

**OLIVER WYMAN LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 December 2016**



**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31  
DECEMBER 2016**

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## STRATEGIC REPORT

The directors present their Strategic Report for Oliver Wyman Limited (the “Company”) for the year ended 31 December 2016. The Company’s registration number is 02995605.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is management consultancy. The UK Company and its branches in Saudi Arabia, Abu Dhabi and India operate in a global capacity providing consulting services to many of the world’s leading financial services organisations and other companies on strategic matters and risk management.

The Company’s key financial and other performance indicators during the year were as follows:

	2016	2015	Movement
	£ million	£ million	£ million
Turnover	234.2	195.3	38.9
Operating profit / ( loss)	9.9	(10.6)	20.5
Interest receivable and other income	9.0	1.6	7.4
Profit / (Loss) before tax	2.8	(9.0)	11.8
Shareholders' funds	152.6	154.9	(2.3)

The turnover increase of £38.9 million in the year is mainly attributed to increased demand for services overseas, which increased revenue by £30.6 million. Turnover in the UK increased by £8.3 million.

Compared to the prior year, the improvement in the operating profit in 2016 by £20.5 million to £9.9 million is due to the overseas operation contributing an increase in operating profit of £4.6 million and the UK operation contributing an increase in operating profit of £15.9 million. The UK also recharged to other group companies a total of £30.6 million (2015 - £nil) for central support services, of which £18.5 million related to the period 2013 to 2015 as a result of an analysis and reallocation performed this year in conjunction with the other group companies.

The Company’s result is a profit before tax of £2.8 million, compared to a loss of £9.0 million in 2015 despite the UK being charged with an investment impairment of £15.9 million during the year. Other items that attributed to this improvement include a dividend received of £4.0 million and foreign exchange gains of £4.3 million.

We continue to develop our intellectual capital and deepen our core business expertise in banking, insurance, actuarial consulting, strategic IT and risk management. We believe that these areas of expertise will allow us to provide value added service to our clients. We continue to leverage our sales channels with sister companies within the Marsh & McLennan, Inc. Group and offer bespoke consulting advice to address client issues. We believe the outlook remains positive despite the uncertainty within the global economy and with the UK leaving the EU.

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal business risks to the Company are explained below:

1. There is always the inherent risk of losing out to competitors during bidding processes. This has the implication of ultimate revenue loss. This risk is managed by ensuring that the level of work invested at the bidding stages is thorough and comprehensive to win potential contracts; Management are however aware of external factors that can affect potential contracts beyond the control of Company practices.
2. Costs overrun on projects; our financial systems are designed to specifically monitor work in progress and all practice groups monitor revenue and cost globally on a monthly, quarterly and yearly basis to ensure costs are kept in check with agreed budgets.

## STRATEGIC REPORT (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

3. Failure to identify, hire, train and retain talented employees who share our values could have a negative effect on our reputation and our business. Human Resources processes are however designed to maintain the quality of our workforce.
4. Client contract terms may expose the business to legal liability for breach of contract. Our ability to negotiate improved terms may be limited when contracting with public bodies. The risk is managed through rigorous contract review procedures and negotiation of contract amendments where appropriate.
5. We derive a proportion of our revenue from work performed by external contractors. Control over external contractors may be more limited than internal resources and poor performance could damage our reputation, result in a reduction of the amount of our work under, or termination of, client contracts, and prejudice future work opportunities. Risks from subcontractor underperformance are managed through well-established subcontracting processes including due diligence of new subcontractors.

### FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risks are that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due or that significant customer accounts receivable are not fully recovered.

The most important components of financial risk are; interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the directors consider relevant to this company are credit risk, currency risk and liquidity risk.

#### Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main area where the Company is exposed to credit risk is in relation to the amounts due from its client base. These risks are mitigated by credit control procedures and the generally diverse client base, although individual client balances can be material and a provision of £6.3 million has been recorded in 2016 against a balance due from one client.

#### Currency risk

The Company is exposed to currency risk in respect of revenue as well as assets and liabilities denominated in currencies other than Pounds Sterling. The most significant currencies to which the Company is exposed are the US Dollar and Euro. The Company seeks to mitigate the risk as far as possible by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

#### Liquidity/cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when due. The Company has group support to enable it to meet its cash requirements.

The Company engages with central treasury and finance functions working for the Marsh & McLennan Companies, Inc. Group to monitor and control its cash flows and working capital requirements.

### GOING CONCERN

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in note 1 to the financial statements.

**STRATEGIC REPORT (continued)**


**SUPPLIER PAYMENT POLICY**

The Company's policy, which is also applied by the group, is to settle terms of payment with suppliers when agreeing the terms of each transaction. Trade creditors of the group at 31 December 2016, were equivalent to 22 days' purchases (2015: 12 days'), based on the average daily amount invoiced by suppliers during the year.

