Company Registration No. 984275

Mercer Limited

Report and Financial Statements

31 December 2011

Mercer Limited

Report and financial statements 2011

Contents

Mercer Limited

Report and financial statements 2011

Officers and professional advisers

Directors

J V Barker
G L A Beneplanc
P E Middleton
M R Moorton
W S O'Regan
A K Whalley
D N Williams

Secretary

M F Brindley

Registered Office

1 Tower Place West
Tower Place
London
EC3R 5BU

Bankers

The Royal Bank of Scotland plc
Citibank N A

Solicitors

Slaughter & May

Auditor

Deloitte LLP
Chartered Accountants
London

Mercer Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Business review and principal activities

The principal activities of the company are to provide consulting, outsourcing and investment services, including the design and management of health, retirement and other benefits, human capital, outsourcing, investment consulting and multimanager investment management The company is regulated by the Financial Services Authority (FSA)

The company's key performance indicators include revenue growth, net operating income, employee utilisation, time recovery, billing performance, and receivables collection time

As shown in the company's profit and loss account on page 7, turnover rose by 3 9 percent (2010 - fell by 3 3 percent), driven by consulting opportunities and the development of innovative solutions, primarily relating to clients' pension and benefit arrangements Operating profit margin increased slightly from 19 7 percent to 20 1 percent, reflecting the company's ability to grow the business profitably The directors consider utilisation, recovery and working capital statistics to be commercially sensitive so have not disclosed them in this report

The company reported retained profit for the financial year after taxation of £57,296,000 (2010 - £52,630,000) No interim dividend was paid on the ordinary shares (2010 - £20,091,000) The directors do not recommend the payment of a final dividend (2010 - £nil) No dividends were received from subsidiary companies (2010 - £nil)

As shown on the balance sheet on page 9, net assets have decreased by 8 9 percent (2010 - increase 14 3 percent) This is a result of strong profits for the year, more than offset by actuarial losses in respect of the company's defined benefit pension scheme

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 The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the directors consider relevant to this company are credit risk and liquidity risk These risks are mitigated by credit control procedures and the diverse client base

Under Pillar 3 of the Capital Requirements Directive, the company is required to disclose information relating to its risks and its capital and risk management objectives and policies The Pillar 3 disclosures are provided on the company's website

The company has a strong liquid asset position consisting mainly of cash and debtors and is not reliant on funding from third parties 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 enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Investor in people

The company received the "Investor in People" (IIP) award in July 1997 IIP is the national standard which ensures that the training and development of employees is linked directly to business goals The company has maintained this standard, attaining re-accreditation on 23 May 2009

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

Mercer Limited

Directors' report

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

Payments for charitable purposes

Donations to charitable organisations in the United Kingdom totalled £63,295 (2010 - £42,427)

Directors

The directors of the company during the year ended 31 December 2011, all of whom were directors throughout the year except as noted below, were

J V Barker	Appointed 5 September 2011
G L A Beneplanc	
P E Middleton	
M R Moorton	Appointed 5 October 2011
W S O'Regan	Appointed 5 October 2011
A K Whalley	
D N Williams	

There have been no changes since year end

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 steps that he ought to have taken as a director to make himself 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

The company has inserted a clause in the Articles of Association to indemnify directors, officers or FSA approved persons of the company against losses or liabilities sustained in the execution of their duties of office, subject to certain exclusions The indemnity is a qualifying third party indemnity provision under S 309A and B of the Companies (Audit, Investigating and Community Enterprise) Act 2004

Auditor

Deloitte LLP were the company's auditor during the year and 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

This report was approved by the board of directors on 24 April 2012 and signed on its behalf by

M F Brindley
Secretary

25 April 2012

Mercer Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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, 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 to the members of Mercer Limited

We have audited the financial statements of Mercer Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes 1 to 27 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 to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statement

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Mercer Limited (continued)

Matters on which we are required to report by exception

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

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

Emma Cox (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

27 April 2012

Mercer Limited

Profit and loss account
Year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
TURNOVER	1, 2	331,056	318,662
Administrative expenses		(264,695)	(255,937)
OPERATING PROFIT		66,361	62,725
Interest receivable and similar income	3	957	870
Interest payable and similar charges	4	(1,464)	(703)
Other finance income	5	11,186	10,033
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	77,040	72,925
Tax on profit on ordinary activities	8	(19,744)	(20,295)
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	19	57,296	52,630

Turnover and operating profit derive solely from continuing operations

Mercer Limited

Statement of total recognised gains and losses
Year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Profit for the financial year		57,296	52,630
Actuarial (loss)/gain in respect of pension scheme	22	(113,400)	6,200
Actuarial loss in respect of other retirement benefits	23	(5,738)	(2,920)
Deferred tax relating to actuarial gains and losses	19	31,572	(918)
Actuarial (loss)/gain on retirement benefits liability/asset net of taxation	19	(87,566)	2,362
TOTAL GAINS AND LOSSES RECOGNISED		**(30,270)**	**54,992**

