

**MERCER HUMAN RESOURCE  
CONSULTING LIMITED**

**Report and Financial Statements**

**31 December 2005**



**REPORT AND FINANCIAL STATEMENTS 2005**

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**REPORT AND FINANCIAL STATEMENTS 2005**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D C Davis  
A Gregory  
A J Kirton  
C D Nelson  
F T Oldham  
W Rayner  
W S O'Regan (Chairman)  
S J Pearse  
A Sethi  
J H Standen  
M J Tyler

**SECRETARY**

A Sethi

**REGISTERED OFFICE**

Tower Place West  
1 Tower Place  
London  
EC3R 5BU

**BANKERS**

The Royal Bank of Scotland plc  
ABN Amro

**SOLICITORS**

Slaughter & May

**AUDITORS**

Deloitte & Touche LLP  
London

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

### **PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS**

The principal activities of the company are to provide actuarial, human resource, financial, and management consultancy advice together with related services.

Group results are not presented for the year ended 2005 as the UK parent company, Marsh & McLennan Companies UK Limited, will show consolidated results for the UK group. Accordingly these financial statements reflect the financial position and results for the company alone.

The company continued to enjoy good levels of activity and future prospects remain encouraging.

The company is regulated by the Financial Services Authority (FSA).

### **RESULTS AND DIVIDENDS**

The company reported a profit for the financial year after taxation of £11,053,000 (2004 - £19,194,000). There were no interim dividends declared or paid on the ordinary shares (2004 - £3,649,000). The directors do not recommend the payment of a final dividend (2004 - £nil). No dividends were received from subsidiary companies (2004 - £nil).

### **SHARE CAPITAL**

On 2 June 2005 50,000,000 Ordinary shares of £1 were issued and fully paid at par.

### **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 the nature of the debtor balances owed, with these due from other group companies who are able to repay these if required.

### **INVESTOR IN PEOPLE**

Mercer Human Resource Consulting Limited 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 12 November 2003.

### **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.

### **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 £41,320 (2004 - £83,186).

## DIRECTORS' REPORT (continued)

### DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 December 2005, all of whom were directors throughout the year except as noted below, were:

R W Carr	Resigned 1 October 2005
D C Davis	
A Gregory	
A M Hunter	Resigned 1 July 2005
A J Kirton	
D L McCaw	Resigned 3 June 2005
C D Nelson	
F T Oldham	Appointed 25 July 2005
W Rayner	Appointed 1 October 2005
W S O'Regan	Chairman
S J Pearse	
P M Sanchez	Resigned 27 October 2005
A Sethi	Appointed 6 January 2006
J H Standen	
M J Tyler	
J R Wetenhall	Resigned 31 July 2005

D C Davis and A Gregory resigned 31 March 2006.

None of the directors had any beneficial interests in the shares of the company or any group company incorporated within the United Kingdom at any time during the year ended 31 December 2005.

### AUDITORS

The members of the company have passed an Elective Resolution pursuant to section 386 of The Companies Act 1985, the effect of which is that the obligation to appoint auditors annually has been dispensed with. Accordingly, Deloitte & Touche LLP are deemed to continue in office as auditors of the company.

This report was approved by the board of directors on 28 April and signed on its behalf by:



A. Sethi  
Secretary

28 April 2006

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report and financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 which 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 UK GAAP and the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERCER HUMAN RESOURCE CONSULTING LIMITED**

We have audited the financial statements of Mercer Human Resource Consulting Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds, the statement of total recognised gains and losses and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERCER HUMAN RESOURCE CONSULTING LIMITED (continued)**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London

*2 May 2006*



# MERCER HUMAN RESOURCE CONSULTING LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2005

	Note	2005 £'000	2004 £'000 Restated (note 25)
<b>TURNOVER</b>	1, 2	275,131	276,602
Administrative expenses		(254,495)	(252,873)
<b>OPERATING PROFIT</b>		20,636	23,729
Interest receivable and similar income	3	6,721	3,802
Interest payable and similar charges	4	(3,203)	(2,575)
Other finance (charges)/income	5	(370)	3,286
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	23,784	28,242
Tax on profit on ordinary activities	8	(12,731)	(9,048)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		11,053	19,194
Dividends paid	9	-	(3,649)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES</b>	19	11,053	15,545

Turnover and operating profit derive solely from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December 2005**

