Company Registration No. 00984275

Mercer Limited

Report and Financial Statements

31 December 2016

Mercer Limited

Report and financial statements 2016

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Officers and professional advisers

Directors

J V Barker
F S Dunsire
M A Ferland
C Holme
A J Kirton
S E Martin
D N Williams

Secretary

S Ellis

Registered Office

1 Tower Place West
Tower Place
London
EC3R 5BU
United Kingdom

Bankers

The Royal Bank of Scotland plc
Citibank N. A

Solicitors

Slaughter & May

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Mercer Limited

Strategic report

The directors, in preparing the Strategic Report, have complied with s414C of the Companies Act 2006.

Business review and principal activities

Mercer Limited (the "Company") is a professional services firm specialising in the provision of health, wealth and career solutions for its clients. The principal activities of the Company are consulting and administration services relative to the design, governance and management of talent, reward and investment solutions, and retirement and health plans.

The Company is regulated by the Financial Conduct Authority (FCA). The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

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

As shown in the Company's profit and loss account on page 9, turnover increased by 1.4 percent (2015 - increased by 4.7 percent). Revenue growth was driven primarily by the Investments business due to organic business growth. Operating profit margin decreased from 23.9 percent (2015) to 14.7 percent, which includes the effect of reductions in provisions for onerous lease committments benefiting the Company in the prior year, costs associated with restructuring its business lines and management structure and higher professional indemnity insurance costs. The directors consider utilisation, recovery and working capital statistics to be commercially sensitive so have not disclosed them in this report.

The Company reported retained profit for the financial year after taxation of £57,124,000 (2015 - £78,109,000).

Interim dividends of £nil were paid on the ordinary shares (2015 - £nil). The directors do not recommend the payment of a final dividend (2015 - £nil). No dividends were received from subsidiary companies (2015 - £nil)

As shown on the balance sheet on page 11, net assets have decreased by 5.8 percent (2015 – increased by 22.6 percent). Retained profits were negated by remeasurements in respect of retirement benefits, mainly due to a reduction in discount rates (note 22).

The Company acquired The Positive Ageing Company Limited on 29th January 2016, and The Benefit Express Holding Limited and its subsidiaries on 15th December 2016 (see note 12). These acquisitions align with the Board's strategic plan to grow the business both organically and inorganically, providing an even broader range of innovative solutions to clients to meet their current and future needs.

The Company has an operating agreement in place with its sister company in Ireland, Mercer Global Investments Europe Limited ("MGIE") under which it receives income from the investments it introduces, and for infrastructure and support services it provides, to MGIE. MGIE's business has now matured and it therefore receives less support from the Company. On this basis, the operating agreement has been updated to reflect that business change, which means reduced income is payable to the Company for the year ended 31 December 2016.

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 financial risks the directors consider most relevant to this Company are credit risk and liquidity risk. These risks are mitigated by credit control procedures and the diverse client base.

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

The Company has a strong liquid asset position with £228.3m of cash and is not reliant on funding from third parties. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation

Mercer Limited

Strategic report

that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Employee consultation

The Company places considerable value on employee engagement and has continued its practice of keeping employees informed on matters affecting them and on the various factors affecting the performance of the Company.

Disabled employees

It is the policy of the Company to give full consideration to suitable applications for employment of disabled persons. Where employees of the Company become disabled, every effort is made to retain them in their employment.

Diversity & Inclusion

The Company embraces a diverse and inclusive culture. The Directors believe that, in order to deliver the best solutions to clients, the Company's workforce should reflect the local community in which it operates.

Payments for charitable purposes

Donations to charitable organisations in the United Kingdom totalled £85,046 (2015 - £106,414).

S Ellis
Secretary

24 April 2017

Mercer Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Investor in people

The Company received the "Investor in People" (IIP) award in July 1997. IIP is the national standard which ensures that the training and development of employees is linked directly to business goals. The Company has maintained this standard, attaining re-accreditation in May 2016.

Directors

The directors of the Company during the year ended 31 December 2016, all of whom were directors throughout the year, were:

J V Barker
F S Dunsire
M A Ferland
C Holme
A J Kirton
S E Martin
D N Williams

Each of the directors at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2. the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Company has inserted a clause in the Articles of Association to indemnify directors, officers or FCA 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.

Dividends

Interim dividends of £nil were paid on the ordinary shares (2015 - £nil). The directors do not recommend the payment of a final dividend (2015 - £nil). No dividends were received from subsidiary companies (2015 - £nil).

Auditor

Deloitte LLP were the Company's auditor during the year and have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

Items included in Strategic Report

In accordance with section 414C(11) of the Companies Act, the Directors have decided to include in the Company's Strategic Report information that is required by Schedule 7 of the Accounting Regulations to be contained in the Directors Report. These items are: indication of future developments; proposed dividends; policy for disabled employees; action on employee participation and financial risk management.

