Company Registration No. 984275

MERCER LIMITED

Report and Financial Statements

31 December 2010

MERCER LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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MERCER LIMITED

REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G L A Beneplanc
P E Mıddleton
A K Whalley
D N Wıllıams

SECRETARY

M F Brındley

REGISTERED OFFICE

1 Tower Place West
Tower Place
London
EC3R 5BU

BANKERS

The Royal Bank of Scotland plc
Cıtıbank N A

SOLICITORS

Slaughter & May

AUDITORS

Deloıtte LLP
Chartered Accountants
London

DIRECTORS' REPORT

The dırectors present theır annual report and the audıted financıal statements for the year ended 31 December 2010

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The prıncıpal actıvıtıes of the company are to provıde consultıng, outsourcıng and ınvestment servıces, ıncludıng the desıgn and management of health, retırement and other benefits, human capıtal, outsourcıng, ınvestment consultıng and multımanager ınvestment management The company ıs regulated by the Fınancıal Servıces Authorıty (FSA)

The company's key performance ındıcators ınclude revenue growth, contrıbutıon margın, employee utılısatıon, tıme recovery, bıllıng performance, and receıvables collectıon tıme

As shown ın the company's profit and loss account on page 7, turnover fell by 3 3 (2009 – fell by 2 5) per cent, drıven by the contınued challengıng economıc envıronment and clıents consequently restrıctıng budgets or seekıng short term returns on ınvestment only Operatıng profit margın decreased slıghtly from 20 9 per cent to 19 7 per cent reflectıng the company's abılıty to flex costs and resources to meet clıent demand The dırectors consıder utılısatıon, recovery and workıng capıtal statıstıcs to be commercıally sensıtıve so have not dısclosed them ın thıs report

The company reported retaıned profit for the financıal year after taxatıon of £52,630,000 (2009 - £50,907,000) Interım dıvıdends of £20,091,000 were paıd on the ordınary shares (2009 - nıl) The dırectors do not recommend the payment of a final dıvıdend (2009 - £nıl) No dıvıdends were receıved from subsıdıary companıes (2009 - £nıl)

As shown on the balance sheet on page 9, net assets have ıncreased by 14 3 (2009 – decrease 1 9) per cent Thıs ıs a result of strong profits for the year and actuarıal gaıns ın respect of the company's defined benefit pensıon scheme, partıally offset by an ıncrease ın provısıons

FINANCIAL RISK MANAGEMENT

The company ıs exposed to financıal rısk through ıts financıal assets and lıabılıtıes The key financıal rısk ıs that the proceeds from financıal assets are not suffıcıent to fund the oblıgatıons arısıng from lıabılıtıes as they fall due The most ımportant components of financıal rısk are ınterest rate rısk, currency rısk, credıt rısk, lıquıdıty rısk, cash flow rısk and prıce rısk Due to the nature of the company's busıness and the assets and lıabılıtıes contaıned wıthın the company's balance sheet the only financıal rısks the dırectors consıder relevant to thıs company are credıt rısk and lıquıdıty rısk These rısks are mıtıgated by credıt control procedures and the dıverse clıent base

Under Pıllar 3 of the Capıtal Requırements Dırectıve, the company ıs requıred to dısclose ınformatıon relatıng to ıts rısks and ıts capıtal and rısk management objectıves and polıcıes The Pıllar 3 dısclosures are provıded on the company's websıte

The company has a strong lıquıd asset posıtıon consıstıng maınly of cash and debtors and ıs not relıant on fundıng from thırd partıes As a consequence, the dırectors belıeve that the company ıs well placed to manage ıts busıness rısks successfully despıte the current uncertaın economıc outlook After makıng enquırıes, the dırectors have a reasonable expectatıon that the company has adequate resources to contınue ın operatıonal exıstence for the foreseeable future Accordıngly, they contınue to adopt the goıng concern basıs ın preparıng the annual report and accounts

INVESTOR IN PEOPLE

The company receıved the "Investor ın People" (IIP) award ın July 1997 IIP ıs the natıonal standard whıch ensures that the traınıng and development of employees ıs lınked dırectly to busıness goals The company has maıntaıned thıs standard, attaınıng re-accredıtatıon on 23 May 2009

DISABLED EMPLOYEES

It ıs the polıcy of the company to gıve full consıderatıon to suıtable applıcatıons for employment of dısabled persons Every effort ıs made, where employees of the company become dısabled, to retaın them ın theır employment, or consıder them for other posıtions

