,157)
Interest receivable and similar income	3	-	2
Other finance income	4	54	252
PROFIT/(LOSS) BEFORE TAX		993	(3,903)
Tax charge on profit/(loss)	7	(216)	(356)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		777	(4,259)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Actuarial gain/(loss) on defined benefit pension scheme	13	5,867	(5,332)
Deferred tax relating to actuarial gains and losses	8	(997)	906
Experience adjustment	13	(95)	342
Deferred tax on Experience adjustment		16	(58)
Effect of changes in deferred tax rate	8	-	64
Gain/(Loss) on retirement benefits liability net of tax		4,791	(4,078)
Foreign currency translation differences arising on consolidation of branches		(209)	(455)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		4,582	(4,533)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		5,359	(8,792)

All transactions derive from continuing operations.

The information on pages 13 to 26 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
At 31 December 2017

	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
As at 31 December 2016		-	241	243	(6,351)	(5,867)
Year ended 31 December 2017						
As at 1 January 2017		-	241	243	(6,351)	(5,867)
Profit for the financial year		-	-	-	777	777
Actuarial profit on defined benefit pension schemes	13	-	-	-	5,867	5,867
Experience adjustment	13	-	-	-	(95)	(95)
Foreign currency translation differences arising from branches		-	-	-	(209)	(209)
Deferred tax relating to items of other comprehensive profit	8	-	-	-	(981)	(981)
Waiver of intergroup payable	16	-	-	337	-	337
As at 31 December 2017		-	241	580	(992)	(171)

The information on pages 13 to 26 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
FIXED ASSETS			
Tangible fixed assets	9	917	1,107
CURRENT ASSETS			
Debtors: Amounts falling due within one year	10	7,051	5,201
Cash at bank and in hand		3,726	2,935
		10,777	8,136
CREDITORS: Amounts falling due within one year	11	(18,197)	(16,010)
NET CURRENT LIABILITIES		(7,420)	(7,874)
TOTAL ASSETS LESS CURRENT LIABILITIES		(6,503)	(6,767)
CREDITORS: Amounts falling due after one year	12	(583)	(580)
Deferred tax liabilities	8	(1,223)	(196)
NET LIABILITIES EXCLUDING RETIREMENT BENEFITS LIABILITY		(8,309)	(7,543)
Pension asset	13	8,138	1,676
NET LIABILITIES INCLUDING RETIREMENT BENEFITS LIABILITY		(171)	(5,867)
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Share premium	16	241	241
Capital contribution	16	580	243
Profit and loss account	16	(992)	(6,351)
SHAREHOLDER'S FUND/(DEFICIT)		(171)	(5,867)

The financial statements of NERA UK Limited (registration number 03974527) were approved by the Board of Directors and authorised for issue on 31 July 2018.

The information on pages 13 to 26 form an integral part of these financial statements.

They were signed on its behalf by:



Director
S Gammons

31 July

2018

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is 66 Seymour Street, London W1H 5BT. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 3.

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 cash flows 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 currently is in a net current liabilities and net liabilities position, NERA UK Limited has a letter of support from its parent company, National Economic Research Associates (Delaware), 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 is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

(i) Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2017****1. SIGNIFICANT ACCOUNTING POLICIES (continued)****Turnover (continued)**

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting year can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2017****1. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)**

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.

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

Rental expenditure relating to operating leases are charged on a straight-line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. In accordance with FRS 102, lease incentives on leases which were in existence prior to the date of transition have been spread over the shorter of the lease term and the period to the first review date on which the rent is first expected to be adjusted to the prevailing market rate.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2017****1. SIGNIFICANT ACCOUNTING POLICIES (continued)****Pension and other post-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 and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Comprehensive Income.

The net interest income on the net defined benefit asset is shown within other finance income.

Remeasurement compromising 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 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 employers participating in the Fund section. Under this 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.

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.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2017****1. SIGNIFICANT ACCOUNTING POLICIES (continued)****Critical accounting judgements and key sources of estimation uncertainty (continued)***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 balance sheet date 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 recorded as hours are worked and the WIP balance represents unbilled revenues which must be assessed for recoverability and provided against where appropriate.

Management calculates the WIP provision based on a historical run rate ("HRR") of WIP write-offs for the previous six months. This generates a provision which is reviewed for reasonableness by management and manually adjusted if deemed necessary.