Mercer Limited

Directors' report

This report was approved by the board of directors on 24 April 2017 and signed on its behalf by

S Ellis
Secretary

24 April 2017

Mercer Limited

Directors responsibility statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Mercer Limited

We have audited the financial statements of Mercer Limited for the year ended 31 December 2016 which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statement

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

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

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

26 April 2017

Mercer Limited

Profit and loss account
Year ended 31 December 2016

	Notes	2016	2015
		£'000	£'000
TURNOVER	1, 3	382,164	376,811
Administrative expenses		(326,036)	(286,865)
OPERATING PROFIT		56,128	89,946
Interest receivable and similar income	4	764	1,508
Interest payable and similar charges	5	(1,567)	(1,472)
Other finance income	6	8,993	6,451
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	64,318	96,433
Tax on profit on ordinary activities	9	(7,194)	(18,324)
PROFIT FOR THE FINANCIAL YEAR		57,124	78,109

Turnover and operating profit derive solely from continuing operations

Mercer Limited

Statement of comprehensive income
Year ended 31 December 2016

			2016		2015
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Profit for the financial year			57,124		78,109
Total remeasurements in respect of pension scheme	22	(113,757)		38,562	
Net transfer in to pension scheme	22	-		1,400	
Actuarial (loss)/gain in respect of other retirement benefits	23	(4,932)		2,403	
Deferred tax relating to actuarial gains and losses	17	22,458		(3,874)	
(Loss)/gain on retirement benefits liability net of taxation			(96,231)		38,491
TOTAL COMPREHENSIVE (LOSS) / INCOME			**(39,107)**		**116,600**

Mercer Limited

Balance sheet
As at 31 December 2016

	Notes	£'000	2016 £'000	£'000	2015 £'000
FIXED ASSETS					
Intangible assets	10		12,228		11,840
Tangible assets	11		6,479		7,025
Investments	12		263,503		2,745
			282,210		21,610
CURRENT ASSETS					
Debtors	13	138,700		290,823	
Debtors due after more than one year	14	29,866		33,691	
Cash at bank and in hand		228,316		293,648	
			396,882		618,162
CREDITORS: amounts falling due within one year	15		(115,738)		(122,517)
NET CURRENT ASSETS			281,144		495,645
TOTAL ASSETS LESS CURRENT LIABILITIES			563,354		517,255
CREDITORS: amounts falling due after more than one year	16		(19,000)		(19,000)
DEFERRED TAX PROVISION	17		(17,632)		(37,670)
OTHER PROVISIONS FOR LIABILITIES	18		(48,569)		(50,968)
NET ASSETS EXCLUDING RETIREMENT BENEFITS ASSETS AND LIABILITIES			478,153		409,617
Pension asset	22		145,713		245,723
Other retirement benefits liability	23		(22,878)		(17,623)
NET ASSETS INCLUDING RETIREMENT BENEFITS ASSETS AND LIABILITIES			**600,988**		**637,717**
CAPITAL AND RESERVES					
Called up share capital	19		224,400		224,400
Other reserves	19		28,116		25,738
Profit and loss account	19		348,472		387,579
TOTAL SHAREHOLDERS' FUNDS			**600,988**		**637,717**

These financial statements of Mercer Limited, registered number 00984275, were approved by the Board of Directors on 24 April 2017.

D N WILLIAMS Director

F S DUNSIRE Director

Mercer Limited

Statement of changes in equity
Year ended 31 December 2016

	Note	Share Capital £'000	Other Reserves £'000	Profit and Loss £'000	Total £'000
As at 1 January 2016		**224,400**	**25,738**	**387,579**	**637,717**
Profit for the financial year		-	-	57,124	57,124
Remeasurements on defined benefit pension scheme	22	-	-	(113,757)	(113,757)
Actuarial losses in respect of other retirement benefits	23	-	-	(4,932)	(4,932)
Deferred tax relating to actuarial gains and losses	17	-	-	22,458	22,458
Total comprehensive loss		-	-	(39,107)	(39,107)
Credit to equity for equity settled share-based payments		-	2,378	-	2,378
As at 31st December 2016	19	**224,400**	**28,116**	**348,472**	**600,988**

	Note	Share Capital £'000	Other Reserves £'000	Profit and Loss £'000	Total £'000
As at 1 January 2015		**224,400**	**24,818**	**270,979**	**520,197**
Profit for the financial year		-	-	78,109	78,109
Remeasurements on defined benefit pension scheme	22	-	-	38,562	38,562
Net transfer in to defined benefit pension scheme	22	-	-	1,400	1,400
Actuarial gains in respect of other retirement benefits	23	-	-	2,403	2,403
Deferred tax relating to actuarial gains and losses	17	-	-	(3,874)	(3,874)
Total comprehensive income		-	-	116,600	116,600
Credit to equity for equity settled share-based payments		-	920	-	920
As at 31st December 2015	19	**224,400**	**25,738**	**387,579**	**637,717**

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below.

a. *General information and basis of accounting*

Mercer Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

b. 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. The largest and smallest group into which the Company's results are consolidated is that headed by Marsh & McLennan Companies, Inc.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in relation to share-based payments, financial instruments, presentation of a cash-flow statement, intra-group transactions and remuneration of key management personnel.

c. Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the strategic report on page 2 to 3.