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 £42,427 (2009 - £41,351)

DIRECTORS

The directors of the company during the year ended 31 December 2010, all of whom were directors throughout the year except as noted below, were

A K Whalley	
D N Williams	
P E Middleton	
S D Smith	Appointed 5 February 2010 and resigned 20 August 2010
G L A Beneplanc	Appointed 17 February 2010

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 auditors are 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 auditors are 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

AUDITORS

Deloitte LLP were the Company's auditors 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 auditors in the absence of an Annual General Meeting

This report was approved by the board of directors on 21 April 2011 and signed on its behalf by

MF Brindley

M F Brindley
Secretary

21 April 2011

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 AUDITORS' REPORT TO THE MEMBERS OF MERCER LIMITED

We have audited the financial statements of Mercer Limited for the year ended 31 December 2010 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 26 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 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 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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 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 AUDITORS' 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 Auditors
London
United Kingdom

21 April 2011

MERCER LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
TURNOVER	1, 2	318,662	329,350
Administrative expenses		(255,937)	(260,391)
OPERATING PROFIT		62,725	68,959
Interest receivable and similar income	3	870	1,792
Interest payable and similar charges	4	(703)	(1,580)
Other finance income	5	10,033	3,340
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	72,925	72,511
Tax on profit on ordinary activities	8	(20,295)	(21,604)
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	19	52,630	50,907

Turnover and operating profit derive solely from continuing operations

MERCER LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Profit for the financial year		52,630	50,907
Actuarial gain/(loss) in respect of pension scheme	22	6,200	(86,000)
Actuarial (loss)/gain in respect of other retirement benefits	23	(2,920)	2,672
Deferred tax relating to actuarial gains and losses		(918)	23,332
Actuarial gain/(loss) on retirement benefits asset/liability net of taxation	19	2,362	(59,996)
TOTAL GAINS AND LOSSES RECOGNISED		**54,992**	**(9,089)**

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Profit on ordinary activities after taxation		52,630	50,907
Distribution to shareholders	19	(20,091)	-
Actuarial gain/(loss) relating to retirement benefits	19	2,362	(59,996)
Capital contribution in respect of share based payments	19	2,912	3,922
NET CHANGE TO SHAREHOLDERS' FUNDS		**37,813**	**(5,167)**
OPENING SHAREHOLDERS' FUNDS		**263,806**	**268,973**
CLOSING SHAREHOLDERS' FUNDS		**301,619**	**263,806**

MERCER LIMITED

BALANCE SHEET
At 31 December 2010

	Notes	£'000	2010 £'000	£'000	2009 £'000
FIXED ASSETS					
Intangible assets	9		-		150
Tangible assets	10		14,838		16,222
Investments	11		600		600
			15,438		16,972
CURRENT ASSETS					
Debtors	12	126,063		121,538	
Debtors due after more than one year	13	74,157		63,298	
Cash at bank and in hand		226,202		204,045	
			426,422		388,881
CREDITORS: amounts falling due within one year	15		(56,469)		(57,512)
NET CURRENT ASSETS			369,953		331,369
TOTAL ASSETS LESS CURRENT LIABILITIES			385,391		348,341
CREDITORS: amounts falling due after more than one year	16		(19,000)		(19,350)
PROVISIONS FOR LIABILITIES	17		(82,087)		(60,604)
NET ASSETS EXCLUDING RETIREMENT BENEFITS ASSETS AND LIABILITIES			284,304		268,387
Pension asset	22		27,083		2,700
Other retirement benefits liability	23		(9,768)		(7,281)
NET ASSETS INCLUDING RETIREMENT BENEFITS ASSETS AND LIABILITIES			301,619		263,806
CAPITAL AND RESERVES					
Called up share capital	18		224,400		224,400
Other reserves	19		15,740		12,828
Profit and loss account	19		61,479		26,578
TOTAL SHAREHOLDERS' FUNDS			301,619		263,806

These financial statements of Mercer Limited, registered number 984275, were approved by the Board of Directors on 21 April 2011

D N WILLIAMS Director

A K Whalley

A K WHALLEY Director

MERCER LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2010

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 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 being amortised over a five 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

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

MERCER LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2010

1. ACCOUNTING POLICIES (continued)

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

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 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 they will be recovered Deferred tax assets and liabilities are not discounted