Reconciliation of movements in shareholders funds
Year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Profit on ordinary activities after taxation		57,296	52,630
Distribution to shareholders	19	-	(20,091)
Actuarial (loss)/gain relating to retirement benefits	19	(87,566)	2,362
Capital contribution in respect of share based payments	19	3,497	2,912
NET CHANGE TO SHAREHOLDERS' FUNDS		**(26,773)**	**37,813**
OPENING SHAREHOLDERS' FUNDS		**301,619**	**263,806**
CLOSING SHAREHOLDERS' FUNDS		**274,846**	**301,619**

MERCER LIMITED
NOTES TO THE ACCOUNTS
At 31 December 2011

	Notes	£'000	2011 £'000	£'000	2010 £'000
FIXED ASSETS					
Intangible assets	9		885		-
Tangible assets	10		13,445		14,838
Investments	11		600		600
			14,930		15,438
CURRENT ASSETS					
Debtors	12	127,338		126,063	
Debtors due after more than one year	13	79,331		74,157	
Cash at bank and in hand		280,596		226,202	
			487,265		426,422
CREDITORS: amounts falling due within one year	15		(62,909)		(56,469)
NET CURRENT ASSETS			424,356		369,953
TOTAL ASSETS LESS CURRENT LIABILITIES			439,286		385,391
CREDITORS: amounts falling due after more than one year	16		(19,000)		(19,000)
PROVISIONS FOR LIABILITIES	17		(96,464)		(82,087)
NET ASSETS EXCLUDING RETIREMENT BENEFITS ASSETS AND LIABILITIES			323,822		284,304
Pension (liability)/asset	22		(34,275)		27,083
Other retirement benefits liability	23		(14,701)		(9,768)
NET ASSETS INCLUDING RETIREMENT BENEFITS ASSETS AND LIABILITIES			274,846		301,619
CAPITAL AND RESERVES					
Called up share capital	18		224,400		224,400
Other reserves	19		19,237		15,740
Profit and loss account	19		31,209		61,479
TOTAL SHAREHOLDERS' FUNDS			274,846		301,619

These financial statements of Mercer Limited, registered number 984275, were approved by the Board of Directors on 25 April 2012

D N WILLIAMS Director

A K Whalley

A K WHALLEY Director

Mercer Limited

Notes to the accounts
Year ended 31 December 2011

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards The accounting policies adopted by the directors, and summarised below, have been applied consistently in both the current and prior year

Basis of accounting

The accounts are prepared under the historical cost convention

Basis of preparation

The company is a wholly owned subsidiary of Marsh & McLennan Companies, Inc , its ultimate parent undertaking, incorporated in the State of Delaware, USA The company is exempt under section 401 of the Companies Act 2006 from preparing group financial statements for the company and its subsidiaries, section 401 covers exemptions for companies including non-EEA group accounts The largest and smallest group into which the company's results are consolidated is that headed by Marsh & McLennan Companies, Inc Accordingly these financial statements present information about this company as an individual undertaking and not as a group and the company is not obliged to produce a cash flow statement

The company has also taken advantage of the exemption available under FRS8 "Related Party Disclosures" not to disclose transactions between entities where 90% or more of those voting rights are controlled within the group

The company's financial and liquidity position are described in the Directors' report Accordingly, the accounts have been prepared on the going concern basis

Turnover

Turnover comprises the total of fees and commissions earned in the financial year These are considered to represent one class of business by the directors Fee income is recognised from the supply of services and represents the value of services provided under contracts to the extent there is a right to consideration due Fee income is recognised in the profit and loss account on the basis of either chargeable hours or evenly over the duration of the contract for straight line fixed fee clients Any uninvoiced amounts are shown as unbilled debtors, net of any provisions for amounts considered to be unbillable Commission is recognised on a cash receipts basis

Intangible fixed assets

Goodwill arising on acquisition of a business is capitalised and amortised over the business' estimated useful economic life

The Healthcare business previously carried on by Marsh UK Limited is fully amortised

The Consulting business previously carried on by Organization Resources Counselors Limited is being amortised over a ten year period

Tangible fixed assets

Tangible fixed assets are shown at original historical cost less accumulated depreciation and any provision for impairment Freehold land is not depreciated Depreciation is provided on a straight-line basis over their estimated useful lives, as follows

Freehold buildings	40 years
Leasehold improvements	over the remaining life of the lease, limited to a period not exceeding 10 years
Furniture and equipment	3 to 10 years
IT equipment	3 to 5 years

Mercer Limited

Notes to the accounts
Year ended 31 December 2011

1. **ACCOUNTING POLICIES (continued)**

Fixed asset investments

Investments are shown at cost less any provision for impairment Income is included in the accounts of the year in which it is receivable

Leasing commitments

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

Taxation

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

Deferred 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

Pension costs

The company operates a funded defined benefits pension scheme for the majority of its employees and a defined contribution scheme for employees who are not eligible or choose not to join the defined benefit scheme

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

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

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

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

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

Notes to the accounts
Year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

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

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

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

Foreign exchange

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

Investors' compensation scheme levies

Levies made by the regulator under the Financial Services Act are recognised in the profit and loss account as notified

Share-based payment

The company has applied the requirements of Financial Reporting Standard 20 *Share-based payment* ("FRS 20") In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006