	Note	2005 £'000	2004 £'000 Restated (note 25)
Profit for the financial year		11,053	19,194
Actuarial loss in respect of pension scheme	23	(20,500)	(105,300)
Actuarial (loss)/gain in respect of other retirement benefits	24	(498)	1,210
Deferred tax relating to actuarial losses		6,286	31,227
Actuarial loss on pensions liability net of taxation	19	(14,712)	(72,863)
<b>TOTAL GAINS AND LOSSES RELATING TO THE YEAR</b>		<b>(3,659)</b>	<b>(53,669)</b>
<b>PRIOR YEAR ADJUSTMENT</b>	25	<b>(117,559)</b>	
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT AND FINANCIAL STATEMENTS</b>		<b>(121,218)</b>	

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**Year ended 31 December 2005**

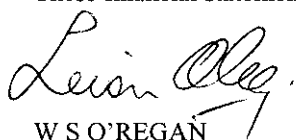
	Note	2005 £'000	2004 £'000 Restated (see note 25)
Profit on ordinary activities after taxation		11,053	19,194
Actuarial loss relating to retirement benefits	19	(14,712)	(72,863)
Dividends paid	9	-	(3,649)
Issue of shares	18	50,000	20,000
<b>NET CHANGE TO SHAREHOLDERS' FUNDS</b>		<b>46,341</b>	<b>(37,318)</b>
<b>OPENING SHAREHOLDERS' FUNDS AS PREVIOUSLY STATED</b>			<b>173,976</b>
Prior year adjustment	25		(58,266)
<b>OPENING SHAREHOLDERS' FUNDS AS RESTATED</b>		<b>78,392</b>	<b>115,710</b>
<b>CLOSING SHAREHOLDERS' FUNDS</b>		<b>124,733</b>	<b>78,392</b>

# MERCER HUMAN RESOURCE CONSULTING LIMITED

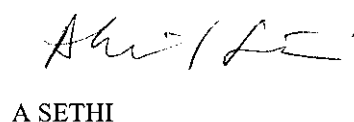
## BALANCE SHEET 31 December 2005

			2005		2004
	Note	£'000	£'000	£'000	Restated (note 25) £'000
<b>FIXED ASSETS</b>					
Tangible assets	10		25,342		33,645
Investments	11		2,179		1,099
			<u>27,521</u>		<u>34,744</u>
<b>CURRENT ASSETS</b>					
Debtors	12	250,938		152,131	
Debtors due after more than one year	13	53,913		58,914	
Cash at bank and in hand		<u>21,752</u>		<u>49,196</u>	
			326,603		260,241
<b>CREDITORS: amounts falling due within one year</b>	15		<u>(51,523)</u>		<u>(46,905)</u>
<b>NET CURRENT ASSETS</b>			<u>275,080</u>		<u>213,336</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			302,601		248,080
<b>CREDITORS: amounts falling due after more than one year</b>	16		(19,000)		(29,000)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17		<u>(68,301)</u>		<u>(53,494)</u>
<b>NET ASSETS EXCLUDING RETIREMENT BENEFITS LIABILITY</b>			215,300		165,586
Pension liability	23		(80,360)		(78,610)
Other retirement benefits liability	24		<u>(10,207)</u>		<u>(8,584)</u>
<b>NET ASSETS INCLUDING RETIREMENT BENEFITS LIABILITY</b>			<u>124,733</u>		<u>78,392</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		224,400		174,400
Other reserves	19		892		892
Profit and loss account	19,20		<u>(100,559)</u>		<u>(96,900)</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>			<u>124,733</u>		<u>78,392</u>

These financial statements were approved by the Board of Directors on 28 April 2006 and signed on its behalf by:

  
W S O'REGAN

Director

  
A SETHI

Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The accounting policies adopted by the directors, and summarised below, have been applied consistently throughout the period and the prior period, with the exception of FRS17 'Retirement Benefits', which has been implemented in the year (see note 25).

**Basis of accounting**

The accounts are prepared under the historical cost convention.

**Basis of preparation**

These financial statements reflect the financial position and results for the company alone. Consolidated financial statements are not presented as the company is a wholly owned subsidiary of another UK company, Marsh & McLennan Companies UK Limited, which itself prepares consolidated accounts.

**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 in the profit and loss account on the basis of chargeable hours and any uninviced amounts are shown as unbilled debtors, net of any provisions for amounts considered to be unbillable.

**Tangible fixed assets**

Tangible fixed assets are shown at original historical cost 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
Capitalised software development	3 to 10 years
Motor vehicles	4 years

**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**

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rentals paid under operating leases are charged on a straight line basis as incurred.