Pension costs

The Group 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

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

MERCER LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2010

1. ACCOUNTING POLICIES (continued)

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 either the Black-Scholes pricing model (no market based triggering event) or the Binomial valuation model (market based triggering event) The expected life used in the 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 2010

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £'000	2009 £'000
Other interest receivable	870	1,792
	870	1,792

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
Interest payable on subordinated loans (note 16)	171	460
Unwinding of discount on provisions	532	1,120
	703	1,580

5. OTHER FINANCE INCOME

	2010 £'000	2009 £'000
Net finance income relating to pension scheme (note 22)	10,600	4,100
Net finance charges relating to post retirement medical benefits (note 23)	(567)	(760)
Net finance income relating to retirement benefits	10,033	3,340

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets		
Owned	4,830	5,260
Amortisation of intangible fixed assets	150	150
Loss on disposal of fixed assets	-	85
Rentals under operating leases		
Land and Buildings	5,158	5,434
Other operating leases	618	983
Sublet rental income	(560)	(784)
Auditors' remuneration - audit fees	321	316
- other services for taxation	7	-
Onerous lease provision (note 17)	3,185	2,882
Dilapidation provision (note 17)	2,225	-
Restructuring costs (note 17)	1,054	4,950

7. STAFF COSTS

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

	2010 £'000	2009 £'000
Employee costs during the year amounted to:		
Wages and salaries	148,153	154,435
Social security costs	14,797	14,708
Other pension costs	22,781	18,683
	185,731	187,826

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

The company incurred costs of £137,000 (2009 - £244,000) 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:	**2010 Number**	**2009 Number**
Consulting	1,953	2,069
Non-consulting	782	827
	2,735	2,896

Directors' remuneration was paid in respect of directors of the company as follows:	**£'000**	**£'000**
Emoluments	642	596
Amounts receivable (other than shares and share options) under long-term incentive schemes	37	25

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

The directors' remuneration shown above (excluding pensions and pension contributions) included:	**£'000**	**£'000**
Highest paid director	375	377

At 31 December 2010 the amount of the highest paid director's accrued annual pension was £21,903 (2009 - £16,478)

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 £37,157 (2009 - £24,927)

7. STAFF COSTS (continued)

Certain directors of the company are also directors of other companies within the Marsh & McLennan Companies UK Limited group of companies 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

	2010		2009	
	£'000	£'000	£'000	£'000
Current tax				
UK corporation tax on profit for the year	8,538		12,028	
Adjustment in respect of prior years	(434)		(290)	
Total current tax charge		8,104		11,738
Deferred tax				
Timing differences, origination and reversal	11,472		9,928	
Impact of change in tax rate	171		-	
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	548		(62)	
Total deferred tax charge		12,191		9,866
Tax charge on profit on ordinary activities		20,295		21,604

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 2010 28% (2009 28%)

The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	72,925	72,511
UK corporation tax at 28% (2009 – 28%)	20,419	20,303
Effects of		
Expenses not deductible for tax purposes	(465)	545
Goodwill	42	-
UK to UK transfer pricing adjustment	13	10
Timing differences, origination and reversal	873	1,824
Capital allowances	(259)	1,142
Adjustment in respect of prior years	(434)	(290)
Movement in pensions and post retirement benefits	(12,085)	(11,796)
	8,104	11,738

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

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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

9. INTANGIBLE FIXED ASSETS

	£'000
Cost	
At 1 January 2010 and 31 December 2010	750
Amortisation	
At 1 January 2010	600
Charge for the year	150
At 31 December 2010	750
Net book value	
At 31 December 2010	-
At 31 December 2009	150

Intangible fixed assets relate to the Healthcare business transferred from Marsh UK Limited

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 and software £'000	Assets under construction £'000	Total £'000
Cost						
At 1 January 2010	8,596	10,391	6,405	12,226	1,462	39,080
Additions	-	-	-	593	2,853	3,446
Disposals	-	(3,484)	(2,889)	(210)	-	(6,583)
Reclassification	-	-	-	2,778	(2,778)	-
At 31 December 2010	8,596	6,907	3,516	15,387	1,537	35,943
Depreciation						
At 1 January 2010	2,348	8,521	5,615	6,374	-	22,858
Charge for year	165	876	395	3,394	-	4,830
Disposals	-	(3,484)	(2,889)	(210)	-	(6,583)
At 31 December 2010	2,513	5,913	3,121	9,558	-	21,105
Net book value						
At 31 December 2010	6,083	994	395	5,829	1,537	14,838
At 31 December 2009	6,248	1,870	790	5,852	1,462	16,222