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

Share-based payments are measured at the fair value at grant, expensed over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market based vesting conditions

Fair value is measured using the Black-Scholes pricing model (no 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 the fair value at grant, 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

Cash flow statement

The company has taken advantage of the exemption granted by paragraph 5(a) of Financial Reporting Standard 1 (Revised 1996), not to prepare a cash flow statement

2. SEGMENTAL ANALYSIS

The company operates one class of business, being the provision of actuarial advice and related services, and operates solely within the United Kingdom

Mercer Limited

Notes to the accounts
Year ended 31 December 2011

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 £'000	2010 £'000
Other interest receivable	957	870
	957	870

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £'000	2010 £'000
Interest payable on subordinated loans (note 16)	205	171
Unwinding of discount on provisions	1,259	532
	1,464	703

5. OTHER FINANCE INCOME

	2011 £'000	2010 £'000
Net finance income relating to pension scheme	11,900	10,600
Net finance charges relating to post retirement medical benefits (note 23)	(714)	(567)
Net finance income relating to retirement benefits	11,186	10,033

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets		
Owned	4,277	4,830
Amortisation of intangible fixed assets	94	150
Loss on disposal of fixed assets	5	-
Rentals under operating leases		
Land and Buildings	5,644	5,158
Other operating leases	448	618
Sublet rental income	(653)	(560)
Auditor's remuneration - audit fees	320	321
- other services for taxation	6	7
Increase in onerous lease provision (note 17)	6,810	3,185
Increase in dilapidation provision (note 17)	1,549	2,225
Increase in restructuring costs	2,828	1,054

Notes to the accounts
Year ended 31 December 2011

7. STAFF COSTS

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

Employee costs during the year amounted to:	**2011 £'000**	**2010 £'000**
Wages and salaries	154,464	148,153
Social security costs	16,652	14,797
Other pension costs	24,342	22,781
	195,458	185,731

The above does not include employee related restructuring costs (see note 6)

The company incurred costs of £186,000 (2010 - £137,000) paid to certain former employees relating to post retirement medical benefits (see note 23) included above

The average monthly number of persons employed by the company during the year was as follows:	**2011 Number**	**2010 Number**
Consulting	1,825	1,953
Non-consulting	780	782
	2,605	2,735

Directors' remuneration was paid in respect of directors of the company as follows:	**£'000**	**£'000**
Emoluments	723	642
Amounts receivable (other than shares and share options) under long-term incentive schemes	32	37

	Number	**Number**
The number of directors accruing benefits under defined benefit pension schemes was		3

The directors' remuneration shown above (excluding pensions and pension contributions) included:	**£'000**	**£'000**
Highest paid director	387	375

At 31 December 2011 the amount of the highest paid director's accrued annual pension was £26,782 (2010 - £21,903)

Money and net value of other assets (other than shares and share options) paid to or receivable by the highest paid director under long-term incentive schemes was £32,118 (2010 - £37,157)

Notes to the accounts
Year ended 31 December 2011

7. STAFF COSTS (continued)

Certain directors of the company are also directors of other companies within the Marsh & McLennan Companies group and their emoluments are paid in respect of services to those companies Accordingly, their emoluments have been excluded from the above amounts, but are disclosed in the accounts of the relevant companies within the group

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge for the year

	2011 £'000	£'000	2010 £'000	£'000
Current tax				
UK corporation tax on profit for the year	8,792		8,538	
Adjustment in respect of prior years	(140)		(434)	
Total current tax charge		8,652		8,104
Deferred tax				
Timing differences, origination and reversal	11,419		11,472	
Impact of change in tax rate	1,642		171	
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	(1,969)		548	
Total deferred tax charge		11,092		12,191
Tax charge on profit on ordinary activities		19,744		20,295

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting current tax charge for the year

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK 2011 26 5% (2010 28%)

The differences are explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	77,040	72,92
UK corporation tax at 26 5% (2010 – 28%)	20,416	20,419
Effects of		
Expenses not deductible for tax purposes	(238)	(46
Goodwill	14	4
UK to UK transfer pricing adjustment	18	1
Timing differences, origination and reversal	(110)	87
Capital allowances	995	(25
Adjustment in respect of prior years	(140)	(43
Movement in pensions and post retirement benefits	(12,303)	(12,08
	8,652	8,10

The adjustment in respect of prior year relates to group relief for nil consideration with a fellow group company, revised expenses not deductible for tax purposes and the impact of an adjustment to capital allowances claims and short-term timing differences

The government reduced the main rate of Corporation tax in the 2011 Finance Act from 28% to 26% from April 2011, and to 25% from April 2012 The rate of corporation tax for the accounting period 1 January 2011 to 31 December 2011 is 26 5% The government announced in the 2012 Finance Bill presented in March 2012 that there are to be further reductions in the corporation tax rate, 24% with effect from April 2012, and 23% from April 2013 As this legislation was not substantially enacted by 31 December 2011, the impact of these further anticipated rate changes has not been reflected in the tax provisions in these Accounts