The Strategic report also describes the financial position of the Group; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management including the directors assessment of going concern.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

d. Turnover

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

1. ACCOUNTING POLICIES (continued)

e. Intangible fixed assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Accumulated amortisation is included within administrative expenses.

Software development costs are recognised as an intangible asset and amortisation is charged, using the straight-line method.

Goodwill arising on acquisition of a business is capitalised and amortised over the business' estimated useful economic life. Goodwill comprises amounts arising on the following acquisitions;

- The Healthcare business previously carried on by Marsh UK Limited which is fully amortised.
- The Consulting business previously carried on by Organization Resources Counselors Limited which is being amortised over a ten year period.
- The Leadership Development business previously owned by Oliver Wyman Limited which is being amortised over a five year period.
- The Kepler LLP business which is being amortised over a 5 year period.

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations affected prior to the date of transition.

f. 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

g. 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.

h. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

1. **ACCOUNTING POLICIES (continued)**

i. Impairments

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

j. Leasing commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

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.

k. 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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

1. ACCOUNTING POLICIES (continued)

k. Taxation (continued)

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

l. Retirement benefits

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account

The net interest cost on the net defined benefit liability is shown within finance costs.

Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

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.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

The Company also operates an unfunded non-contributory scheme for medical benefits, whereby defined medical benefits are provided to current and 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.

1. ACCOUNTING POLICIES (continued)

l. Retirement benefits (continued)

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.

The pension scheme surplus is included on the Company's balance sheet. Surpluses are only included to the extent they are recoverable through reduced contributions in the future or through refunds from the scheme.

m. Foreign currency

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.

n. Investors' compensation scheme levies

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

o. Share-based payment

The Company issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis 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 by use of the Black Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

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.

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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. Critical judgements in applying the Company's accounting policies

The directors have considered the critical judgements, apart from those involving estimations (which are dealt with separately below), that have been made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. There are no such judgements that materially affect the Company's financial statements.

b. Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Revenue recognition – Unbilled debtors ("WIP") provisioning

The Company recognises revenue as services are performed and the right to consideration is earned. Accordingly revenues are recorded as hours are worked and the WIP balance represents unbilled revenues which must be assessed for recoverability and provided against where appropriate.

Management calculate the WIP provision based on a historical run rate ("HRR") of WIP write-offs for the previous 6 months. This generates a provision which is reviewed for reasonableness by management and manually adjusted if deemed necessary.

(ii) Professional indemnity claims provisioning

The Company is exposed to the risk of Errors & Ommissions ("E&O") legal claims in the ordinary course of business and is required to hold a provision in respect of these. These provisions must be recognised in accordance with FRS102, Section 102 *"Provisions and Contingencies"*

E&O liabilities are assessed primarily on the judgement of management, legal staff and other specialists. These matters require significant judgement in determining whether or not a probable loss has been incurred and a reasonable estimate of that loss.

(iii) Onerous lease provisions

The Company has several vacant or sub-let properties with onerous lease obligations for which they are required to maintain provisions. These provisions must be recognised in accordance with FRS102, Section 21 *"Provisions and Contingencies"*. They are calculated as the present value of the net of third party expenses and income from any sublease agreements in place, or forecast to be in place within a reasonable timeframe.

Estimation uncertainty arises from potential void periods due to sublets non-coterminus with the Company's leases and subleases subject to open market rent reviews.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(iv) Pensions accounting

The Company participates in a funded Defined Benefit Pension Scheme. The pension surplus is included in the Company's balance sheet in accordance with the accounting policies set out above. It also holds liabilities on its balance sheet with respect to un-funded post-retirement medical benefits.

The determination of net periodic pension costs is based on a number of actuarial assumptions, including a discount rate for liability and return on assets.

Management utilises in-house actuarial specialists to perform valuations of its pension scheme and calculate the costs included in its profit and loss account and statement of other comprehensive income.

3. TURNOVER

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

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Interest receivable	764	1,508
	764	1,508

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Interest payable on subordinated loans	180	205
Unwinding of discount on provisions (note 18)	1,387	1,267
	1,567	1,472

6. OTHER FINANCE INCOME

	2016	2015
	£'000	£'000
Net finance income relating to pension scheme (note 22)	9,669	7,162
Net finance charges relating to post retirement medical benefits (note 23)	(676)	(711)
Net finance income relating to retirement benefits	8,993	6,451

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2016	2015
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets		
Owned (note 11)	610	888
Amortisation of intangible fixed assets (note 10)	2,831	2,972
Loss on disposal of fixed assets (Note 11)	5	-
Rentals under operating leases		
Land and Buildings	4,218	4,338
Other operating leases	446	446
Sublet rental income	(641)	(1,153)
Auditor's remuneration – for the auditing of the financial statements	317	348
Increase / (reduction) in onerous lease provision (note 18)	128	(4,477)
Reduction in dilapidation provision (note 18)	(26)	-
Restructuring costs (Note 18)	3,034	307

8. STAFF COSTS

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

	2016	2015
Employee costs during the year amounted to:	£'000	£'000
Wages and salaries	176,196	166,163
Social security costs	20,429	19,653
Other pension costs	17,280	16,832
	213,905	202,648

The above does not include employee related restructuring costs (see note 7).