**PAYMENTS FOR CHARITABLE PURPOSES**

Donations to charitable organisations in the United Kingdom totalled £44,863 (2015: £20,109).

By order of the Board

  
J-P D'Offay  
Director

30 October 2017

Oliver Wyman Limited  
1 Tower Place West  
Tower Place  
London  
EC3R 5BU

## **DIRECTORS' REPORT**

The directors present their annual report and audited financial statements of Oliver Wyman Limited ("the Company") for the year ended 31 December 2016. The Company's registration number is 02995605.

### **DIRECTORS**

The current directors of the Company and those who served throughout the year under review, are as follows:

M J Cunningham  
J-P D'Offay  
T S McDonald  
D G Taliente

### **RESULTS AND DIVIDENDS**

The results of the Company for the year are shown on page 9. The profit for the year was £1,245,000 (2015: loss, £9,513,000).

#### **Dividends**

The directors recommend the payment of an interim 2017 dividend of £35,000,000 (2015: £nil). During the year, the Company received a net dividend of £4,045,000 (2015: £nil) from its subsidiary undertaking, Oliver Wyman S.L ("Oliver Wyman Spain").

### **FUTURE DEVELOPMENTS**

It is anticipated that the activities of the Company will continue along similar lines for the foreseeable future.

### **INDEMNITY**

The Company has put in place an indemnity in the Articles of Association to indemnify directors and officers of the Company against losses or liabilities sustained in the execution of their duties of office. The indemnity is a qualifying third party indemnity provision under s232 and s234 of the Companies act 2006.

### **DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who is a director of the Company at the date of approval of this report confirms that:

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

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

**DIRECTORS' REPORT (continued)**

**DISABLED EMPLOYEES**

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

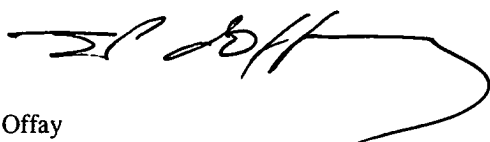
**EMPLOYEE CONSULTATION**

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

**AUDITOR**

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

Approved by the Board of Directors and signed on its behalf by:



J-P D'Offay  
Director

30 October 2017

Oliver Wyman Limited  
1 Tower Place West  
Tower Place  
London  
EC3R 5BU

## **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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 OLIVER WYMAN LIMITED**

We have audited the financial statements of Oliver Wyman Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position and the notes to the financial statements 1 to 23. 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 United Kingdom 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 Statement of Directors' Responsibilities, 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 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 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 matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLIVER WYMAN 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; or



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

30 October 2017

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2016**

	Notes	2016 £'000	2015 £'000
<b>TURNOVER</b>	2	234,172	195,330
Administrative expenses		(224,285)	(205,965)
<b>OPERATING PROFIT/(LOSS)</b>		9,887	(10,635)
Profit on disposal of fixed asset investment		-	219
Impairment of investment		(15,983)	-
Interest receivable and similar income	3	8,952	1,550
Interest payable and similar charges	4	(54)	(115)
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	5	2,802	(8,981)
Tax on profit/(loss)	7	(1,557)	(532)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		1,245	(9,513)
<b>OTHER COMPREHENSIVE INCOME</b>			
Total remeasurements in respect of pension schemes	16	(9,270)	1,671
Net transfer into pension scheme		-	147
Deferred tax relating to actuarial gains and losses	8	1,576	(327)
Effect of changes in deferred tax rate	8	136	279
Foreign currency translation differences arising from branches		1,497	(1)
<b>TOTAL COMPREHENSIVE LOSS</b>	21	(4,816)	(7,744)

All transactions derive from continuing operations.

The information on pages 9 to 12 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2016**

	Notes	Share Capital £'000	Capital contribution £'000	Restructuring reserve £'000	Profit and loss £'000	Total £'000
<b>Year ended 31 December 2015</b>						
As at 1 January 2015		5,501	8,528	11,277	135,528	160,834
Loss for the financial year		-	-	-	(9,513)	(9,513)
Total remeasurements in respect of pension schemes	16	-	-	-	1,671	1,671
Net transfer in to pension scheme	16	-	-	-	147	147
Deferred tax relating to actuarial gains and losses	8	-	-	-	(327)	(327)
Effect of changes in deferred tax rate	8	-	-	-	279	279
Foreign currency translation differences arising from branches		-	-	-	(1)	(1)
Total comprehensive loss		-	-	-	(7,744)	(7,744)
Credit to equity for equity settled share-based payments	17	-	1,838	-	-	1,838
<b>As at 31 December 2015</b>		<b>5,501</b>	<b>10,366</b>	<b>11,277</b>	<b>127,784</b>	<b>154,928</b>