Mercer Limited

Notes to the accounts
Year ended 31 December 2011

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 January 2011	750
Acquired from subsidiary (note 25)	979
At 31 December 2011	1,729
Amortisation	
At 1 January 2011	750
Charge for the year	94
At 31 December 2011	844
Net book value	
At 31 December 2011	885
At 31 December 2010	-

Intangible fixed assets relate to the Healthcare business transferred from Marsh UK Limited and the consulting business previously carried on by Organization Resources Counselors Limited

10. TANGIBLE FIXED ASSETS

The movements in the year were as follows	Land and buildings £'000	Leasehold improvements £'000	Furniture and equipment £'000	IT equipment and software £'000	Assets under construction £'000	Total £'000
Cost						
At 1 January 2011	8,596	6,907	3,516	15,387	1,537	35,943
Additions	-	56	-	1,332	1,501	2,889
Disposals	-	(2,695)	(1,638)	(2,304)	-	(6,637)
Reclassification	-	-	-	2,015	(2,015)	-
At 31 December 2011	8,596	4,268	1,878	16,430	1,023	32,195
Depreciation						
At 1 January 2011	2,513	5,913	3,121	9,558	-	21,105
Charge for year	165	580	164	3,368	-	4,277
Disposals	-	(2,694)	(1,634)	(2,304)	-	(6,632)
At 31 December 2011	2,678	3,799	1,651	10,622	-	18,750
Net book value						
At 31 December 2011	5,918	469	227	5,808	1,023	13,445
At 31 December 2010	6,083	994	395	5,829	1,537	14,838

Included in land and buildings is land held at cost of £2,013,000 (2010 - £2,013,000) which is not subject to depreciation

Notes to the accounts
Year ended 31 December 2011

11. FIXED ASSET INVESTMENTS

Investment in subsidiary undertakings

	2011 £'000	2010 £'000
Cost and net book value		
At 1 January and at 31 December	600	600

Subsidiary undertakings

The company's principal subsidiary undertakings as at 31 December 2011, all of which represent 100% ownership of ordinary shares, were

Principal subsidiary undertakings	Country of registration or incorporation	Country of operation	Principal activity
Mercer Trustees Limited	England and Wales	United Kingdom	Trustee Company (Dormant)
Pension Trustees Limited	England and Wales	United Kingdom	Trustee Company (Dormant)
PFT Limited	England and Wales	United Kingdom	Trustee of funds held for pension scheme administration (Dormant)
Sedgwick Noble Lowndes Group Limited	England and Wales	United Kingdom	Holding company for other subsidiary undertakings
English Pension Trustees Limited	England and Wales	United Kingdom	Trustee Company (Dormant)
Sedgwick Trustees Limited	England and Wales	United Kingdom	Trustee Company (Dormant)
Settlement Trustees Limited	England and Wales	United Kingdom	Trustee Company (Dormant)
Organization Resources Counselors Limited	England and Wales	United Kingdom	Dormant Company

12. DEBTORS

	2011 £'000	2010 £'000
Billed debtors	53,466	58,677
Unbilled debtors	34,029	27,410
Amounts owed by group companies		
Subsidiary undertakings	4,248	4,614
Parent and fellow subsidiary undertakings	20,120	18,529
Amounts due from other group companies in respect of taxation	2,477	4,179
Deferred taxation	3,170	-
Other debtors	2,404	4,348
Other prepayments and accrued income	7,424	8,306
	127,338	126,063

Included within amounts owed by parent and fellow subsidiary undertakings is £4,009,000 (2010 - £2,002,000) in respect of professional indemnity insurance claims

Notes to the accounts
Year ended 31 December 2011

13. DEBTORS DUE AFTER MORE THAN ONE YEAR

	Notes	2011 £'000	2010 £'000
Deferred taxation		6,818	12,238
Professional indemnity insurance claims	17	70,827	58,779
Other prepayments and accrued income		1,686	3,140
		79,331	74,157

Amounts receivable in respect of professional indemnity insurance claims are receivable from other group undertakings

14. DEFERRED TAXATION

The movement in deferred taxation represents the charge for the year Analysis of the deferred tax asset is as follows

	2011 £'000	2010 £'000
Movements on the deferred taxation account were as follows:		
At 1 January	12,238	19,966
Charged to profit and loss account in current year	(11,419)	(11,472)
Prior year adjustment	1,969	(548)
Impact of change in tax rate	(1,642)	(171)
Deferred tax on spread pension contributions		-
Movement in net pension and post-retirement liability	8,841	7,282
Share-based payments recognised directly in equity	-	(2,819)
At 31 December	9,987	12,238

Analysis of deferred tax balance:

	2011 £'000	2010 £'000
Accelerated capital allowances	3,983	3,300
Short-term timing differences	1,801	90
Deferred tax on pension contributions	4,203	8,848
	9,987	12,238

Deferred timing differences have been provided at tax rates enacted at the balance sheet date which are expected to apply when the timing differences reverse At the balance sheet date, the enacted tax rates were 26% from April 2011 and 25% from April 2012

Notes to the accounts
Year ended 31 December 2011

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Trade creditors	875	303
Amounts owed to group companies		
Parent and fellow subsidiary undertakings	10,319	6,664
Subsidiary undertakings	640	560
Amounts due to other group undertakings in respect of taxation	1,159	496
Other creditors		
VAT payable	10,409	9,910
Social security and PAYE	7,828	7,146
Accruals and deferred income	31,679	31,390
	62,909	56,469