2. SEGMENT INFORMATION

	2017 £'000	2016 £'000
Analysis of turnover:		
United Kingdom	3,906	3,858
Europe	1,107	1,896
Asia & Australasia	280	544
Middle East & Africa	1,293	494
North America	238	380
Central/Southern America & Caribbean	517	7
Total fee income	7,341	7,179
Management fee recharges to other group companies:		
Europe	3,002	580
Asia & Australasia	206	7
North America	1,976	919
Total management fee recharges	5,184	1,506
Total turnover	12,525	8,685

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £'000	2016 £'000
Bank interest	-	2

4. OTHER FINANCE INCOME

	2017 £'000	2016 £'000
Net finance income relating to pension scheme	54	252

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is stated after charging:

	2017 £'000	2016 £'000
Depreciation of tangible fixed assets	190	197
Rentals under operating leases	748	885
Auditor fees	39	53
Foreign exchange (gain)/loss	(822)	936

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration	2017 £'000	2016 £'000
Emoluments	1,555	1,441
Pension and other retirement benefits	30	33
	1,585	1,474

The number of directors' who are members of a money purchase pension scheme is nil (2016: nil).

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

Highest paid director	2017 £'000	2016 £'000
Emoluments	990	888
Defined benefit pension	30	30
	1,020	918

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2017****6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

Particulars of employees (including executive directors) shown in the Statement of Comprehensive Income are as shown below:

	2017	2016
	£'000	£'000
Wages and salaries	6,494	7,163
Social security costs	1,061	827
Pension costs – defined benefit scheme, amounts included in operating costs	146	97
Pension costs – defined benefit scheme, amounts included in finance income	(54)	(252)
Pension costs – defined contribution scheme	593	635
Redundancy costs	267	-
	<u>8,507</u>	<u>8,470</u>

During the year, the Company went through a programme of rationalisation which resulted in a one-off cost to the Company of £267,000 shown above as redundancy costs.

	2017	2016
	No.	No.
The average monthly number of persons, including directors, employed by the Company during the year was as follows:		
Consultancy	38	42
Administration	12	16
	<u>50</u>	<u>58</u>

7. TAX CHARGE ON PROFIT/(LOSS)**(a) Analysis of total tax charge in the year**

The corporation tax rate for the year was 19.25% (2016: 20.00%).

	2017	2016
	£'000	£'000
The tax charge comprises:		
Corporation tax at 19.25% (2016: 20.00%)	167	-
UK relief for overseas tax	(7)	-
Overseas tax	10	56
Prior year adjustment	-	(4)
Total current tax	<u>170</u>	<u>52</u>
Deferred tax (note 8)		
Current year	48	24
Prior year	(2)	280
Total deferred tax	<u>46</u>	<u>304</u>
Total tax charge on profit/(loss)	<u>216</u>	<u>356</u>

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2017****7. TAX CHARGE ON PROFIT/(LOSS) (continued)****(b) Factors affecting the tax charge for the year**

The tax charge of £216,000 (2016: £356,000 charge) is higher (2016 is higher) than that resulting from applying the standard rate of corporation tax in the UK in 2017 of 19.25% (2016: 20%).

The differences are explained below:

	2017 £'000	2016 £'000
Profit/(loss) before tax	993	(3,903)
	£'000	£'000
Expected tax charge/(credit) for the period calculated at 19.25% (2016: 20%)	191	(781)
Effects of:		
Expenses not deductible for tax purposes	5	2
Other permanent differences	25	(70)
Overseas tax	3	56
Current year group relief surrendered for nil consideration	-	873
Tax rate differential	(6)	-
Prior year adjustment – current tax	-	(4)
Prior year adjustment – deferred tax	(2)	280
Total tax charge	216	356

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

8. DEFERRED TAX

	2017 £'000	2016 £'000
Deferred tax is provided as follows:		
At 1 January	(196)	(804)
(Charged)/credited to statement of comprehensive income:		
Current year	(54)	(24)
Prior year	2	(280)
Impact of change in tax rate	6	-
(Charged)/credited to other comprehensive income	(981)	848
Impact of change in tax rate to other comprehensive income	-	64
At 31 December	(1,223)	(196)
Analysis of deferred tax balance:		
Other timing differences	24	35
Depreciation in excess of capital allowances	78	54
Pension contributions to defined benefit scheme	(1,325)	(285)
	(1,223)	(196)

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2017****8. DEFERRED TAX (continued)**

Deferred timing differences have been provided for at tax rates substantively enacted at the balance sheet date which will apply when the timing differences are expected to reverse. The tax rates substantively enacted at the balance sheet date are 19% (effective 1 April 2017) and 17% (effective 1 April 2020).

9. TANGIBLE FIXED ASSETS

	Short-term leasehold improvements £'000	Office Furniture and Equipment £'000	Total £'000
Cost			
At 1 January 2017 and 31 December 2017	1,114	396	1,510
Accumulated depreciation			
At 1 January 2017	(227)	(176)	(403)
Charge for the year	(113)	(77)	(190)
At 31 December 2017	(340)	(253)	(593)
Net book value			
At 31 December 2017	774	143	917
At 31 December 2016	887	220	1,107

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Billed debtors	3,302	2,229
Unbilled debtors	1,205	659
Amounts owed by group undertakings	2,201	1,945
Other debtors	63	26
Corporation tax	24	42
Prepayments	256	300
	7,051	5,201

Amounts owed by group undertaking are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2017****11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017	2016
	£'000	£'000
Trade creditors	81	12
Amounts owed to group undertakings	13,882	11,664
Corporation taxation liability	171	42
Taxation and social security	842	588
Other creditors	2,224	2,428
Accruals and deferred income	997	1,276
	<u>18,197</u>	<u>16,010</u>

Amounts owed to group undertaking are unsecured, interest free and repayable on demand.