Included in land and buildings is land held at cost of £2,013,000 (2009 - £2,013,000) which is not subject to depreciation

11. FIXED ASSET INVESTMENTS

Investment in subsidiary undertakings	2010 £'000	2009 £'000
Cost and net book value		
At 1 January	600	600
Disposals	-	-
At 31 December	600	600

Subsidiary undertakings

The company's principal subsidiary undertakings as at 31 December 2010, 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	Trading Company

On 31 March 2010, Mercer UK Limited changed its name to Mercer Consulting Limited Ownership was transferred to another company within the group on 31 December 2010

Organization Resources Counselors Limited was acquired with effect from 31 July 2010

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12. DEBTORS

	2010 £'000	2009 £'000
Billed debtors	58,677	56,728
Unbilled debtors	27,410	29,191
Amounts owed by group companies		
Subsidiary undertakings	4,614	4,865
Parent and fellow subsidiary undertakings	18,529	14,599
Amounts due from other group companies in respect of taxation	4,179	2,902
Other debtors	4,348	3,624
Other prepayments and accrued income	8,306	9,629
	126,063	121,538

Included within amounts owed by parent and fellow subsidiary undertakings is £2,002,000 (2009 - £603,000) in respect of professional indemnity insurance claims

13. DEBTORS DUE AFTER MORE THAN ONE YEAR

	Notes	2010 £'000	2009 £'000
Deferred taxation	14	12,238	19,966
Professional indemnity insurance claims	17	58,779	40,546
Other prepayments and accrued income		3,140	2,786
		74,157	63,298

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

	2010 £'000	2009 £'000
Movements on the deferred taxation account were as follows:		
At 1 January	19,966	4,336
Charged to profit and loss account in current year	(11,472)	(9,928)
Prior year adjustment	(548)	62
Impact of change in tax rate	(171)	-
Deferred tax on spread pension contributions	-	18,267
Movement in net pension and post-retirement liability	7,282	7,229
Share based payments recognised directly in equity	(2,819)	-
At 31 December	12,238	19,966

Analysis of deferred tax balance:

	2010 £'000	2009 £'000
Accelerated capital allowances	3,300	3,679
Short-term timing differences	90	2,587
Deferred tax on pension contributions	8,848	13,700
	12,238	19,966

The government will reduce the main rate of Corporation tax from 28% to 26% from 1 April 2011 This tax law change was substantively enacted in the House of Commons on 29 March 2011 It had not been substantively enacted at the balance sheet date and therefore is not yet reflected in these financial statements in accordance with FRS 28, as it is a non-adjusting event occurring after the reporting period The rate reflected in the financial statements is the rate that had been enacted by the balance sheet date, which is 27%

It is proposed the rate will then be reduced by a further 1% in each of the following three years, and as a result will be 23% by 2014 The deferred tax rates will be adjusted accordingly with each change to the Corporation tax rate We expect that the future rate changes to 23% would further reduce our UK deferred tax asset provided at 31 December 2010 however the actual impact will be dependent on our deferred tax position at that time

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Trade creditors	303	522
Amounts owed to group companies		
Parent and fellow subsidiary undertakings	6,664	10,606
Subsidiary undertakings	560	640
Amounts due to other group undertakings in respect of taxation	496	1,683
Other creditors		
VAT payable	9,910	7,032
Social security and PAYE	7,146	7,126
Accruals and deferred income	31,390	29,903
	56,469	57,512

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

	2010 £'000	2009 £'000
Amounts owed to group companies		
Parent and fellow subsidiary undertakings	-	350
Subordinated loans	19,000	19,000
	19,000	19,350

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 2010 £'000	Increase in provision £'000	Reductions in provision £'000	Unwinding of discount £'000	Utilisation £000	At 31 December 2010 £'000
Onerous lease commitments	16,067	2,712	(59)	532	(1,014)	18,238
Professional indemnity claims	42,994	26,823	(2,541)	-	(6,136)	61,140
Dilapidations	-	2,225	-	-	-	2,225
Restructuring costs	1,543	932	(278)	-	(1,713)	484
	60,604	32,692	(2,878)	532	(8,863)	82,087

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 two other properties were increased as, since no sub-let tenant had yet been found, the assumptions regarding sub-let rental income were revised