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

	2011 £'000	2010 £'000
Subordinated loans	19,000	19,000

As part of the acquisition of the business of Sedgwick Noble Lowndes Limited, on 16 July 1999, the company assumed the rights and obligations relating to a subordinated loan advanced to Sedgwick Noble Lowndes Limited, by its immediate holding company on 20 January 1999 in the amount of £19,000,000 This loan attracts interest at LIBOR plus 0 25% per annum, payable half-yearly, and is repayable two years from the date on which notice of repayment is given

17. PROVISIONS FOR LIABILITIES

Provisions for liabilities and charges and the movements thereon during the year are as follows

	At 1 January 2011 £'000	Increase in provision £'000	Reductions in provision £'000	Unwinding of discount £'000	Utilisation £000	At 31 December 2011 £'000
Onerous lease commitments	18,238	5,574	(23)	1,259	(5,988)	19,060
Professional indemnity claims	61,140	32,612	(11,878)	-	(8,603)	73,271
Dilapidations	2,225	1,791	(242)	-	(270)	3,504
Restructuring costs	484	915	(12)	-	(758)	629
	82,087	40,892	(12,155)	1,259	(15,619)	96,464

Notes to the accounts
Year ended 31 December 2011

17. PROVISIONS FOR LIABILITIES (continued)

The provision for onerous lease commitments represents rental and other commitments on leased properties less anticipated sublet rental income The company is subject to a contractual fixed rent increase for one property until 2020 when rent will move to an open market rate Given the current economic climate and depressed rental income market, sub-let rental income is unlikely to increase in line with the contractual obligations of the company and this has been reflected in the provision The provisions for one other property was increased as, since no sub-let tenant had yet been found, the assumptions regarding sub-let rental income were revised

The company is subject to a number of professional indemnity claims in the ordinary course of business Such claims and lawsuits consist principally of alleged errors and omissions (known as E&O's) in connection with the performance of professional services The company utilises internal actuarial and other estimates, and case level reviews by inside and outside counsel, to establish the potential liability Such liabilities are recorded or provided as appropriate when a reliable estimate can be made of any obligation

The company participates in an insurance programme which ensures that, as far as possible, liabilities which may arise from such litigation and claims will be met in full However, in respect of claims that may be settled in respect of the 2001 and 2002 policy years, it is uncertain that these will be recoverable and therefore these claims have been provided for in full without a corresponding insurance receivable Accordingly, insurance recoveries (representing receivables from other group companies) of £70,827,000 (2010 - £58,779,000) have been recognised within debtors due after more than one year (see note 13)

The provision for dilapidations represents the cost that the company has estimated that it is likely to incur on vacating its leased properties where there is a contractual obligation to remove leasehold improvements on expiration of the lease

The provision for restructuring costs represents an obligation to pay redundancy costs following a realignment of resources to client demands in certain business lines

18. CALLED UP SHARE CAPITAL

	2011		2010	
	Number	**£'000**	**Number**	**£'000**
Issued shares of £1 each	224,400,000	224,400	224,400,000	224,400

Notes to the accounts
Year ended 31 December 2011

19. MOVEMENT ON RESERVES

	Notes	Share capital £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
As at 1 January 2011		224,400	15,740	61,479	301,619
Actuarial loss in respect of pension scheme	22	-	-	(113,400)	(113,400)
Actuarial loss in respect of post retirement medical benefits	23	-	-	(5,738)	(5,738)
Deferred tax relating to actuarial gains and losses		-	-	31,572	32,572
Actuarial loss on pensions liability net of taxation		-	-	(87,566)	(87,566)
Capital contributions in respect of share-based payments		-	3,497	-	3,497
Profit for the financial year		-	-	57,296	57,296
Net addition/(reduction) to shareholders' funds		-	3,497	(30,270)	(26,773)
As at 31 December 2011		224,400	19,237	31,209	274,846

	Share capital £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
As at 1 January 2010	224,400	12,828	26,578	263,806
Actuarial gain in respect of pension scheme	-	-	6,200	6,200
Actuarial loss in respect of post retirement medical benefits	-	-	(2,920)	(2,920)
Deferred tax relating to actuarial gains and losses	-	-	(918)	(918)
Actuarial gain on pensions liability net of taxation	-	-	2,362	2,362
Capital contributions in respect of share based payments	-	2,912	-	2,912
Profit for the financial year	-	-	52,630	52,630
Distributions to shareholders	-	-	(20,091)	(20,091)
Net addition to shareholders' funds	-	2,912	34,901	37,813
As at 31 December 2010	224,400	15,740	61,479	301,619

Notes to the accounts
Year ended 31 December 2011

20. GUARANTEES, CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Operating lease commitments

As at 31 December 2011, the company was committed to making the following payments during the next year in respect of operating leases

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	411	54	328	249
Within two to five years	3,734	410	4,618	341
After five years	8,306	-	8,378	-
	12,451	464	13,324	590