The Company incurred costs of £231,000 (2015 - £261,000) paid to certain former employees relating to post retirement medical benefits (see note 23) included above.

8. STAFF COSTS (CONTINUED)

	2016 Number	2015 Number
The average monthly number of persons employed by the Company during the year was as follows:		
Consulting	1,864	1,801
Non-consulting	520	564
	2,384	2,365

	2016 £'000	2015 £'000
Directors' remuneration was paid in respect of directors of the Company as follows:		
Emoluments	2,442	2,531
Amounts receivable (other than shares and share options) under long-term incentive schemes	182	340

The number of directors who:	Number	Number
Exercised options in the year:	3	3
Accrued benefits under a defined benefit pension schemes:	3	3
Had awards receivable in the form of shares under a long-term incentive scheme:	5	5

The directors' remuneration shown above (excluding pensions and pension contributions) included:	£'000	£'000
Highest paid director	702	744

At 31 December 2016 the amount of the highest paid director's accrued annual pension was £nil (2015 - £nil).

The highest paid director exercised share options in the year and received shares in respect of qualifying services under a long term incentive scheme.

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 £67,700 (2015 - £142,160).

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

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge for the year

	2016		2015	
	£'000	**£'000**	**£'000**	**£'000**
Current tax:				
UK corporation tax on profit for the year	5,545		15,881	
Overseas tax	13		34	
Adjustment in respect of prior years	(785)		(735)	
Total current tax charge		4,773		15,180
Deferred tax:				
Timing differences, origination and reversal	2,548		3,036	
Impact of change in tax rate	(198)		377	
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	71		(269)	
Total deferred tax charge (note 17)		2,421		3,144
Tax charge on profit on ordinary activities		7,194		18,324

Factors affecting tax charge for the year

The tax charged for the period is lower (2015: lower) than that resulting from applying the standard rate of corporation tax in the UK: 2016 – 20% (2015 - 21.25%)

The differences are explained below:

	2016	2015
	£'000	**£'000**
Profit on ordinary activities before taxation	64,318	96,433
UK corporation tax at 20% (2015 – 21.25%)	12,864	19,525
Effects of:		
Expenses not deductible for tax purposes	341	258
Overseas tax	13	34
Goodwill	(16)	62
Utilisation of losses brought forward	(273)	-
Stock option adjustment	(332)	197
Current year group relief for nil consideration	(4,491)	(1,125)
Adjustment in respect of prior years	(785)	(735)
Impact of change in tax rate on current tax	(198)	377
Impact of change in tax rate on deferred tax	71	(269)
	7,194	18,324

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

UK tax legislation allows for companies in the same UK group to share losses, known as group relief. The Company has received group relief from other MMC UK companies for the years ended 31 December 2015 and 2016. There is no requirement for any payment to be made for any group relief received and therefore the Company has received some group relief where the other party has not requested a payment for those losses

The rate of corporation tax reduced from 21% to 20% from 1 April 2015, and will reduce from 20% to 19% from 1 April 2017 and from 19% to 17% from 1 April 2020.

10. INTANGIBLE FIXED ASSETS

	Internally developed & purchased software £'000	Software under development £'000	Goodwill £'000	Total Intangible fixed assets £'000
Cost				
As at 1 January 2016	18,303	2,493	9,330	30,126
Additions	2,678	469	72	3,219
Disposals	(40)	-	-	(40)
Reclassification	257	(257)	-	-
As at 31 December 2016	21,198	2,705	9,402	33,305
Amortisation				
As at 1 January 2016	15,568	-	2,718	18,286
Charge for the year	2,247	-	584	2,831
Disposals	(40)	-	-	(40)
As at 31 December 2016	17,775	-	3,302	21,077
Net book value				
As at 31 December 2016	3,423	2,705	6,100	12,228
As at 31 December 2015	2,735	2,493	6,612	11,840

Goodwill relates to the Healthcare business transferred from Marsh UK Limited, the consulting business previously carried on by Organization Resources Counselors Limited, the Leadership Development business transferred from Oliver Wyman Limited, and the business previously carried on by Kepler LLP.

Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss.

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11. 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	Total £'000
Cost					
At 1 January 2016	8,596	117	1,635	1,832	12,180
Additions	-	35	-	35	70
Disposals	-	(36)	(28)	(794)	(858)
At 31 December 2016	8,596	116	1,607	1,073	11,392
Depreciation					
At 1 January 2016	3,335	73	334	1,414	5,156
Charge for year	164	14	163	269	610
Disposals	-	(36)	(28)	(789)	(853)
At 31 December 2016	3,499	51	469	894	4,913
Net book value					
At 31 December 2016	5,097	65	1,138	179	6,479
At 31 December 2015	5,261	45	1,301	418	7,025

Included in land and buildings is land held at cost of £2,013,000 (2015 - £2,013,000) which is not subject to depreciation and Freehold buildings held at a cost of £6,583,000 (2015 - £6,583,000).