**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.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**1. ACCOUNTING POLICIES (continued)**

**Deferred taxation**

Deferred taxation is provided in full on timing differences that 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 assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

**Pension costs**

The Company adopted FRS 17 'Retirement Benefits' in full in 2005.

The Group operates a funded defined benefits pension scheme for the majority of its employees and a defined contribution scheme for employees who are less than 30 years old and who have completed less than two years' service.

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 UK Ltd 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. Following the full adoption of FRS 17, 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/(charges). This is based on the market value of the assets of the schemes at the start of the financial year.

A charge within other finance income/(charges), representing the expected increase in the liabilities of the retirement benefit schemes during the year, is included within net interest. 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.

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.

**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.

**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 HUMAN RESOURCE CONSULTING LIMITED**

## NOTES TO THE ACCOUNTS

**Year ended 31 December 2005**

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £'000	2004 £'000
Other interest receivable	6,721	3,802

#### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Interest payable under finance leases and hire purchase contracts	-	5
Interest payable on subordinated loans (note 16)	1,424	2,462
Other interest payable	1,779	108
	<u>3,203</u>	<u>2,575</u>

## 5. OTHER FINANCE (CHARGES) / INCOME

	2005 £'000	2004 £'000 Restated (note 25)
Net finance income relating to pension scheme (note 23)	100	3,800
Net finance charges relating to post retirement medical benefits (note 24)	(470)	(514)
Net finance charges relating to retirement benefits	(370)	3,286

**6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2005 £'000	2004 £'000
<b>Profit on ordinary activities before taxation is stated after charging/(crediting):</b>		
Depreciation and amounts written off tangible fixed assets		
Owned	5,837	7,803
Held under finance leases	-	141
(Gain)/loss on disposals of fixed assets	(7)	679
Impairment of software	-	2,761
Rentals under operating leases		
Land and Buildings	8,883	9,584
Other operating leases	2,314	3,434
Sublet rental income	(436)	(85)
Auditors' remuneration - audit fees	314	305
- other services	53	43
Onerous lease provision (note 17)	19,872	8,274
Restructuring costs	74	9,469

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 7. STAFF COSTS

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

	2005 £'000	2004 £'000 Restated (note 25)
<b>Employee costs during the year amounted to:</b>		
Wages and salaries	132,224	142,759
Social security costs	11,967	12,518
Other pension costs	19,440	12,385
	<u>163,631</u>	<u>167,662</u>

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

The company has also incurred costs of £244,000 costs (2004 - £285,000) paid to certain former employees relating to post retirement medical benefits (see note 24) which are not included above.

The average monthly number of persons employed by the company during the year was as follows:

	2005 Number	2004 Number
Consulting	2,025	2,133
Non-consulting	807	1,020
	<u>2,832</u>	<u>3,153</u>

Directors' remuneration was paid in respect of directors of the company as follows:

	2005 £'000	2004 £'000
Emoluments	3,748	5,087
Compensation for loss of office	124	1,202
	<u>Number</u>	<u>Number</u>

The number of directors accruing benefits under defined benefit pension schemes was:

<u>16</u>	<u>17</u>
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The directors' remuneration shown above (excluding pensions and pension contributions) included:

	2005 £'000	2004 £'000
Highest paid director	<u>484</u>	<u>673</u>

At 31 December 2005 the amount of the highest paid director's accrued annual pension was £6,631 (2004 - £130,346).

Certain directors are also remunerated by other group companies.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**Analysis of charge for the year**

	<b>2005</b>		<b>2004 Restated (note 25)</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current tax:				
UK corporation tax on profit for the year	7,257		9,001	
Adjustment in respect of prior years	118		(1,138)	
	<u>          </u>		<u>          </u>	
Total current tax charge		7,375		7,863
Deferred tax:				
Timing differences, origination and reversal	5,444		1,375	
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	(88)		(190)	
	<u>          </u>		<u>          </u>	
Total deferred tax charge		5,356		1,185
Tax charge on profit on ordinary activities		<u>12,731</u>		<u>9,048</u>

**Factors affecting current tax charge for the year**

	<b>2005 £'000</b>	<b>2004 £'000 Restated (note 25)</b>
Profit on ordinary activities before taxation	23,784	28,242
UK corporation tax at 30% (2004 – 30%)	7,135	8,473
Effects of:		
Expenses not deductible for tax purposes	5,565	1,916
Utilisation of tax losses	-	(368)
Timing differences, origination and reversal	(6,472)	(1,132)
Capital allowances	1,029	112
Adjustment in respect of prior years	118	(1,138)
	<u>7,375</u>	<u>7,863</u>

The future tax rate is expected to remain above the standard United Kingdom tax rate due to expenses not deductible for tax purposes.