The company has a commitment to pay a lease on a property into which the company had intended to move, but which the company did not occupy The company has an obligation to pay rentals on the lease, which expires in 2028, and against which the company receives sublet rental income Expected future net costs associated with the property have been provided for within the onerous lease provision (see note 17) During the next year the company is committed to paying £1,757,600, net of sub-let income, in respect of this lease

Contingent liabilities

The company has contingent liabilities in the form of security provided in respect of the following property lease

(a) fellow subsidiary undertaking in respect of a lease with less than three years remaining with a current annual rental of £825,000

The company participates in cash pooling arrangements with Citibank N A Each member of the pool guarantees against all losses incurred as a result of the failure of any other pool member The maximum liability of the company is the total amount of its pooled funds at any point in time The other members of the pooling arrangements are companies owned by Marsh & McLennan Companies, Inc

21. PENSION TRANSFERS AND OPT-OUT BUSINESS

Sedgwick Noble Lowndes Limited and Sedgwick Financial Services Limited

On 16 July 1999 and 17 October 2000 Mercer Limited indemnified Sedgwick Noble Lowndes Limited and Sedgwick Financial Services Limited respectively against any costs, expenses and liabilities (including any fines) incurred and to be incurred in respect of the management, administration and/or settlement of mis-selling claims and mis-selling liabilities to the extent that they exceed the provision (net of estimated insurance recoveries) of £83,200,000 and £14,600,000 recorded in the books of Sedgwick Noble Lowndes Limited and Sedgwick Financial Services Limited respectively at the date the indemnities were given Amounts of £nil became payable under the indemnities in 2011 (2010 - £nil) No further amounts are expected to become payable in the future

Notes to the accounts
Year ended 31 December 2011

22. PENSION SCHEME

The group operates a defined benefit scheme in the UK An actuarial valuation was carried out at 31 December 2010 and updated to 31 December 2011 by a qualified actuary (who is employed within the Marsh & McLennan Companies group) The service cost and liability have been calculated using the Projected Unit Method

	2011 £m	2010 £m
Components of pension cost		
Current service cost	23 6	22 0
Interest cost	47 7	45 7
Expected return on plan assets	(59 6)	(56 3)
Total pension cost recognised in the profit and loss account	11 7	11 4
Actuarial losses/(gains) immediately recognised	113 4	(6 2)
Total pension cost recognised in the statement of total recognised gains and losses	113 4	(6 2)
Cumulative amount of actuarial losses immediately recognised	322 1	208 7
Amounts recognised in the balance sheet		
Fair value of plan assets	963 4	920 7
Present value of funded obligations	(1,002 2)	(875 9)
	(38 8)	44 8
Present value of unfunded obligations	(6 9)	(7 7)
	(45 7)	37 1
Related deferred tax asset/(liability)	11 4	(10 0)
Net amount recognised	(34 3)	27 1
Change in benefit obligation		
Benefit obligation at 1 January	883 6	803 4
Current service cost	23 6	22 0
Interest cost	47 7	45 7
Plan participants' contributions	0 5	0 7
Actuarial losses	78 7	36 5
Benefits paid	(25 0)	(24 7)
Benefit obligation at 31 December	1,009 1	883 6

Mercer Limited

Notes to the accounts
Year ended 31 December 2011

22. PENSION SCHEME (continued)

	2011 £m	2010 £m
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	1,002 2	875 9
Plans that are wholly unfunded	6 9	7 7
Total	1,009 1	883 6
Change in plan assets		
Fair value of plan assets at 1 January	920 7	807 1
Expected return on plan assets	59 6	56 3
Actuarial (losses)/gains	(34 7)	42 7
Employer contributions	42 3	38 6
Member contributions	0 5	0 7
Benefits paid	(25 0)	(24 7)
Fair value of plan assets at 31 December	963 4	920 7
Funded status	(34 3)	27 1
Net amount recognised	(34 3)	27 1

Fund assets

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

	2011	2010
Equities	50 9%	59 4%
Government Bonds	22 0%	14 5%
Corporate Bonds	20 0%	18 9%
Property	5 6%	4 9%
Insured	0 2%	
Cash	1 3%	2 1%
	100 0%	100 0%

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 6 40% assumption for the 2011 expense and 5 4% for the 2012 expense

Mercer Limited

Notes to the accounts
Year ended 31 December 2011

22. PENSION SCHEME (continued)

	2011 £m	2010 £m
Actual return on plan assets	24 9	99 0

Weighted average assumptions used to determine benefit obligations at:	2011	2010
Discount rate	4 75%	5 40%
Rate of compensation increase	4 00%	4 40%
Rate of pension increases in deferment (5% LPI)	2 20%	2 90%

Weighted average assumptions used to determine net pension cost for year ended:	2011	2010
Discount rate	5 40%	5 70%
Expected long-term return on plan assets	6 40%	6 90%
Rate of compensation increase	4 40%	4 50%
Rate of pension increases in deferment (5% LPI)	2 90%	3 50%
Rate of pension increases in payment (2 5% LPI)	2 25%	2 25%