12. FIXED ASSET INVESTMENTS

Investment in subsidiary undertakings	2016 £'000	2015 £'000
Cost and net book value 1 January	2,745	600
Additions	260,758	2,145
At 1 January and at 31 December	263,503	2,745

During the year, Mercer Limited acquired 100% of the share capital of The Positive Ageing Company Limited (29th January 2016) and 100% of the share capital of The Benefit Express Holding Limited (15th December 2016).

Subsidiary untertakings

The Company's subsidiary undertakings as at 31 December 2016, all of which represent 100% ownership of ordinary shares, were:

Subsidiary undertakings	Country of registration or incorporation	Country of operation	Principal activity
English Pension Trustees Limited	England and Wales	United Kingdom	Trustee Company (Dormant)
Kepler Associates Limited	England and Wales	United Kingdom	Non-trading Company
Mercer Trustees Limited	England and Wales	United Kingdom	Trustee Company (Dormant)
Organization Resources Counselors Limited	England and Wales	United Kingdom	Dormant Company
Pension Trustees Limited	England and Wales	United Kingdom	Trustee Company (Dormant)
PFT Limited	England and Wales	United Kingdom	Pension Schemes administered on behalf of Mercer Limited clients
Sedgwick Financial Services Limited	England and Wales	United Kingdom	Dormant Company
Sedgwick Noble Lowndes Group Limited	England and Wales	United Kingdom	Holding Company for other subsidiary undertakings
Sedgwick Noble Lowndes Limited	England and Wales	United Kingdom	Dormant Company
Sedgwick Noble Lowndes (UK) Limited	England and Wales	United Kingdom	Dormant Company
Sedgwick Trustees Limited	England and Wales	United Kingdom	Trustee Company (Dormant)
Sedgwick Ulster Pension Trustees Limited	England and Wales	United Kingdom	Dormant Company
Settlement Trustees Limited	England and Wales	United Kingdom	Trustee Company (Dormant)
The Positive Ageing Company Limited	England and Wales	United Kingdom	Non-trading Company

Subsidiary untertakings (continued)

Subsidiary undertakings	Country of registration or incorporation	Country of operation	Principal activity
The Benefit Express Holding Limited	England and Wales	United Kingdom	Holding company for other subsidiary undertakings
The Benefit Express Limited	England and Wales	United Kingdom	Employee benefit provider
Thomsons Online Benefits Limited	England and Wales	United Kingdom	Employee benefit provider
Thomsons Online Benefits PTE Limited	Singapore	Singapore	Employee benefit provider
Thomsons Online Benefits SRL	Romania	Romania	Employee benefit provider
Thomsons Online Benefits Inc	USA	USA	Employee benefit provider
TBX Solutions Limited	England and Wales	United Kingdom	Software reseller
Online Benefits Limited	England and Wales	United Kingdom	Dormant
Thomsons Online Benefits (HK) Limited	Hong Kong	Hong Kong	Dormant
Thomsons Online LLC	USA	USA	Dormant
Mercer ICC Limited	Guernsey	Guernsey	Underwriters of pension longevity risk

Subsidiary undertakings have not been consolidated by Mercer Limited as permitted by s.401 of the Companies Act 2006 as they are consolidated in the financial statements of Marsh & McLennan Companies, Inc

13. DEBTORS

	2016 £'000	2015 £'000
Billed debtors	73,328	65,570
Unbilled debtors	32,380	34,229
Amounts owed by group companies:		
Subsidiary undertakings	4,671	5,277
Parent and fellow subsidiary undertakings	19,258	168,350
Amounts due from other group companies in respect of taxation	383	533
Corporation tax	1,813	-
Other debtors	653	8,376
Other prepayments and accrued income	6,214	8,488
	138,700	290,823

Included within amounts owed by parent and fellow subsidiary undertakings in 2016 were short term loans of £nil (2015 - £150,000,000) and other items including professional indemnity insurance claims £6,693,254 (2015 - £5,032,358).

14. DEBTORS DUE AFTER MORE THAN ONE YEAR

	2016 £'000	2015 £'000
Professional indemnity insurance claims (see note 18)	28,661	31,640
Other prepayments and accrued income	1,205	2,051
	29,866	33,691

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

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15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Trade creditors	870	1,190
Amounts owed to group companies:		
Parent and fellow subsidiary undertakings	36,924	28,326
Subsidiary undertakings	4,730	4,199
Amounts due to other group undertakings in respect of taxation	2,186	13,839
Other creditors:		
VAT payable	11,649	10,683
Social security and PAYE	9,689	10,151
Accruals and deferred income	49,690	54,129
	115,738	122,517

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

	2016	2015
	£'000	£'000
Subordinated loans	19,000	19,000

As part of the acquisition of the business of Sedgwick Noble Lowndes Limited, on 16 July 1999, the Company assumed the rights and obligations relating to a subordinated loan advanced to Sedgwick Noble Lowndes Limited, by its immediate holding company on 20 January 1999 in the amount of £19,000,000. This loan attracts interest at LIBOR plus 0.25% per annum, payable half-yearly, and is repayable two years from the date on which notice of repayment is given.