**9. DIVIDENDS PAID**

	<b>2005 £'000</b>	<b>2004 £'000</b>
Interim dividends paid:		
24 May 2004 (2.37p per share)	-	3,649
	<u>-</u>	<u>3,649</u>



# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2005

### 10. TANGIBLE FIXED ASSETS

The movements in the year were as follows:	Land and buildings £'000	Leasehold improve- ments £'000	Furniture and equipment £'000	IT equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2005	8,596	31,102	17,196	29,787	50	86,731
Additions	-	1,572	18	1,070	-	2,660
Disposals	-	(16,674)	(6,795)	(368)	(50)	(23,887)
Reclassification	-	(39)	-	39	-	-
At 31 December 2005	8,596	15,961	10,419	30,528	-	65,504
Depreciation						
At 1 January 2005	1,525	17,579	12,037	21,895	50	53,086
Charge for year	165	2,237	1,367	2,068	-	5,837
Disposals	-	(11,519)	(6,645)	(547)	(50)	(18,761)
At 31 December 2005	1,690	8,297	6,759	23,416	-	40,162
Net book value						
At 31 December 2005	6,906	7,664	3,660	7,112	-	25,342
At 31 December 2004	7,071	13,523	5,159	7,892	-	33,645

Included in land and buildings is land held at cost of £2,013,000 (2004 - £2,013,000) which is not subject to depreciation.

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 11. FIXED ASSET INVESTMENTS

Investment in subsidiary undertakings	2005 £'000	2004 £'000
Cost and net book value		
At 1 January	1,099	601
Additions	1,080	498
At 31 December	2,179	1,099

During 2005 the company acquired 1,080,000 shares in Mercer Delta Consulting Ltd for a consideration of £1,080,000.

#### Subsidiary undertakings

The company's principal subsidiary undertakings as at 31 December 2005, all of which represent 100% ownership of ordinary shares, were:

Principal subsidiary undertakings	Country of registration or incorporation	Country of Operation	Principal activity
Mercer Management Consulting Limited	England and Wales	United Kingdom	Management consulting services
Mercer Trustees Limited	England and Wales	United Kingdom	Trustee Company
William M. Mercer (Isle of Man) Limited	Isle of Man	Isle of Man	Pension scheme consultancy and actuarial services
Pension Trustees Limited	England and Wales	United Kingdom	Trustee for Mercer Human Resource Consulting Limited Pension and Life Assurance Plan
PFT Limited	England and Wales	United Kingdom	Trustee of funds held for pension scheme administration
Southampton Place Trustee Company Limited	England and Wales	United Kingdom	Trustee for client pension schemes
Sedgwick Noble Lowndes Group Limited	England and Wales	United Kingdom	Holding company for other subsidiary undertakings
Mercer Delta Consulting Limited	England and Wales	United Kingdom	Organisational Consulting
Summit Management Company Limited	England and Wales	United Kingdom	Human Capital Product Solutions
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)
William M. Mercer Fraser Limited	England and Wales	United Kingdom	Dormant Company
William M. Mercer Limited	England and Wales	United Kingdom	Dormant Company

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2005

### 12. DEBTORS

	2005 £'000	2004 £'000
Billed debtors	48,851	44,578
Unbilled debtors	22,485	19,916
Amounts owed by group companies:		
Subsidiary undertakings	12,659	9,145
Parent and fellow subsidiary undertakings	158,026	65,540
Amounts due from other group companies in respect of taxation	2,168	1,727
Corporation tax	2,759	2,310
Other debtors	918	1,111
Other prepayments and accrued income	3,072	7,804
	<u>250,938</u>	<u>152,131</u>

Included within Amounts owed by parent and fellow subsidiary undertakings is £6,038,000 (2004 - £8,397,000) in respect of professional indemnity insurance claims.

### 13. DEBTORS DUE AFTER MORE THAN ONE YEAR

	Note	2005 £'000	2004 £'000 Restated (note 25)
Amount owed by fellow subsidiary		4,732	4,732
Deferred taxation	14	10,112	16,082
Pension transfer review insurance claims	22	-	649
Professional indemnity insurance claims	17	37,500	36,000
Other prepayments and accrued income		1,569	1,451
		<u>53,913</u>	<u>58,914</u>

Amounts receivable in respect of pension transfer review insurance claims and professional indemnity insurance claims are receivable from other group undertakings.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**14. DEFERRED TAXATION**