**STATEMENT OF CHANGES IN EQUITY (continued)**  
**For the year ended 31 December 2016**

	Notes	Share Capital £'000	Capital contribution £'000	Restructuring reserve £'000	Profit and loss £'000	Total £'000
<b>Year ended 31 December 2016</b>						
At 31 December 2016		5,501	10,366	11,277	127,784	154,928
Profit for the financial year		-	-	-	1,245	1,245
Total remeasurements in respect of pension schemes	16	-	-	-	(9,270)	(9,270)
Deferred tax relating to actuarial gains and losses	8	-	-	-	1,576	1,576
Effect of changes in deferred tax rate	8	-	-	-	136	136
Foreign currency translation differences arising from branches		-	-	-	1,497	1,497
Total comprehensive loss		-	-	-	(4,816)	(4,816)
Credit to equity for equity settled share-based payments	17	-	2,491	-	-	2,491
<b>As at 31 December 2016</b>		<b>5,501</b>	<b>12,857</b>	<b>11,277</b>	<b>122,968</b>	<b>152,603</b>

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2016**

	Notes	2016 £'000	2015 £'000
<b>FIXED ASSETS</b>			
Intangibles	9	390	-
Tangible fixed assets	11	2,329	3,411
Investments	10	19,791	35,774
		<u>22,510</u>	<u>39,185</u>
<b>CURRENT ASSETS</b>			
Cash at bank and in hand		83,131	82,964
Debtors: Amounts falling due within one year	12	126,406	89,819
Debtors: Amounts falling due after more than one year	13	28,164	24,030
		<u>237,701</u>	<u>196,813</u>
Creditors: Amounts falling due within one year	14	(110,333)	(90,300)
<b>NET CURRENT ASSETS</b>		<u>127,368</u>	<u>106,513</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>149,878</u>	<u>145,698</u>
Creditors: Amounts falling due after more than one year	15	(2,118)	(4,352)
<b>NET ASSETS EXCLUDING RETIREMENT BENEFITS ASSETS AND LIABILITIES</b>		<u>147,760</u>	<u>141,346</u>
<b>Net pension asset</b>	16	<u>4,843</u>	<u>13,582</u>
<b>NET ASSETS INCLUDING RETIREMENT BENEFITS ASSETS AND LIABILITIES</b>		<u>152,603</u>	<u>154,928</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	5,501	5,501
Capital contribution	21	12,857	10,366
Restructuring reserve	21	11,277	11,277
Profit and loss account	21	122,968	127,784
<b>SHAREHOLDERS' FUNDS</b>		<u>152,603</u>	<u>154,928</u>

The financial statements of Oliver Wyman Limited (registered number 02995605) were approved by the Board of Directors and authorised for issue on 27 October 2017.

They were signed on its behalf by:



J-P D'Offay  
 Director  
 30 October 2017

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 December 2016

### 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### General information and basis of accounting

Oliver Wyman Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 3.

The financial statements have been prepared under the historical cost convention Indian in accordance with Financial Reporting Standard (FRS 102) issued by the Financial Reporting Council.

The functional currency of Oliver Wyman Limited other than its branches is considered to be Pounds Sterling because this is the currency of the primary economic environment in which the Company operates. The functional currencies of the branches are Rupees for the India branch, UAE Dirham for the Abu Dhabi branch and Riyal for the Saudi Arabia branch. Oliver Wyman Limited is a private company limited by shares.

Oliver Wyman Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of:

- the presentation of a statement of cash flows and related notes;
- disclosure of inter-group transactions within the wholly-owned group;
- exposure to and management of financial risks;
- categories of financial instruments; and
- key management personnel.

Shareholders have been notified in writing and do not object to the disclosure exemptions. The group consolidated financial statements of Marsh & McLennan Companies Inc. can be obtained from the address listed in note 23.

#### Turnover

##### (i) Fees

Turnover comprises of total fees earned by the Company in the financial year net of trade discounts and VAT. These fees are considered to represent one class of business by the directors. Fee income is recognised in the statement of comprehensive income on the basis of chargeable hours of the Company's employees to either local clients or those in foreign offices, and any un-invoiced amounts are shown as unbilled debtors, net of any provisions for amounts considered to be unbillable.

##### (ii) Management fee recharges

The Company bears some service costs on behalf of other group companies, and in turn it recharges those group companies.

#### Interest income

Interest income is recognised using the effective interest rate method.

#### Tangible fixed assets

Tangible fixed assets are shown at original historical cost less accumulated depreciation and any provision for impairment. Depreciation is provided on a straight-line basis over their estimated useful lives, as follows:

Short term leasehold Improvements	Over the remaining life of the lease, limited to a period not exceeding 10 years
Fixtures, Fittings and equipment	3 to 10 years
Computer equipment	3 to 5 years

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### For the year ended 31 December 2016

#### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 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 basis.

##### 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 Principal Activities and Business Review section of the Strategic Report on pages 1 to 3.