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 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 £58,779,000 (2009 - £40,546,000) have been recognised within debtors due after more than one year (see note 13)

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

	2010		2009	
	Number	£'000	Number	£'000
Issued shares of £1 each	224,400,000	224,400	224,400,000	224,400

19. MOVEMENT ON RESERVES

	Notes	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	22	-	-	6,200	6,200
Actuarial loss in respect of post retirement medical benefits	23	-	-	(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

19. MOVEMENT ON RESERVES (continued)

	Notes	Share capital £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
As at 1 January 2009		224,400	8,906	35,667	268,973
Actuarial loss in respect of pension scheme	22	-	-	(86,000)	(86,000)
Actuarial gain in respect of post retirement medical benefits	23	-	-	2,672	2,672
Deferred tax relating to actuarial gains and losses		-	-	23,332	23,332
Actuarial loss on pensions liability net of taxation		-	-	(59,996)	(59,996)
Capital contributions in respect of share based payments		-	3,922	-	3,922
Profit for the financial year		-	-	50,907	50,907
Net addition to/(reduction in) shareholders' funds		-	3,922	(9,089)	(5,167)
As at 31 December 2009		224,400	12,828	26,578	263,806

20 GUARANTEES, CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Operatıng lease commitments

As at 31 December 2010, the company was commıtted to makıng the followıng payments durıng the next year ın respect of operatıng leases

	2011 Land and buildings £'000	2011 Other £'000	2010 Land and buildings £'000	2010 Other £'000
Leases whıch expire:				
Wıthın one year	328	249	621	376
Wıthın two to five years	4,618	341	3,955	684
After five years	8,378	-	9,405	-
	13,324	590	13,981	1,060

The company has a commıtment to pay a lease on a property ınto whıch the company had ıntended to move, but whıch the company dıd not occupy The company has an oblıgatıon to pay rentals on the lease, whıch expıres ın 2028, and agaınst whıch the company receıves sublet rental ıncome Expected future net costs assocıated wıth the property have been provıded for wıthın the onerous lease provısıon (see note 17) Durıng the next year the company ıs commıtted to payıng £3,442,100, net of sub-let ıncome, ın respect of thıs lease

Contingent liabilities

The company has contıngent lıabılıtıes ın the form of securıty provıded ın respect of the followıng property lease

(a) fellow subsıdıary undertakıng ın respect of a lease wıth less than four years remaınıng wıth a current annual rental of £825,000

The Company partıcıpates ın cash poolıng arrangements wıth Cıtıbank N A Each member of the pool guarantees agaınst all losses ıncurred as a result of the faılure of any other pool member The maxımum lıabılıty of the Company ıs the total amount of ıts pooled funds at any poınt ın tıme The other members of the poolıng arrangements are companıes owned by Marsh & McLennan Companıes, Inc

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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 2010 (2009 - £nil) No further amounts are expected to become payable in the future

22. PENSION SCHEME

The group operates a defined benefit scheme in the UK An actuarial valuation was carried out at 31 December 2009 and updated to 31 December 2010 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

	2010 £m	2009 £m
Components of pension cost		
Current service cost	22 0	18 0
Interest cost	45 7	40 6
Expected return on plan assets	(56 3)	(44 7)
Past service cost	-	(0 2)
Total pension cost recognised in the profit and loss account	11 4	13 7
Actuarial (gains)/losses immediately recognised	(6 2)	86 0
Total pension cost recognised in the statement of total recognised gains and losses	(6 2)	86 0
Cumulative amount of actuarial losses immediately recognised	208 7	214 9

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22. PENSION SCHEME (continued)

Amounts recognised in the balance sheet	**2010 £m**	**2009 £m**
Fair value of plan assets	920 7	807 1
Present value of funded obligations	(875 9)	(796 5)
	44 8	10 6
Present value of unfunded obligations	(7 7)	(6 9)
	37 1	3 7
Related deferred tax liability	(10 0)	(1 0)
Net amount recognised	27 1	2 7

Change in benefit obligation	**2010 £m**	**2009 £m**
Benefit obligation at 1 January	803 4	637 6
Current service cost	22 0	18 0
Interest cost	45 7	40 6
Plan participants' contributions	0 7	0 6
Past service costs	-	(0 2)
Actuarial losses	36 5	132 0
Benefits paid	(24 7)	(25 2)
Benefit obligation at 31 December	883 6	803 4

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22. PENSION SCHEME (continued)