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

	2005 £'000	2004 £'000 Restated (note 25)
<b>Provided</b>		
<b>Movements on the deferred taxation account were as follows:</b>		
At 1 January	16,082	14,313
Charged to profit and loss account in current year	(5,444)	(1,375)
Prior year adjustment	88	190
Transfer to statement of total recognised gains and losses	(6,780)	(6,780)
Movement in net post-retirement liability	6,166	9,734
At 31 December	10,112	16,082

**Analysis of deferred tax balance:**

	2005 £'000	2004 £'000 Restated (note 25)
Accelerated capital allowances	2,634	1,607
Short-term timing differences	1,598	1,815
Pension and post-retirement benefit obligations	5,880	12,660
	10,112	16,082

The transfer to statement of total recognised gains and losses is the current year reversal of the tax relief for pension contributions made to cover an actuarial loss in the pension fund. Corporation tax relief for these payments is being spread over a number of years and the above £6,780,000, together with an equal and opposite movement for current tax is included in the statement of total recognised gains and losses.

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Trade creditors	186	475
Amounts owed to group companies:		
Parent and fellow subsidiary undertakings	19,388	994
Subsidiary undertakings	171	171
Amounts due to other group undertakings in respect of taxation	477	438
Other creditors:		
VAT payable	3,222	3,019
Social security and PAYE	6,142	6,176
Accruals and deferred income	21,937	35,632
	<u>51,523</u>	<u>46,905</u>

On 13 July 2001 a subordinated loan of £10,000,000 was advanced by a fellow subsidiary company. This loan attracts interest at LIBOR plus 0.25% per annum, payable annually, and is repayable on 13 July 2006.

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

	2005 £'000	2004 £'000
Amounts owed to group companies:		
Subordinated loans	19,000	29,000
	<u>19,000</u>	<u>29,000</u>

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.

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 17. PROVISIONS FOR LIABILITIES AND CHARGES

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

	At 1 January 2005 £'000 restated (note 25)	Increase in provision £'000	Reductions in provision £'000	Utilisation £000	At 31 December 2005 £'000
Onerous lease commitments	17,494	28,301	(8,429)	(6,565)	30,801
Professional indemnity claims	36,000	20,816	(10,183)	(9,133)	37,500
	<u>53,494</u>	<u>49,117</u>	<u>(18,612)</u>	<u>(15,698)</u>	<u>68,301</u>

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&Os) in connection with the performance of professional services. E&Os are also identified from internal reviews of client files. Often, when such cases arise, we have a statutory duty to disclose the relevant issues to our clients. 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 disclosed or provided as appropriate when a reliable estimate can be made of any obligation.

Under the terms of the insurance policies the company has in place the directors are virtually certain that any liabilities which may arise from such litigation and claims will be met in full by the insurance coverage in place. Accordingly, insurance recoveries of £37,500,000 (2004 - £36,000,000) have been recognised within debtors due after more than one year (see note 13).

The provision for onerous lease commitments represents rental and other commitments on leased properties less anticipated sublet rental income and is payable over ten years.

### 18. CALLED UP SHARE CAPITAL

	2005		2004	
	Number	£'000	Number	£'000
Authorised Ordinary shares of £1 each	<u>300,000,000</u>	<u>300,000</u>	<u>228,400,000</u>	<u>228,400</u>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>224,400,000</u>	<u>224,400</u>	<u>174,400,000</u>	<u>174,400</u>

On 2 June 2005, the Company increased its authorised share capital by 71.6m to 300m and 50m Ordinary shares of £1 were issued and fully paid at par.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**19. MOVEMENT ON RESERVES**

	Note	Share capital £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
As at 1 January 2005 as previously stated		174,400	892	20,659	195,951
Prior year adjustment	25	-	-	(117,559)	(117,559)
As at 1 January 2005 as restated		174,400	892	(96,900)	78,392
Actuarial loss in respect of pension scheme	23	-	-	(20,500)	(20,500)
Actuarial loss in respect of post retirement medical benefits	24	-	-	(498)	(498)
Deferred tax relating to actuarial losses		-	-	6,286	6,286
Actuarial loss on pensions liability net of taxation		-	-	(14,712)	(14,712)
Profit for the financial year		-	-	11,053	11,053
Issue of shares	18	50,000	-	-	50,000
Net addition to shareholders' funds		50,000	-	(3,659)	46,341
As at 31 December 2005		224,400	892	(100,559)	124,733