The Strategic Report also describes the financial position of the Company; its cash flows and liquidity position; 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 has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### Investments

Fixed asset investments are shown at cost less provisions for any impairment. Impairment is measured by comparing the carrying value of the asset with its future discounted cash flow and its market value.

##### Impairments

Assets, other than those measured at fair value, are assessed for indicators of impairment at each date of the statement of financial position. 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.

##### Taxation

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

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

##### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the date of the statement of the financial position 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 date of the statement of financial position. 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.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred taxation (continued)**

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 assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the date of the statement of financial position 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.

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.

**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 actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each date of the statement of financial position.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payables in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Retirement benefits (continued)

Regular valuations are prepared by an independent professionally qualified actuary employed within the Marsh & McLennan Companies, Inc. group. The independent professionally qualified actuary determine the level of contributions required to fund the benefits set out in the rules of the plans and allows 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 benefits 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 value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the statement of financial position 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 date of the statement of financial position. The liabilities of the Fund are measured using the project unit method.

Differences between actual and expected returns on assets during the year are recognised in the statement of comprehensive income, 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 contributions schemes, the amount charged to 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 either as accruals or prepayments on the statement of financial position.

The pension scheme surplus is included on the Company's statement of financial position. Surpluses are only included to the extent they are recoverable through reduced contributions in the future through refunds from the scheme.

#### Foreign exchange

All foreign currency monetary assets and liabilities are recorded at the rate of exchange prevailing at the date of the statement of financial position. Transactions in foreign currencies are recorded at the dates of transactions. Translation gains or losses also occur on the incorporation of the foreign branches. Translation gains or losses arising during the year are included in the profit and loss account.

#### Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

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

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2016****1. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)****(i) Financial assets and liabilities**

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

Debt instruments that are classified as payable or receivable within one year and which meet the below conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment:

- (a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- (d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**(ii) Equity instruments**

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

**Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective rate, except for the short-term receivables when the recognition of interest would be immaterial.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Dividends**

Dividends payable are accounted for when declared.

**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 date of the statement of financial position 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.

**Goodwill**

Goodwill arising on acquisition of a business is capitalised and amortised on a straight-line basis over the estimated useful economic life of each acquisition; generally 10 to 20 years. Provision is made for any impairment. Goodwill is reviewed for impairment on an annual basis and the income generating units are assessed for the recoverability of the goodwill.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2016****1. SIGNIFICANT ACCOUNTING POLICIES (continued)****Critical accounting judgements and key source of estimation uncertainty**

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

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

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

The following critical judgement, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

**(i) Revenue recognition – Accrued income or (“WIP”) provisioning**

The Company recognises revenue as services are performed and the right to consideration is earned. Accordingly revenues are recognised on a percent completion basis for projects which is based on estimations from the project managers. The WIP balance represents unbilled revenue which must be assessed for recoverability and provided against where appropriate.

Management reviews all project WIP balances greater than 90 days in age in order to determine whether a WIP reserve is appropriate depending on whether there is a valid reason for the delay in invoicing and that recoverability is still assured.

**(ii) Impairment review of fixed assets investments**

The Company has an annual process of reviewing its fixed asset investments for indicators of impairment. Areas of critical judgement include estimates of future discount rates, future earnings and consideration of whether there is a willing buyer in the market for these investments.

Impairment and impairment reversals are measured by comparing the carrying value of the asset with its future discounted cash flow. Any impairment that have subsequently been reversed are capped to their historical acquisition cost

**b. Key sources of estimation uncertainty**

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

**(i) Pension actuarial assumptions**

The cost of defined benefit pension plan and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the plan, such estimates are subject to significant uncertainty. Further details are provided in note 16.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b. Key sources of estimation uncertainty (continued)**

**(ii) Allowance for doubtful debts**

The allowances are recognised against doubtful trade receivables for estimated irrecoverable amounts determined based on the age of the receivable and by reference to the past default experience of the counterparty and an analysis of the counterparty's current financial position.

As at the date of the statement of financial position, trade receivables held by a branch of the Company included £6.3m due from a single counterparty which are now over a year overdue. The Company has recognised an allowance for this balance although the directors are actively pursuing its recovery. A further balance that is now over one year old of £2.3m from another customer of the branch has not been provided for as it is expected to be received. This represents a key source of estimation uncertainty.