17. DEFERRED TAXATION

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

	2016	2015
	£'000	£'000
Movements on the deferred taxation account were as follows:		
At 1 January	37,670	30,652
Charged to profit and loss account in current year	2,547	3,036
Prior year adjustment	71	(269)
Impact of change in tax rate	(198)	377
Movement in net pension and post-retirement liability	(22,458)	3,874
At 31 December	17,632	37,670

17. DEFERRED TAXATION (continued)

Analysis of deferred tax (asset)/liability:

	2016 £'000	2015 £'000
Decelerated capital allowances	(2,628)	(2,722)
Short-term timing differences	(622)	(666)
Pensions and post retirement benefits	20,882	41,058
	17,632	37,670

Deferred timing differences have been provided for at tax rates substantively enacted at the balance sheet date which will apply when the timing differences are expected to reverse. The tax rates substantively enacted at the balance sheet date are 20% (effective from 1 April 2015), 19% (effective 1 April 2017) and 17% (effective 1 April 2020)

A deferred tax asset of £302,144 (2015: £741,271) representing losses from the Leadership Development business which transferred from Oliver Wyman Limited has not been recognised due to the uncertainity of when the asset will be realised.

18. PROVISIONS FOR LIABILITIES

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

	At 1 January 2016 £'000	Increase in provision £'000	Reductions in provision £'000	Unwinding of discount £'000	Utilisation £000	At 31 December 2016 £'000
Onerous lease commitments	10,311	189	(61)	648	(664)	10,423
Professional indemnity claims	32,597	15,214	(377)	-	(18,762)	28,672
Dilapidations	2,913	-	(26)	289	-	3,176
Restructuring costs	303	3,832	(798)	-	(169)	3,168
Contingent consideration	4,844	403	-	450	(2,567)	3,130
	50,968	19,638	(1,262)	1,387	(22,162)	48,569

The provision for onerous lease commitments represents rental and other commitments on leased properties the Company no longer occupies 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. Current assumptions reflect the expectation that sub-let rental income is unlikely to match the contractual obligations of the Company.

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 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.

18. PROVISIONS FOR LIABILITIES (continued)

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 £28,683,000 (2015 - £31,640,000) have been recognised within debtors due after more than one year (see note 14).

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

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

The provision for contingent consideration relates to expected future purchase consideration in respect of the acquisition of Kepler Associates Limited and the business of Kepler Associates LLP, The Positive Ageing Company Limited and The Benefit Express Holiding Limited (note 12).

19. CALLED UP SHARE CAPITAL AND RESERVES

	2016 Number	2016 £'000	2015 Number	2015 £'000
Issued shares of £1 each	224,400,000	224,400	224,400,000	224,400

The Company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

The Other Reserves represents cumulative charges in respect of the Company's equity settled share based payments.

20. GUARANTEES, CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

a. Operating lease commitments

As at 31 December 2016, the Company was committed to making the following payments in respect of operating leases:

	2016 Land and buildings £'000	2015 Land and buildings £'000
Payments arising:		
Within one year	13,399	10,900
Within two to five years	55,393	44,659
After five years	55,613	59,682
	124,405	115,241

20. GUARANTEES, CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS (continued)

b. Contingent liabilities

The Company participates in cash pooling arrangements with Citibank N.A and The Royal Bank of Scotland plc. Each member of the pool guarantees against all losses incurred as a result of the failure of any other pool member.

The maximum liability of the Company is the total amount of its pooled funds (£228,316,000) at any point in time. The only other members of the pooling arrangements are companies owned by Marsh & McLennan Companies, Inc.

The Company has provided a guarantee of £1,500,000 to the Royal Bank of Scotland in respect of a bank account operated by PFT Limited, a wholly owned subsidiary of the Company.

21. PENSION TRANSFERS AND OPT-OUT BUSINESS

Sedgwick Noble Lowndes Limited and Sedgwick Financial Services Limited

On 16 July 1999 and 17 October 2000 the Company 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. £nil became payable under the indemnities in 2016 (2015 - £nil). No further amounts are expected to become payable in the future.

22. PENSION SCHEME

The Company operates a pension scheme (the Fund) in the UK with defined benefit and defined contributions sections. Following consultation, the Company determined in January 2014 to close the existing sections of the Fund to all future benefit accrual with effect from August 2014. Pension benefits accrued prior to that date retain the link to future salary growth or career revaluation, as applicable.

A comprehensive actuarial valuation of the defined benefit sections was carried out at 31 December 2015 and updated to 31 December 2016 by a qualified actuary (who is employed within the Marsh & McLennan Companies group). The update over 2015 allowed approximately for known cash flows and turnover, inflation experience and the estimated effect of changes in assumptions.