	Note	Share capital £'000	Other reserves £'000	Profit and loss reserve £'000	Total £'000
As at 1 January 2004 as previously stated		154,400	892	18,684	173,976
Prior year adjustment	25	-	-	(58,266)	(58,266)
As at 1 January 2004 as restated		154,400	892	(39,582)	115,710
Actuarial loss in respect of pension scheme	23	-	-	(105,300)	(105,300)
Actuarial gain in respect of post retirement medical benefits	24	-	-	1,210	1,210
Deferred tax relating to actuarial losses		-	-	31,227	31,227
Actuarial loss on pensions liability net of taxation		-	-	(72,863)	(72,863)
Dividends paid	9	-	-	(3,649)	(3,649)
Issue of shares	18	20,000	-	-	20,000
Profit for the financial year		-	-	19,194	19,194
Net addition to shareholders' funds		20,000	-	(57,318)	(37,318)
As at 31 December 2004		174,400	892	(96,900)	78,392

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2005

### 20. PROFIT AND LOSS RESERVE

	2005 £'000	2004 £'000 Restated (note 25)
Profit and loss reserve excluding retirement benefits liability	(9,992)	(9,706)
Pension liability	(80,360)	(78,610)
Other retirement benefits liability	(10,207)	(8,584)
Profit and loss reserve	<u>(100,559)</u>	<u>(96,900)</u>

### 21. GUARANTEES, CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

#### Capital commitments

	2005 £'000	2004 £'000
Capital commitments contracted for but not provided	-	212

#### Operating lease commitments

As at 31 December 2005, the company was committed to making the following payments during the next year in respect of operating leases:

	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
<b>Leases which expire:</b>				
Within one year	131	2,307	1,229	1,025
Within two to five years	1,273	1,833	705	1,096
After five years	10,661	-	13,105	-
	<u>12,065</u>	<u>4,140</u>	<u>15,039</u>	<u>2,121</u>

In addition to the leases above, the company has a commitment to pay a lease on Tower Bridge House, a property into which the company had intended to move, but which did not become occupied by the company. The company has an obligation to pay rentals on the lease, which expires in 2028, and against which the company expects to receive sublet rental income from 2007 onwards, following a rent free period. 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 £6,235,600 in respect of this lease.

#### Contingent liabilities

The company has contingent liabilities as security in respect of property leases as follows:

- subsidiary undertaking in respect of a lease with three years remaining with a current annual rental of £1,292,500; and
- fellow subsidiary undertaking in respect of a lease with nine years remaining with a current annual rental of £825,000.



# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 22. PENSION TRANSFERS AND OPT-OUT BUSINESS

#### Mercer Human Resource Consulting Limited

During 2004 the company settled its remaining obligations under Pension Transfers and Opt-outs. The Review was disbanded and final agreement reached with insurers on the outstanding insurance recoveries. As a result the remaining £649,000 of insurance was written off as an expense in the year.

The gross provision and associated insurance recoveries in respect of pension transfers and opt-outs are set out below:

	At 1 January 2005 £'000	Movement £'000	At 31 December 2005 £'000
<b>Pension transfers and Opt-out provisions</b>			
Gross creditor	56,300	-	56,300
Utilisation	(56,300)	-	(56,300)
Net	-	-	-
<b>Associated insurance recovery (note 12)</b>			
Gross debtor	56,300	-	56,300
Received	(55,651)	(649)	(56,300)
Net	649	(649)	-
Net asset	649	(649)	-

#### Sedgwick Noble Lowndes Limited and Sedgwick Financial Services Limited

On 16 July 1999 and 17 October 2000 Mercer Human Resource Consulting 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. No amounts became payable under the indemnities in 2005 (2004 - £145,000). No further amounts are expected to become payable in the future.

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 23. PENSION SCHEME

The group operates a defined benefits pension scheme in the UK.

On 1 April 2000 the Mercer Human Resource Consulting Limited pension scheme was transferred to the MMC UK Pension Fund (formerly the Marsh Mercer Pension Fund), which is operated by Marsh & McLennan Companies UK Limited. There are separate sections relating to historical Mercer and Sedgwick employees.

A full actuarial valuation was carried out at 31 December 2003 and updated to 31 December 2005 by a qualified actuary (who is employed within the MMC group). The method used was the projected unit method. The major assumptions used for the actuarial valuation were (in nominal terms):

Assumptions	31 December 2005	31 December 2004	31 December 2003
Rate of increase in salaries	4.00%	4.00%	4.00%
Rate of increase of pensions in payment	2.75%	2.75%	2.50%
Rate of increase in pensions in deferment	2.75%	2.75%	2.50%
Discount rate for scheme liabilities	4.70%	5.30%	5.40%
Inflation assumption	2.75%	2.75%	2.50%

The discount rate has fallen from 5.3% p.a. to 4.7% p.a. due to a corresponding fall in long dated sterling AA corporate bond yields over 2005. This lower discount rate leads to a significant increase of £82.6m in the present value of liabilities at 31 December 2005, which is shown in the STRGL as arising due to a change in assumptions.