**2. TURNOVER**

The Company operates two types of turnover, namely the provision of management advice and other management fee recharges to other group companies. The Company had geographical turnover as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fee income:</b>		
UK	143,860	166,134
Middle East	57,328	28,124
India	2,399	1,072
<b>Total fee income</b>	<b>203,587</b>	<b>195,330</b>
<b>Management fee recharges to other group companies:</b>		
UK	30,585	-
<b>Total turnover</b>	<b>234,172</b>	<b>195,330</b>

The recharges to other group companies included £18.5 million related to the period 2013 to 2015 as a result of an analysis and reallocation performed this year in conjunction with the other group companies

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Foreign exchange gains	4,260	958
Dividend received	4,045	-
Net finance income relating to pension scheme	544	419
Interest receivable on bank deposits	103	173
	<b>8,952</b>	<b>1,550</b>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Other interest payable	54	115

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**5. PROFIT / (LOSS) BEFORE TAXATION**

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
<b>Profit / (Loss) on ordinary activities before taxation is stated after charging / (crediting):</b>		
Depreciation of tangible fixed assets	1,272	1,351
Loss on disposal of tangible fixed assets	-	6
Dividend received	4,045	-
Operating Leases		
Land and buildings	4,492	4,473
Other operating leases	136	214
Audit fees	131	138
	<hr/>	<hr/>

**6. STAFF COSTS**

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

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Wages and Salaries	94,465	97,382
Social Security costs	9,234	10,301
Other pension costs	6,012	5,515
	<hr/>	<hr/>
	109,711	113,198
	<hr/>	<hr/>

	<b>2016</b> <b>Number</b>	<b>2015</b> <b>Number</b>
The average number of persons employed during the year was:		
Consulting	378	393
Management and administration	174	163
	<hr/>	<hr/>
	552	556
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**6. STAFF COSTS (continued)**

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments	4,659	3,191
Pensions	-	-
	<u>4,659</u>	<u>3,191</u>

In 2016 directors were awarded a deferred bonus of £182,598 (2015: £473,648) that will vest in three equal tranches in March 2017, March 2018 and March 2019 (2015: March 2016, March 2017 and March 2018).

Directors' remuneration shown above included the following for the highest paid director:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments	2,813	1,860
Pensions	-	-
	<u>2,813</u>	<u>1,860</u>

In 2016 the highest paid director was awarded a deferred bonus of £182,598 (2015: £250,249) that will vest in three equal tranches in March 2017, March 2018 and March 2019 (2015: March 2016, March 2017 and March 2018).

The emoluments shown above reflect the total emoluments received by the directors for services relating to the Company and other companies in the Marsh & McLennan Companies, Inc., Group (the "Group") during the year under review. The directors' emoluments disclosed above are not allocated to a Group company in receipt of an individual's specific service. Emoluments are paid by the directors' employing company within the Group and subsequently recharged to the Company.

Where the Company's directors are in receipt of share-based payments and awards as part of their overall remuneration, these are disclosed in the financial statements of their employing company.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**7. TAX ON PROFIT/(LOSS)**

**(a) Analysis of total tax charge in the year**

The corporation tax rate for the year was 20% (2015: 20.25%).

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>UK Corporation tax group relief:</b>		
Foreign tax for current year	1,646	683
Adjustment in respect of prior year	1,229	(7)
<b>Total current tax</b>	<b>2,875</b>	<b>676</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(1,494)	361
Impact of change in rate of tax	107	198
Adjustment in respect of prior year	69	(703)
<b>Total deferred tax</b>	<b>(1,318)</b>	<b>(144)</b>
<b>Actual tax for the year</b>	<b>1,557</b>	<b>532</b>

**(b) Factors affecting the tax charge for the year**

The tax assessed for the year is higher (2015: higher) than that resulting from applying the applicable rate of corporation tax in the UK in 2016 of 20% (2015: 20.25%).

The differences are explained below:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(Loss) before tax	2,802	(8,981)
Expected tax charge / (credit) for the tax, calculated at 20% (2015: 20.25%) of the profit/(loss) before tax	560	(1,818)
Effects of:		
Expenses not deductible for tax purposes	249	261
Net overseas tax	102	683
Impairment of investment	3,076	-
Amounts (charged)/credited directly to STRGL or otherwise transferred	-	(101)
Share schemes	(490)	(523)
Income not taxable for tax purposes	(4,756)	(443)
Difference in tax rates	336	294
Prior year tax adjustment – deferred tax	69	(710)
Prior year tax adjustment – current tax	1,228	-
Current year group relief for nil consideration	1,183	2,889
<b>Current tax for the year</b>	<b>1,557</b>	<b>532</b>

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**8. DEFERRED TAXATION**

Analysis of deferred tax asset / (liability) is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Movements on the deferred taxation account were as follows:		
<b>At 1 January</b>	(948)	(991)
<b>Income statement:</b>		
Current year credit / (charge)	1,494	(361)
Prior year adjustment	(69)	703
Impact of change in tax rate	(107)	(198)
<b>Other comprehensive income:</b>		
Movements in net pension and post-retirement liability	1,712	(101)
<b>At 31 December</b>	<u>2,082</u>	<u>(948)</u>

**Analysis of deferred (tax asset)/liability**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Capital allowances in arrears of depreciation	300	394
Short term timing differences	2,605	1,103
Pension and post retirement benefits	(823)	(2,445)
	<u>2,082</u>	<u>(948)</u>

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

**9. INTANGIBLES**

The Company entered into an asset purchase agreement with LShift Limited on 1 December 2016. LShift Limited provides software development and information technology consulting services. The Company paid a fixed consideration of £422,000. The moveable assets of LShift Limited had a fair value of £32,000 which generated a goodwill value of £390,000.