The statutory funding objective is that the defined benefit sections of the Fund have sufficient and appropriate assets to pay their benefits as they fall due (the technical provisions). The general funding principles are that the technical provision assumptions taken as a whole will be sufficiently prudent, including appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the technical provisions could be insufficient to provide benefits in the future. The funding principles were agreed in November 2016. The current agreement with the Trustee sets out the annual deficit contributions which would be due based on the deficit at 31 December 2015. The funding level is subject to re-assessment, in most cases on 1 November of each year. If the funding level of 1 November has sufficiently improved, no deficit funding contributions will be required in the following year, and the deficit contribution amount will be deferred.

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22. PENSION SCHEME (Continued)

The Company participates in a defined benefit plan that shares risks between entities under common control. The policy for charging the defined benefit costs is determined for each segregated section of the Fund based on an allocation of accounting liabilities for each member between the employers participating in the section. The assets attributable to each of the Fund sections are measured through a process of unitisation whereby all cash transactions are apportioned between the sections monthly. This unitization process determines the Fund assets attributable to the Company for one of the Fund sections, and the contribution paid by the Company is determined as part of the funding valuation for this Fund section. For the other Fund section in which the Company participates, the contributions and assets are allocated to the Company in proportion to the Company's share of the accounting liabilities in the section.

	2016	2015
	£m	£m
Change in defined benefit obligation		
Defined benefit obligation at end of prior year	1,254.1	1,312.8
Service cost		
Interest expense	48.2	47.3
Cash flows		
Curtailments	-	-
Benefit payments from plan assets	(38.6)	(36.2)
Remeasurements		
Effect of changes in assumptions	390.7	(58.9)
Effect of experience adjustments	-	(10.9)
Benefit obligation at end of year	1,654.4	1,254.1

	2016	2015
Change in fair value of plan assets	£m	£m
Fair value of plan assets at end of prior year	1,499.8	1,503.1
Interest income	57.8	54.5
Cash flows		
Employer contributions	7.7	11.2
Benefit payments from plan assets	(38.6)	(36.2)
Administrative expenses paid from plan assets	(3.6)	(2.7)
Other significant events		
Allocation of another group Company's assets	-	1.2
Remeasurements		
Return on plan assets	277.0	(31.3)
Fair value of plan assets at end of year	1,800.1	1,499.8

Mercer Limited
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22. PENSION SCHEME (Continued)

Amounts recognised in the balance sheet	**2016**	**2015**
	£m	**£m**
Defined benefit obligation	(1,654.4)	(1,254.1)
Fair value of plan assets	1,800.1	1,499.8
Funded status	145.7	245.7
Effect of asset ceiling	-	-
Net defined benefit asset	145.7	245.7

Costs relating to defined benefit plans	**2016**	**2015**
	£m	**£m**
Service cost		
Net interest cost		
Interest expense on defined benefit obligation	48.2	47.3
Interest income on plan assets	(57.8)	(54.5)
Administrative expenses	3.6	2.7
(Income) relating to defined benefit plans included in profit and loss account	**(6.0)**	**(4.5)**
Remeasurements (recognised in other comprehensive income)		
Effect of changes in assumptions	390.3	(58.9)
Effect of experience adjustments	0.4	(10.9)
Return on plan assets (excluding interest income)	(277.0)	31.3
Total remeasurements included in other comprehensive income	**113.7**	**(38.5)**
Total cost/ (income) related to defined benefit plans recognised in P&L and OCI	**107.7**	**(43.0)**

Net defined benefit asset reconciliation	**2016**	**2015**
	£m	**£m**
Net defined benefit asset at start of year	245.7	190.3
Income / (costs) relating to defined benefit plans included in P&L	6.0	4.5
Total remeasurements included in OCI	(113.7)	38.6
Net transfer in included in OCI	-	1.4
Cash flows - Employer contributions	7.7	10.9
Net defined benefit asset at end of year	**145.7**	**245.7**

22. PENSION SCHEME (Continued)

Plan assets	**2016 £m**	**2015 £m**
Fair value of plan assets:		
Cash & cash equivalents	19.6	24.3
Equity instruments	798.4	633.9
Government Bonds/LDI instruments	405.0	384.7
Other debt instruments	444.0	330.9
Real estate	85.1	81.6
Other	48.0	44.4
	1,800.1	1,499.8
Total return on plan assets (including interest income)	334.8	23.2

Weighted average assumptions used to determine benefit obligations at:	**2016**	**2015**
Discount rate	2.70%	3.90%
Rate of salary increase	2.90%	2.82%
Rate of price inflation (RPI)	3.20%	3.07%
Rate of price inflation (CPI)	2.20%	2.07%
Rate of statutory pension increase in deferment	2.20%	2.07%
Weighted-average assumptions used to determine cost relating to defined benefit plans:		
Discount rate	3.90%	3.65%
Rate of compensation increase	2.80%	2.70%
Inflation rate (RPI)	3.10%	2.95%
Inflation rate (CPI)	2.10%	1.95%

22. PENSION SCHEME (Continued)

	2016		2015	
	Male	**Female**	**Male**	**Female**
Weighted average life expectancy for mortality tables used to determine benefit obligations at:				
Member age 65 (current life expectancy)	23.2	25.2	23.1	25.1
Member age 45 (life expectancy at age 65)	24.8	27.1	24.7	27.0

If future life expectancy for all members were to increase by a further one year then this would increase the liabilities for FRS 102 purposes by about 3%. A change in the life expectancy assumption at the year end balance sheet date also leads to an increase in the following year's pensions charge to the profit and loss.