The value of the assets in the scheme, the long term expected rate of return on each class of asset and the value of the scheme's liabilities assessed using the assumptions described above, are shown below.

	2005		2004		2003	
	Long-term rate of return	Value £'000	Long-term rate of return	Value £'000	Long-term rate of return	Value £'000
Equities	7.1%	349,300	7.5%	283,400	7.75%	263,700
Government bonds	4.1%	119,400	4.5%	70,400	4.75%	70,700
Corporate bonds	4.7%	109,700	5.3%	126,700	5.40%	103,500
Property	7.1%	14,600	7.5%	11,900	7.75%	5,800
Cash	4.5%	7,000	4.8%	7,800	3.75%	1,200
		<hr/>		<hr/>		<hr/>
Actuarial value of assets		600,000		500,200		444,900
Actuarial value of liabilities		(714,800)		(612,500)		(483,900)
		<hr/>		<hr/>		<hr/>
Scheme deficit		(114,800)		(112,300)		(39,000)
Related deferred tax asset		34,440		33,690		11,700
		<hr/>		<hr/>		<hr/>
		(80,360)		(78,610)		(27,300)
		<hr/>		<hr/>		<hr/>

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2005

### 23. PENSION SCHEME (continued)

The yield assumption is based on AA rated corporate bond yields at the calculation date. The assumptions for price inflation, and hence pension increases and salary growth, are derived from the relationship between the yields on fixed interest gilts and index-linked gilts at the calculation date.

	2005 £'000	2004 £'000
<b>Analysis of amounts charged to operating profit</b>		
Current service cost	17,300	14,300
Curtailment cost	-	(3,000)
Past service cost	1,500	800
Total included within operating profit	18,800	12,100
<b>Analysis of amount credited to net finance charges</b>		
Expected return on scheme assets	32,700	30,200
Interest on scheme liabilities	(32,600)	(26,400)
Net finance income	100	3,800
<b>Analysis of the actuarial loss in the Statement of total recognised gains and losses</b>		
Actual return less expected return on scheme assets	43,600	(8,800)
Experience gains and losses arising on scheme liabilities	18,500	(39,700)
Effects of changes in assumptions underlying the present value of scheme liabilities	(82,600)	(56,800)
Actuarial loss	(20,500)	(105,300)

Movement in scheme deficit during the year:

	2005 £'000	2004 £'000
Deficit in the scheme at 1 January	112,300	39,000
Current service cost	17,300	14,300
Contributions	(36,700)	(40,300)
Past service cost	1,500	800
Curtailment cost	-	(3,000)
Net finance income	(100)	(3,800)
Actuarial loss	20,500	105,300
Deficit in the scheme at 31 December	114,800	112,300

The actuarial valuation at 31 December 2005 showed an increase in deficit from £112,300,000 to £114,800,000. Regular employer contributions were made in 2005 of 18.1% and 20.2% of pensionable pay for members of the Mercer and Sedgwick sections of the fund respectively. It has been agreed with the Trustee that Employer contributions will increase from 1 January 2006 to 20.1% and 23.2% of pensionable pay for members of the Mercer and Sedgwick sections of the fund respectively.

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2005

### 23. PENSION SCHEME (continued)

History of experience gains and losses	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	43,600	(8,800)	52,800	(83,600)
Percentage of scheme assets	7%	(2)%	12%	(24)%
Experience gains/(losses) on scheme liabilities:				
Amount (£'000)	18,500	(39,700)	6,500	35,400
Percentage of the present value of the scheme liabilities	3%	(6)%	1%	8%
Total actuarial (loss)/gain recognised in statement of total recognised gains and losses:				
Amount (£'000)	(20,500)	(105,300)	27,400	(104,600)
Percentage of the present value of the scheme liabilities	(3)%	(17)%	6%	(24)%

Information is not available for the year ended 31 December 2001.

The group also operates a defined contribution scheme for employees who are less than 30 years old and who have completed less than two years' service. Contributions to this section, which are charged to the profit and loss account as incurred, amounted to £640,000 (2004 - £622,000).