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

	2017	2016
	£'000	£'000
Amounts owed to group undertakings	-	336
Deferred compensation	570	238
Other creditors	13	6
	<u>583</u>	<u>580</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 2016 and updated to 31 December 2017 by a qualified actuary (who is employed within the Marsh & McLennan Companies, Inc. Group). The update in 2017 allowed approximately for known cash flows, 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 funding valuation as at 31 December 2015. The funding level is subject to re-assessment, in most cases on 1 November of each year. If the funding level on 1 November has sufficiently improved, no deficit funding contributions will be required in the following year, and the deficit contribution amount will be deferred.

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 Fund 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
For the year ended 31 December 2017

13. PENSION SCHEME (continued)

a) Components of pension cost	2017 £'000	2016 £'000
Interest cost	1,219	1,360
Expected return on plan assets	(1,273)	(1,612)
Administrative expenses/levies	146	97
Total pension debit/(credit) recognised in the profit and loss account	92	(155)
Actuarial (gains)/loss	(5,772)	4,990
Total pension (credit)/debit recognised in other comprehensive income	(5,772)	4,990
Total defined benefit income/(cost) before tax recognised in statement of comprehensive income	5,680	(4,835)

b) Amounts recognised in the balance sheet

	2017 £'000	2016 £'000
Present value of funded obligations	(43,616)	(46,565)
Fair value of plan assets	51,754	48,241
Net amount recognised as assets excluding deferred tax	8,138	1,676

c) Change in benefit obligation

	2017 £'000	2016 £'000
Benefit obligation at beginning of year	46,565	35,075
Interest cost	1,219	1,360
Re-measurements:		
Effect of changes in assumptions	(1,308)	11,427
Effect of experience adjustments	95	(342)
Benefits paid	(2,955)	(955)
Benefit obligation at end of year	43,616	46,565

d) Change in plan assets

	2017 £'000	2016 £'000
Fair value of plan assets at beginning of year	48,241	41,493
Interest income on plan assets	1,273	1,612
Return on plan assets (excluding interest)	4,559	6,095
Employer contributions	782	93
Administrative expenses	(146)	(97)
Benefits paid	(2,955)	(955)
Fair value of plan assets at end of year	51,754	48,241

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

13. PENSION SCHEME (continued)

Fund assets

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

Asset Category	Fair Value of Assets	
	2017 £'000	2016 £'000
Cash and cash equivalents	1,723	675
Equity instruments	26,365	25,808
Government Bond/Liability Driven Investment instruments	10,762	9,552
Other debt instruments	8,136	7,912
Property	2,987	2,750
Other	1,781	1,544
	<u>51,754</u>	<u>48,241</u>
	2017 £'000	2016 £'000
Actual return on plan assets	<u>5,832</u>	<u>7,707</u>

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

	2017	2016
Discount rate	2.6%	2.7%
Rate of compensation increase	2.9%	2.9%
Inflation rate (RPI)	3.1%	3.2%
Inflation rate (CPI)	2.1%	2.2%
Rate of statutory pension increase in deferment	2.1%	2.2%

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

	2017	2016
Discount rate	2.7%	3.8%
Rate of compensation increase	2.9%	2.8%
Inflation rate (RPI)	3.2%	3.0%
Inflation rate (CPI)	2.2%	2.0%

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

	2017		2016	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.1	25.0	23.2	25.2
Member age 45 (life expectancy at age 65)	24.4	26.5	24.8	27.1

Contributions

The Employer expects to pay contributions of £143,000 during 2018.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2017****14. CALLED UP SHARE CAPITAL**

	2017 £	2016 £
Authorised, allotted, called up and fully paid:		
100 (2016: 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 2017 £'000	Land and Buildings 2016 £'000
Amounts payable :		
Within one year	834	834
Within two to five years	3,336	3,336
After five years	<u>1,321</u>	<u>2,155</u>
	<u>5,491</u>	<u>6,325</u>

16. RESERVES

Share premium represents the premium received above the par value on ordinary share capital transactions.

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 of £243,000. During 2017, a fellow group subsidiary, Oliver Wyman Services Limited waived an amount owed to it of £337,000. This amount was then taken to the capital contribution reserve.

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

For the year ended 31 December 2017

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
Maindy,
Cardiff
CF14 3UZ

and also from:

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