	2010 £m	2009 £m
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	875 9	796 5
Plans that are wholly unfunded	7 7	6 9
Total	883 6	803 4

	2010 £m	2009 £m
Change in plan assets		
Fair value of plan assets at 1 January	807 1	635 5
Expected return on plan assets	56 3	44 7
Actuarial gains/(losses)	42 7	46 0
Employer contributions	38 6	105 5
Member contributions	0 7	0 6
Benefits paid	(24 7)	(25 2)
Fair value of plan assets at 31 December	920 7	807 1

Funded status	27 1	2 7
Net amount recognised	27 1	2 7

22. PENSION SCHEME (contınued)

Fund assets

The weıghted-average asset allocatıons at the year end were as follows

	2010	2009
Equıtıes	59 4%	58 7%
Government Bonds	14 5%	14 8%
Corporate Bonds	18 9%	20 5%
Property	4 9%	5 0%
Insured	0 2%	0 2%
Cash	2 1%	0 8%
	100 0%	100 0%

To develop the expected long-term rate of return on assets assumptıon, the employer on the advıce of the actuary, consıdered the current level of expected returns on rısk-free ınvestments (prımarıly government bonds), the hıstorıcal level of the rısk premıum assocıated wıth the other asset classes ın whıch the portfolıo ıs ınvested and the expectatıons for future returns of each asset class The expected return for each asset class was then weıghted based on the target asset allocatıon to develop the expected long-term rate of return on assets assumptıon for the portfolıo Thıs resulted ın the selectıon of the 6 90% assumptıon for the 2010 expense and 6 40% for the 2011 expense

	2010 £m	2009 £m
Actual return on plan assets	99 0	90 7

	2010	2009
Weighted average assumptions used to determine benefit obligations at:		
Dıscount rate	5 40%	5 70%
Rate of compensatıon ıncrease	4 40%	4 50%
Rate of pensıon ıncreases ın deferment (5% LPI)	2 90%	3 50%
Weighted average assumptions used to determine net pension cost for year ended:		
Dıscount rate	5 70%	6 40%
Expected long-term return on plan assets	6 90%	6 40%
Rate of compensatıon ıncrease	4 50%	4 00%
Rate of pensıon ıncreases ın deferment (5% LPI)	3 50%	3 00%
Rate of pensıon ıncreases ın payment (2 5% LPI)	2 25%	2 10%

22. PENSION SCHEME (continued)

	2010		2009	
	Male	Female	Male	Female
Weighted average life expectancy for mortality tables used to determine benefit obligations at:				
Member age 65 (current life expectancy)	22 8	24 5	21 2	24 0
Member age 45 (life expectancy at age 65)	24 2	26 1	22 2	25 0

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

Five year history	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of plan assets at end of year	920 7	807 1	635 5	717 2	660 7
Benefit obligation at end of year	(883 6)	(803 4)	(637 6)	(671 6)	(721 2)
	37 1	3 7	(2 1)	45 6	(60 5)
Related deferred tax (liability)/ asset	(10 0)	(1 0)	0 6	(12 8)	18 2
Surplus/ (deficit)	27 1	2 7	(1 5)	32 8	(42 3)

	2010	2009	2008	2007	2006
Difference between expected and actual return on scheme assets					
Amount (£m)	42 7	46 0	(152 1)	6 3	19 6
Percentage of scheme assets	5%	6%	(24)%	1%	3%
Experience gains and losses on scheme liabilities					
Amount (£m)	4 5	0 9	8 9	2 4	12 0
Percentage of scheme liabilities	1%	0%	1%	0%	2%

22. PENSION SCHEME (continued)

Contributions

During 2010 the Employer made regular contributions of 14 1% of pensionable salary plus shortfall correction contributions of £3 6m in respect of members of the Mercer section and 20 9% of pensionable salary plus shortfall correction contributions of £15 8m in respect of members of the Sedgwick section

The company expects to pay contributions of £42 8m during 2011

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 £781,000 (2009 - £883,000)

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, 283 pensioners receive these benefits and 116 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 2010 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 2010**	**31 December 2009**	**31 December 2008**	**31 December 2007**	**31 December 2006**
Gross interest rate	5 7%	5 7%	6 4%	5 8%	5 1%
Medical cost trend rate for one year	6 0%	4 5%	7 0%	6 5%	4 5%
Medical cost trend rate after one year	6 0%	4 5%	6 0%	5 5%	4 0%