### 24. 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, 268 pensioners receive these benefits and 219 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 2005 by a qualified actuary (who is employed within the MMC group). The method used was the projected unit method. The major assumptions used for the actuarial valuation were (in nominal terms):

Assumptions	31 December 2005	31 December 2004	31 December 2003
Gross interest rate	4.70%	5.30%	5.40%
Medical cost trend rate for one year	5.00%	5.50%	6.10%
Medical cost trend rate after one year	4.00%	4.00%	4.00%

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 24. POST RETIREMENT MEDICAL BENEFITS (continued)

The following amounts have been recognised in the performance statements in the year to 31 December 2005 in respect of post retirement medical benefits under the requirements of FRS 17:

	2005 £'000	2004 £'000
<b>Analysis of amounts charged to operating profit</b>		
Current service cost	244	285
Total included within operating profit	244	285
<b>Analysis of amount charged to other finance costs</b>		
Interest on scheme liabilities	470	514
Net finance cost	470	514
<b>Analysis of the actuarial loss in the Statement of total recognised gains and losses</b>		
Experience gains and losses arising on scheme liabilities	(540)	1,815
Effects of changes in assumptions underlying the present value of scheme liabilities	42	(605)
Actuarial (loss)/gain	(498)	1,210
<b>Movement in scheme liability during the year:</b>		
	2005 £'000	2004 £'000
Liability in the scheme at 1 January	8,996	9,661
Current service cost	244	285
Payments	(215)	(254)
Interest on scheme liabilities	470	514
Actuarial loss/(gain)	498	(1,210)
Liability in the scheme at 31 December	9,993	8,996
Related deferred tax asset/(liability)	214	(412)
Net liability in the scheme at 31 December	10,207	8,584

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2005

### 24. POST RETIREMENT MEDICAL BENEFITS (continued)

	2005	2004	2003	2002
History of experience gains and losses				
Experience (losses)/gains on scheme liabilities:				
Amount (£'000)	(540)	1,815	2,257	(3,690)
Percentage of the present value of the scheme liabilities	(5)%	20%	23%	(38)%
Total actuarial (loss)/gain recognised in statement of total recognised gains and losses:				
Amount (£'000)	(498)	1,210	573	(3,771)
Percentage of the present value of the scheme liabilities	(5)%	13%	6%	(39)%

Information is not available for the year ended 31 December 2001.

### 25. PRIOR YEAR ADJUSTMENT

The company policy for accounting for retirement benefits was changed during the year to accord with Financial Reporting Standard 17 *Retirement Benefits* ("FRS 17"). The comparative figures in the primary statements and notes have been restated to reflect the requirements of FRS 17.

The effects of these changes in accounting policy are summarised below:

	2004 £'000
<b>Profit and loss account</b>	
Decrease in administrative expenses	16,082
Increase in other finance income	3,286
	<hr/>
Profit before tax	19,368
Tax on profit after ordinary activities	(5,798)
	<hr/>
Retained profit	13,570
	<hr/>
<b>Statement of total recognised gains and losses</b>	
Actuarial loss in respect of pension scheme	(105,300)
Actuarial gain in respect of post retirement medical benefits	1,210
Deferred tax relating to actuarial losses	31,227
	<hr/>
Actuarial loss on pensions liability net of taxation	(72,863)
	<hr/>

# MERCER HUMAN RESOURCE CONSULTING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2005

### 25 PRIOR YEAR ADJUSTMENT (continued)

	2004 £'000
<b>Balance sheet</b>	
Debtors due after more than one year	(38,210)
Provisions for liabilities and charges	7,845
Pension liability	(78,610)
Post retirement benefits liability	(8,584)
Decrease in net assets	(117,559)
Decrease in equity shareholders' funds	(117,559)
Decrease in opening retained earnings	(58,266)

### 26. ULTIMATE PARENT UNDERTAKING

The ultimate parent company and controlling entity, in whose consolidated accounts the financial statements of Mercer Human Resource Consulting Limited are included, is Marsh & McLennan Companies, Inc., incorporated in the State of Delaware, USA. The accounts of Marsh & McLennan Companies, Inc., are available to the public and may be obtained from:

Corporate Development  
Marsh & McLennan Companies, Inc.,  
1166 Avenue of the Americas  
New York  
NY 10036 - 2708

The smallest group in which the financial statements of Mercer Human Resource Consulting Limited are consolidated is that headed by Marsh & McLennan Companies UK Limited, registered in England and Wales. The consolidated accounts of Marsh & McLennan Companies UK Limited are available to the public and may be obtained from:

Registrar of Companies  
Companies House  
3 Crown Way  
Maindy  
Cardiff CF14 3UZ

### 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.