	2011		2010	
Weighted average life expectancy for mortality tables used to determine benefit obligations at:	Male	Female	Male	Female
Member age 65 (current life expectancy)	22 9	24 6	22 8	24 5
Member age 45 (life expectancy at age 65)	24 2	26 2	24 2	26 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 2 7% 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 account

22. PENSION SCHEME (continued)

Five year history	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of plan assets at end of year	963 4	920 7	807 1	635 5	717 2
Benefit obligation at end of year	(1,009 1)	(883 6)	(803 4)	(637 6)	(671 6)
	(45 7)	37 1	3 7	(2 1)	45 6
Related deferred tax asset/(liability)	11 4	(10 0)	(1 0)	0 6	(12 8)
(Deficit)/surplus	(34 3)	27 1	2 7	(1 5)	32 8

	2011	2010	2009	2008	2007
Difference between expected and actual return on scheme assets					
Amount (£m)	(34 7)	42 7	46 0	(152 1)	6 3
Percentage of scheme assets	(4)%	5%	6%	(24)%	1%
Experience gains and losses on scheme liabilities					
Amount (£m)	(7 5)	4 5	0 9	8 9	2 4
Percentage of scheme liabilities	(1)%	1%	0%	1%	0%

Contributions

During 2011 the employer made regular contributions of 14 4% of pensionable salary plus shortfall correction contributions of £5 4m in respect of members of the Mercer section and 16 7% of pensionable salary plus shortfall correction contributions of £16 8m in respect of members of the Sedgwick section

The company expects to pay contributions of £43 7m during 2012

Defined contribution scheme

The group also operates a defined contribution scheme for employees who are not eligible or choose not join the defined benefit scheme Contributions to this section, which are charged to the profit and loss account as incurred, amounted to £742,000 (2010 - £781,000)

23. POST RETIREMENT MEDICAL BENEFITS

The company operates an unfunded non-contributory scheme for medical benefits As part of this scheme, defined medical benefits are provided to retired UK members who started their services with the company on or prior to 1 December 1988 and completed five years of service with the company at retirement The costs of private medical care are subsidised for these pensioners One group of pensioners receive a fixed subsidy of £250 regardless of marital status while the remainder and current eligible employees are entitled to fully insured benefits in retirement for themselves, their spouses and eligible dependents On a pensioner's death the benefit ceases for the widow or widower at the end of the scheme year in which death occurs Currently, 272 pensioners receive these benefits and 118 employees are entitled to receive them should they reach retirement with the company

A full actuarial valuation of the accrued liability and annual charge in respect of post retirement medical benefits was carried out as at 31 December 2011 by a qualified actuary (who is employed within the Marsh & McLennan Companies group) The method used was the projected unit method The major assumptions used for the actuarial valuation were (in nominal terms)

Assumptions	**31 December 2011**	**31 December 2010**	**31 December 2009**	**31 December 2008**	**31 December 2007**
Gross interest rate	4 7%	5 7%	5 7%	6 4%	5 8%
Medical cost trend rate for one year	5 2%	6 0%	4 5%	7 0%	6 5%
Medical cost trend rate after one year	5 2%	6 0%	4 5%	6 0%	5 5%

The following amounts have been recognised in the performance statements in the year to 31 December 2011 in respect of post retirement medical benefits under the requirements of FRS 17

	2011 £'000	**2010 £'000**
Analysis of amounts charged to operating profit		
Current service cost	186	137
Total included within operating profit	186	137
Analysis of amount charged to other finance costs		
Interest on scheme liabilities	714	567
Net finance cost	714	567
Analysis of the actuarial loss in the statement of total recognised gains and losses		
Experience gains and losses arising on scheme liabilities	348	(31)
Effects of changes in assumptions underlying the present value of scheme liabilities	(6,086)	(2,889)
Actuarial loss	(5,738)	(2,920)

Notes to the accounts
Year ended 31 December 2011

23. POST RETIREMENT MEDICAL BENEFITS (continued)

Movement in scheme liability during the year

	2011 £'000	2010 £'000
Liability in the scheme at 1 January	13,381	10,114
Current service cost	186	137
Payments	(418)	(357)
Interest on scheme liabilities	714	567
Actuarial loss	5,738	2,920
Liability in the scheme at 31 December	19,601	13,381
Related deferred tax asset	(4,900)	(3,613)
Net liability in the scheme at 31 December	14,701	9,768

History of experience gains and losses	2011	2010	2009	2008	2007
Experience gains/(losses) on scheme liabilities					
Amount (£'000)	348	(31)	1,340	(148)	63
Percentage of the present value of the scheme liabilities	2%	0%	13%	(1)%	0%
Total actuarial (loss)/gain recognised in statement of total recognised gains and losses					
Amount (£'000)	(5,738)	(2,920)	2,672	1,975	(2,122)
Percentage of the present value of the scheme liabilities	(29)%	(22)%	26%	16%	(16)%

24. SHARE-BASED PAYMENTS

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

Prior to 1 January 2006, Share Awards were classified as liabilities and measured at their respective grant date fair values Prepaid compensation cost was recognised for the unearned portion of such awards Upon implementation of FRS 20, such awards were adjusted to the respective accrued grant date fair values, with a liability to Marsh & McLennan Companies, Inc The effect of forfeitures was recognised when they occurred and dividend equivalents were expensed in the period incurred