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Five year history					
Fair value of plan assets at end of year	1,800.1	1,499.8	1,503.1	1,265.7	1,114.5
Benefit obligation at end of year	(1,654.4)	(1,254.1)	(1,312.8)	(1,075.5)	(1,027.1)
Surplus	145.7	245.7	190.3	190.2	87.4

	2016	2015	2014	2013	2012
Difference between expected and actual return on scheme assets:					
Amount (£m)	277.0	(31.3)	181.0	43.4	67.3
Percentage of scheme assets	15%	(2)%	12%	3%	6%
Experience gains and losses on scheme liabilities					
Amount (£m)	0.4	10.9	4.1	(18.9)	10.8
Percentage of scheme liabilities	0%	1%	0%	(2)%	1%

Contributions

As a result of the pension changes that took effect from 1 August 2014 the requirement to make regular contributions to the DB sections ceased at that time. In 2013, the Company made contributions of £35.8 million to pre-fund all of the 2014 deficit contributions and a portion of subsequent deficit contributions. The 2015 contributions included an allowance for administrative expenses and PPF levies. In 2016 the Company made £7.7m of deficit contributions and it is expected that the company will make contributions of £21.1 million during 2017.

22. PENSION SCHEME (Continued)

Defined contribution scheme

Prior to 1 August 2014, the group also operated a defined contribution scheme for employees who were not eligible or chose not to join the defined benefit scheme.

From 1 August 2014, the Company's defined benefit section of the pension scheme and the existing defined contribution plan were both closed to future benefit accrual. All future pension benefits from 1 August 2014 are provided under a new defined contribution section of the pension scheme. The Company made defined contribution payments of £13.8m during 2016 (2015 - £14.3m).

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 had 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, 277 pensioners receive these benefits and 60 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 2016 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 2016**	**31 December 2015**	**31 December 2014**	**31 December 2013**	**31 December 2012**
Gross interest rate	2.7%	3.9%	4.7%	4.7%	4.3%
Medical cost trend rate for one year	5.4%	5.4%	5.5%	10.5%	6.1%
Medical cost trend rate after one year	5.4%	5.4%	5.5%	5.5%	6.1%

The following amounts have been recognised in the performance statements in the year to 31 December 2016 in respect of post retirement medical benefits under the requirements of FRS 102:

23. POST RETIREMENT MEDICAL BENEFITS (Continued)

	2016 £'000	2015 £'000
Analysis of amounts charged to operating profit		
Current service cost	231	261
Total included within operating profit	231	261
Analysis of amount charged to other finance costs		
Interest on scheme liabilities	676	711
Net finance cost	676	711
Analysis of the actuarial gain in the statement of total recognised gains and losses		
Experience gains and losses arising on scheme liabilities	(957)	1,125
Effects of changes in assumptions underlying the present value of scheme liabilities	(3,975)	1,278
Actuarial (loss) / gain	(4,932)	2,403

Movement in scheme liability during the year:.

	2016 £'000	2015 £'000
Liability in the scheme at 1 January	17,623	19,507
Current service cost	231	261
Payments	(584)	(453)
Interest on scheme liabilities	676	711
Actuarial loss / (gain)	4,932	(2,403)
Liability in the scheme at 31 December	22,878	17,623

History of experience gains and losses	**2016**	**2015**	**2014**	**2013**	**2012**
Experience gains/(losses) on scheme liabilities:					
Amount (£'000)	(957)	1,125	1,190	1,586	(63)
Percentage of the present value of the scheme liabilities	(4%)	6%	6%	8%	0%
Total actuarial gain/(loss) recognised in statement of total recognised gains and losses:					
Amount (£'000)	(4,932)	2,403	1,329	2,838	(1,878)
Percentage of the present value of the scheme liabilities	(22%)	14%	7%	14%	(8)%

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. There has been no change to the treatment under FRS 102.

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 2015, the Company has applied the requirements of Financial Reporting Standard 102. In accordance with the transitional provisions, FRS 102 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 102.

25. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company is MMC UK Group Limited, which is incorporated in the United Kingdom and registered in England and Wales. The ultimate parent company and controlling entity is Marsh & McLennan Companies, Inc., incorporated in the State of Delaware, United States of America. 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

United Kingdom

26. RELATED PARTY TRANSACTIONS

Post-employment benefit plans

During the year, the Company provided services in the ordinary course of business to the MMC UK Pension Fund Trustee, a related party, for fees of £7,095,262 (2015: £7,314,344).

Amounts owed by this related party at the reporting date were £2,124,489 (2015: £3,580,574).

These amounts all relate to trading balances.