23. POST RETIREMENT MEDICAL BENEFITS (continued)

The following amounts have been recognised in the performance statements in the year to 31 December 2010 in respect of post retirement medical benefits under the requirements of FRS 17

	2010 £'000	2009 £'000
Analysis of amounts charged to operating profit		
Current service cost	137	244
Total included within operating profit	137	244
Analysis of amount charged to other finance costs		
Interest on scheme liabilities	567	760
Net finance cost	567	760
Analysis of the actuarial loss in the Statement of total recognised gains and losses		
Experience gains and losses arising on scheme liabilities	(31)	1,340
Effects of changes in assumptions underlying the present value of scheme liabilities	(2,889)	1,332
Actuarial (loss)/gain	(2,920)	2,672

Movement in scheme liability during the year

	2010 £'000	2009 £'000
Liability in the scheme at 1 January	10,114	12,043
Current service cost	137	244
Payments	(357)	(261)
Interest on scheme liabilities	567	760
Actuarial loss/(gain)	2,920	(2,672)
Liability in the scheme at 31 December	13,381	10,114
Related deferred tax asset	(3,613)	(2,833)
Net liability in the scheme at 31 December	9,768	7,281

23. POST RETIREMENT MEDICAL BENEFITS (continued)

	2010	2009	2008	2007	2006
History of experience gains and losses					
Experience (losses)/gains on scheme liabilities					
Amount (£'000)	(31)	1,340	(148)	63	141
Percentage of the present value of the scheme liabilities	0%	13%	(1)%	0%	1%
Total actuarial (loss)/gain recognised in statement of total recognised gains and losses					
Amount (£'000)	(2,920)	2,672	1,975	(2,122)	(193)
Percentage of the present value of the scheme liabilities	22%	26%	16%	(16)%	(2)%

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

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 10 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 10 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

24. SHARE-BASED PAYMENTS (continued)

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

	2010	2009	2008	2007	2006
Weighted average share price	$30 60	-	-	-	$28 98
Weighted average exercise price	$30 60	-	-	-	$28 98
Expected volatility	25 4%	-	-	-	29 0%
Expected life	6 75 years	-	-	-	2-5 years
Risk-free rate	2 9%	-	-	-	5 0%
Expected dividends	2 75%	-	-	-	2 3%

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

Expected volatility prior to 1 July 2005 was calculated based on historical volatility for a period equal to the stock option's expected life, calculated on a monthly basis Subsequent to 1 July 2005 a blended volatility rate was used based on the following volatility derived from daily closing price observations for the ten year period ended on the valuation date, implied volatility derived from traded options for the period one week before and one week after the valuation date, 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 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

24. SHARE-BASED PAYMENTS (continued)

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

	2010		2009	
	Number of share options	Weighted average exercise price (US$)	Number of share options	Weighted average exercise price (US$)
Outstanding at beginning of period	1,920,677	36 40	2,330,246	36 44
Granted during the period	51,547	22 71	-	-
Forfeited/expired during the period	775,352	38 18	409,569	36 72
Cancelled or exchanged during the period	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding at the end of the period	1,196,872	29 46	1,920,677	36 40
Exercisable at the end of the period	398,166	28 84	1,147,181	40 55

The options outstanding at 31 December 2010 had a weighted average exercise price of $29 46 (2009 - $36 40), and a weighted average remaining contractual life of 3 63 years (2009 - 2 74 years) The number of options granted in 2010 was 51,547 (2009 – Nil)

The company recognised total expenses of £132,000 and £253,000 in relation to all non-qualified stock options in 2010 and 2009 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

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24. SHARE-BASED PAYMENTS (continued)

		2010		2009
	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	660,464	22 61	390,739	27 77
Granted during the period	282,858	22 75	390,063	19 01
Forfeited during the period	131,285	24 73	32,619	25 89
Vested during period	238,627	23 65	87,719	28 13
Outstanding at the end of the period	573,410	21 75	660,464	22 61

The company recognised total expenses of £2,967,000 and £3,844,000 in relation to stock awards in 2010 and 2009 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 £282,036 was expensed during 2010 (2009 - £370,586) in relation to three and five year schemes commencing during the years 2005 to 2010

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 25,398 ordinary shares in 2010 (2009 – 31,911), at a weighted average share price of £14 48 (2009 - £13 70) The discount of £19,243 (2009 - £22,826) is recognised in full when the shares are purchased

25. 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

26. 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