**10. INVESTMENTS**

	<b>£'000</b>
<b>Cost</b>	
At 1 January and 31 December 2016	<u>35,774</u>
<b>Provisions for impairment</b>	
At 1 January 2016	-
Impairment of investment	(15,983)
At 31 December 2016	<u>(15,983)</u>
<b>Net book value</b>	
At 31 December 2016	<u>19,791</u>
At 31 December 2015	<u>35,774</u>

Following an impairment review, £15,983,000 was provided against the carrying value of investments.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**10. INVESTMENTS (continued)**

<b>Company</b>	<b>Principal activity</b>	<b>Class of share and percentage held and voting rights (directly or indirectly)</b>	<b>Registered Office Address</b>
Oliver Wyman Energy Holdings Limited	Holding Company	Ordinary (81.7%) A Ordinary (18.3%)	1Tower Place West, Tower Place, London, EC3R 5BU, United Kingdom
Oliver Wyman Energy Group Limited	Holding Company	Ordinary (100%)	1Tower Place West, Tower Place, London, EC3R 5BU, United Kingdom
Oliver Wyman Energy Consulting Limited	Management Consulting	Ordinary (100%)	1Tower Place West, Tower Place, London, EC3R 5BU, United Kingdom
Oliver Wyman Energy US Limited	Non-trading	Ordinary (100%)	1Tower Place West, Tower Place, London, EC3R 5BU, United Kingdom
Oliver Wyman sp. Z o.o.	Management Consulting	Ordinary (100%)	Nimbus, Al. Jerozolimskie 98 00-807 Warsaw Poland
Oliver Wyman SNC	Management Consulting	Common (0.003%)	1 Rue Euler 75008 Paris, France
Oliver Wyman S.L.	Management Consulting	Ordinary (48%)	Paseo Castellana, 216, 28046 Madrid, Spain
Oliver Wyman FZ-LLC	Management Consulting	Ordinary (48%)	Arjaan Office Building 11th Floor Dubai Media City Area 500525 UAE Dubai
Oliver Wyman Consulting Limited	Management Consulting (in liquidation)	Ordinary (100%)	2 Chawley Park, Cumnor Hill, Oxford, OX2 9GG
Factern Limited	Management Consulting	Ordinary (47.5%)	55 Baker Street 3rd Floor South, London, W1U 8EW United Kingdom

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**11. TANGIBLE FIXED ASSETS**

	Short-term leasehold improvements £'000	Fixtures, fittings, and equipment £'000	Computer equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2016	8,766	1,801	1,161	11,728
Additions	15	159	16	190
Disposals	-	(29)	(348)	(377)
At 31 December 2016	8,781	1,931	829	11,541
<b>Accumulated depreciation</b>				
At 1 January 2016	6,227	1,240	850	8,317
Charge for the year	879	169	224	1,272
Disposals	-	(29)	(348)	(377)
At 31 December 2016	7,106	1,380	726	9,212
<b>Net book value</b>				
At 31 December 2016	1,675	551	103	2,329
At 31 December 2015	2,539	561	311	3,411

**12. DEBTORS: Amounts falling due within one year**

	2016 £'000	2015 £'000
Trade debtors	47,994	52,815
Amounts owed by group companies	40,210	11,028
Other debtors	2,564	1,568
Deferred tax (note 8)	2,082	-
Overseas taxes recoverable	406	253
Amounts due from group companies in respect of taxation	321	6
Prepayments and accrued income	32,829	24,149
	126,406	89,819

**13. DEBTORS: Amounts falling due after more than one year**

	2016 £'000	2015 £'000
Amount owed by parent company	28,164	24,030

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**14. CREDITORS: Amounts falling due within one year**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	2,221	908
Amount due to group companies in respect of taxation	1,036	232
Amount owed to group companies	44,421	20,210
Creditors in respect of vat and social security	4,524	2,416
Deferred tax liability (note 8)	-	948
Corporation tax	1,156	-
Other Creditors	498	-
Accruals and deferred income	56,477	65,586
	<u>110,333</u>	<u>90,300</u>

Amount owed to group companies includes loans issued by MMC International Treasury Centre Limited to the Company on 21 March 2016. The principal amounts issued by the Lender were \$2,000,000 and €5,000,000 respectively. The loans were issued in these currencies to hedge against USD and EUR core receivables however they have not been accounted for as hedges.