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

24. SHARE-BASED PAYMENTS (continued)

Share Purchase Plan costs were accrued in the year of grant

From 1 January 2006, the company has applied the requirements of Financial Reporting Standard 20 *Share-based payment* ("FRS 20") In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006

As no benefit is granted by the company under the Share Incentive Plan, this plan does not fall under the scope of FRS 20

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 Marsh & McLennan Companies, Inc 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 Marsh & McLennan Companies, Inc 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 Marsh & McLennan Companies, Inc '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

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 United States dollars

	2011	2010	2009	2008	2007
Weighted average share price	$30 60	$22 71	-	-	-
Weighted average exercise price	$30 60	$22 71	-	-	-
Expected volatility	25 4%	27 6%	-	-	-
Expected life	6 75 years	6 75 years	-	-	-
Risk-free rate	2 9%	3 15%	-	-	-
Expected dividends	2 75%	3 52%	-	-	-

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

24. SHARE-BASED PAYMENTS (continued)

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, average volatility for the ten year periods ended on 15 anniversaries prior to the valuation date, using daily closing price observations This is consistent with the methodology adopted by the Marsh & McLennan Companies group

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

Options granted with a market-based triggering event

The estimated fair value of options granted with a market-based triggering event was 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

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

	2011		2010	
	Number of share options	Weighted average exercise price (US$)	Number of share options	Weighted average exercise price (US$)
Outstanding at beginning of period	1,196,872	29 46	1,920,677	36 40
Granted during the period	21,552	30 60	51,547	22 71
Forfeited/expired during the period	(86,522)	32 83	(775,352)	38 18
Cancelled or exchanged during the period	-	-	-	-
Exercised during the period	(181,625)	27 86	-	-
Outstanding at the end of the period	950,277	29 48	1,196,872	29 46
Exercisable at the end of the period	196,787	28 03	398,166	28 84

The options outstanding at 31 December 2011 had a weighted average exercise price of $29 48 (2010 - $29 46), and a weighted average remaining contractual life of 3 52 years (2010 – 3 63 years) The number of options granted in 2011 was 21,552 (2010 - 51,547)

The company recognised total expenses of £69,000 and £132,000 in relation to all non-qualified stock options in 2011 and 2010 respectively

Share Awards

Share Awards - restricted stock units, performance based restricted stock units, deferred stock units and stock bonus units of Marsh & McLennan Companies, Inc 's common stock - may be awarded under Marsh & McLennan Companies, Inc '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

24. SHARE-BASED PAYMENTS (continued)

	2011		2010	
	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	573,410	21 75	660,464	22 61
Granted during the period	172,652	30 45	282,858	22 75
Forfeited during the period	(18,203)	22 22	(131,285)	24 73
Vested during period	(332,356)	22 08	(238,627)	23 65
Outstanding at the end of the period	395,503	25 26	573,410	21 75

The company recognised total expenses of £3,198,000 and £2,967,000 in relation to stock awards in 2011 and 2010 respectively

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 valued using the Black-Scholes method, as stated above for stock options The expected life is valued at three or five years based on the terms of the plan The cost is recognised over the appropriate vesting period

Under this scheme £211,933 was expensed during 2011 (2010 - £282,036) in relation to three and five year schemes commencing during the years 2005 to 2011

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 Marsh & McLennan Companies, Inc common stock at 95% of market value This discount applied from October 2005 Previous to this, employees purchased stock at 85% of market value Under this scheme, employees purchased 19,322 ordinary shares in 2011 (2010 - 25,398), at a weighted average share price of £17 37 (2010 - £14 48) The discount of £17,650 (2010 - £19,243) is recognised in full when the shares are purchased

25. ACQUISITION OF SUBSIDIARY TRADE AND ASSETS

On 31 January 2011 the Company acquired the trade, assets and liabilities of Organisation Resource Counselors Limited a 100% held subsidiary

The net assets transferred and the consideration received, is summarised as follows

	Book value £'000
Fixed assets	
Intangible	979
Current assets	
Billed debtors	1,137
Corporation tax	43
Cash	1,967
Total assets	4,126
Creditors	
Trade creditors	110
Amounts owed to group companies	400
Accruals	33
Vat	94
Other creditors	48
Deferred revenue	305
Provisions	
Onerous lease	362
Total liabilities	1,352
Net Assets	2,774
Goodwill	-
Satisfied by inter company settlement	2,774

Mercer Limited

Notes to the accounts
Year ended 31 December 2011

26. ULTIMATE PARENT UNDERTAKING

The company's immediate parent company is MMC UK Group Limited, registered in England and Wales The ultimate parent company and controlling entity is Marsh & McLennan Companies, Inc , incorporated in the State of Delaware, USA The largest and smallest group in which the financial statements of Mercer Limited are consolidated is that headed by Marsh & McLennan Companies, Inc

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

27. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by paragraph 3(c) of FRS 8, Related Party Disclosures, not to disclose transactions with Marsh & McLennan Companies, Inc , or investees of the group qualifying as related parties