**15. CREDITORS: Amounts falling due after more than one year**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Amount payable to employees	-	217
Accruals and deferred income	2,118	4,135
	<u>2,118</u>	<u>4,352</u>

The amounts payable to employees are in respect of deferred compensation and carry interest ranging from 1.0% to 3.0%

**16. PENSION SCHEME**

The Company operates a pension scheme (the Fund) in the UK with defined benefit and defined contributions sections. The existing sections of the Fund closed to all future benefit accrual with effect from 1 August 2014. Pension benefits accrued prior to that date retain the link to future salary growth or career revaluation, as applicable.

A comprehensive actuarial valuation of the defined benefit sections was carried out at 31 December 2015 and updated to 31 December 2016 by a qualified actuary (who is employed within the Marsh & McLennan Companies Group). The update over 2016 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 methods and assumptions do not completely remove the risk that the technical provisions could be insufficient to provide benefits in the future. The funding principles were agreed in November 2016. The current agreement with the Trustees sets out the annual deficit contributions which would be due based on the deficit at 31 December 2015.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**16. PENSION SCHEME (continued)**

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.

The Company participates in a defined benefit plan that shares risks between entities under common control. The policy for charging the defined benefit costs is determined based on an allocation of accounting liabilities for each member between the employers participating in the section. Under this established policy, the contributions and assets are also allocated to the Company in proportion to the Company's share of the accounting liabilities in the section.

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
<b>Change in defined benefit obligation</b>		
Defined benefit obligation at end of prior year	74,102	75,259
Interest expense	2,939	2,770
Cash flows		
Benefit payments from plan assets	(1,185)	(836)
Benefit payments from employer	(17)	(16)
Insurance premium for risk benefits	-	(1)
Remeasurements		
Effect of changes in assumptions	32,299	(4,857)
Effect of experience adjustments	(862)	1,783
<b>Defined benefit obligation at end of year</b>	<b>107,276</b>	<b>74,102</b>
	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
<b>Change in fair value of plan assets</b>		
Fair value of plan assets at end of prior year	87,684	86,582
Interest income	3,483	3,189
Cash flows		
Employer contributions	197	168
Employer direct benefit payments	17	16
Benefit payments from plan assets	(1,185)	(836)
Benefit payments from employer	(17)	(16)
Administrative expenses paid from plan assets	(227)	(162)
Insurance premiums for risk benefits	-	(1)
Other significant events		
Increase (decrease) due to effect of any business combinations/ divestitures /transfers	-	147
Remeasurements		
Return on plan assets (excluding interest income)	22,167	(1,403)
<b>Fair value of plan assets at end of year</b>	<b>112,119</b>	<b>87,684</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**16. PENSION SCHEME (continued)**

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
<b>Amounts recognised in the statement of financial position</b>		
Defined benefit obligation	(107,276)	(74,102)
Fair Value of plan assets	112,119	87,684
<b>Net defined benefit asset before deferred tax liability</b>	<b>4,843</b>	<b>13,582</b>
 <b>Costs relating to defined benefit plans</b>	 <b>2016</b> <b>£'000</b>	 <b>2015</b> <b>£'000</b>
<b>Net interest cost:</b>		
Interest expense on defined benefit obligation	2,939	2,770
Interest income on plan assets	(3,483)	(3,189)
Administrative expenses	227	162
<b>Income relating to defined benefit plans included in the statement of comprehensive income</b>	<b>(317)</b>	<b>(257)</b>
<b>Remeasurements (recognised in other comprehensive income)</b>		
Effect of changes in assumptions	32,299	(4,857)
Effect of experience adjustments	(862)	1,783
Return on plan assets (excluding interest income)	(22,167)	1,403
<b>Total remeasurements included in other comprehensive income</b>	<b>9,270</b>	<b>(1,671)</b>
<b>Total cost/ (income) related to defined benefit plans recognised in statement of comprehensive income</b>	<b>8,953</b>	<b>(1,928)</b>
 <b>Net defined benefit asset reconciliation</b>	 <b>2016</b> <b>£'000</b>	 <b>2015</b> <b>£'000</b>
Net defined benefit asset at start of year	13,582	11,323
Income relating to defined benefit plans included in income statement	317	257
Total remeasurements included in other comprehensive income	(9,270)	1,671
Net transfer included in other comprehensive income	-	147
<b>Cash flows</b>		
Employer contributions	197	184
Employer direct benefit payments	17	-
<b>Net defined benefit asset at end of year</b>	<b>4,843</b>	<b>13,582</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**16. PENSION SCHEME (continued)**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Plan assets</b>		
Fair value of plan assets:		
Cash and cash equivalents	1,570	2,280
Equity instruments	59,982	44,982
Government Bonds/ Liability Driven Investment	22,200	19,641
Other debt instruments	18,388	12,013
Real estate	6,391	5,787
Other	3,588	2,981
<b>Total</b>	<b>112,119</b>	<b>87,684</b>
 <b>Actual return on plan assets</b>	 <b>25,650</b>	 <b>1,786</b>

	<b>2016</b>	<b>2015</b>
<b>Weighted average assumptions used to determine benefit obligations at:</b>		
Discount rate	2.72%	4.00%
Rate of salary increase	2.93%	2.82%
Rate of price inflation (RPI)	3.18%	3.07%
Rate of price inflation (CPI)	2.18%	2.07%
Rate of statutory pension increase in deferment	2.18%	2.07%
 <b>Weighted average assumptions used to determine cost relating to defined benefit plans::</b>	 <b>2016</b>	 <b>2015</b>
Discount rate	4.00%	3.70%
Rate of compensation increase	2.82%	2.70%
Inflation rate (RPI)	3.07%	2.95%
Inflation rate (CPI)	2.07%	1.95%



**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2016****16. PENSION SCHEME (continued)**

	<b>2016</b>		<b>2015</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
<b>Weighted average life expectancy for mortality tables used to determine benefit obligations at:</b>				
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
<b>Five year history</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Benefit obligation at end of year	(107,276)	(74,102)	(75,259)	(58,325)
Fair value of plan assets at end of year	112,119	87,684	86,582	69,705
Surplus	4,843	13,582	11,323	11,380
<b>Difference between expected and actual</b>				
<b>Return on scheme assets:</b>				
amount (£'000)	7,841	6,378	10,490	6,569
percentage of scheme assets	7%	7%	12%	9%
<b>Experience gains and losses on scheme liabilities:</b>				
amount (£'000)	862	(1,783)	(554)	(1,023)
percentage of scheme liabilities	0%	(2%)	(1%)	(2%)

**Contributions**

The Company expects to pay contributions of £1.8m in 2017.

**17. SHARE-BASED PAYMENTS**

Oliver Wyman Limited's parent company, Marsh & McLennan Companies, Inc. Group, maintains multiple equity-settled share-based payment arrangements in the United Kingdom, 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 an expense credited to profit and loss reserve. 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. 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.

Share Purchase Plan costs were accrued in the year of grant. As no benefit is granted by the Company under the Share Incentive Plan, this plan does not fall under the scope of FRS 102.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**18. CALLED UP SHARE CAPITAL**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted, called up and fully paid</b>		
5,501,000 ordinary shares of £1 each	5,501	5,501

**19. GUARANTEES, CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS**

**Capital commitments**

The Company had no capital commitments at 31 December 2016 or at 31 December 2015.

**Operating lease commitments**

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

	<b>2016</b>	<b>2015</b>
	<b>Land and buildings</b>	<b>Land and buildings</b>
	<b>£'000</b>	<b>£'000</b>
<b>Leases which expire:</b>		
Within one year	3,988	3,988
Within two to five years	1,994	5,982
	<u>5,982</u>	<u>9,970</u>

**Guarantees**

The Company has guaranteed certain liabilities of its parent, MMOW Limited to fellow group companies, totalling £35.2m (2015: £33.5m).

**20. RELATED PARTY TRANSACTIONS**

Advantage has been taken of the exemption under FRS 102 Section 33 "Related Party Disclosures" not to disclose transactions between entities within the Marsh & McLennan Companies, Inc. Group (the "Group"), where no less than 100% of voting rights are controlled within the Group, whose consolidated financial statements are publicly available. There are no other transactions requiring disclosure.

**21. RESERVES**

**Statement of comprehensive income:**

Statement of comprehensive income includes all current year and prior year retained profits and losses.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2016**

**21. RESERVES (continued)**

**Restructuring reserve:**

On 1 January 2012, Oliver Wyman Limited acquired 48% of the share capital of Oliver Wyman S.L (Spain). As consideration, the business of Oliver Wyman Limited Spanish branch office was contributed to Oliver Wyman S.L (Spain).

The excess between the value attributed to the acquired 48% investment in Oliver Wyman S.L (Spain) and the carrying value of the disposed assets and liabilities of the branch of £11,277,000 was recorded as a restructuring reserve.

**Capital contribution:**

This reserve includes credits for equity settled share based payments.

**22. GROUP FINANCIAL STATEMENTS**

Group financial statements are not prepared in line with s401 of the Companies Act 2006 as the Company is itself a wholly owned subsidiary and is included in the consolidated financial statements of Marsh & McLennan Companies, Inc., its ultimate parent company. Accordingly, these financial statements present information about the Company as an individual undertaking and not about its group.

**23. IMMEDIATE AND ULTIMATE PARENT COMPANIES**

The Company's immediate parent company is MMOW Limited. The Company's 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 results of Oliver Wyman Limited are consolidated is that headed by Marsh & McLennan Companies, Inc. The consolidated financial statements of Marsh & McLennan Companies, Inc. are available to the public and may be obtained from:

Companies House  
Crown Way  
Cardiff  
CF14 3UZ

and also from:

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