

ABN: 79 004 717 533

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

CONTENTS

	Page
Directors' Report	1 - 2
Auditor's Independence declaration	3
Independent Auditor's Report	4 - 6
Directors' declaration	7
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 - 26
Consolidated Entity Disclosure statement as at 31 December 2024	27

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

The Directors present their report on Mercer Superannuation (Australia) Limited ("the Company") for the financial year ended 31 December 2024. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of the Company during or since the end of the financial year are:

James Miller
James Minto
Sue O'Connor
Jan Swinhoe (resigned 30 June 2024)
Pauline Vamos
Darren Wickham
Anthony Johnson (appointed 1 September 2024)

The above Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The Company's principal activities in the course of the financial year was to act as the trustee of a number of superannuation trusts. The Company is the trustee of a master trust, the Mercer Super Trust ("MST") and the Mercer Portfolio Service Superannuation Plan ("MPSSP"). The Company holds an Australian Prudential Regulation Authority ("APRA") RSE license and an Australian Financial Services License ("AFSL") with limited authorisation.

No significant changes in the nature of the Company's activity occurred during the financial year.

Review of operations

A review of the operations of the Company during the financial year reported a profit of \$8,302,000 (2023: \$3,869,000), with revenue of \$405,784,000 (2023: \$328,514,000).

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Environmental Regulations

On 20 September 2024, the Australian Accounting Standards Board, (AASB) passed the first Australian Sustainability Reporting Standards, *AASB S1 and/or AASB S2*, supporting the implementation of mandatory climate-related financial disclosures in Australia by providing the disclosure standards against which entities are to report. These new standards apply to annual reporting periods beginning on or after 1 January 2025 for MMC Holdings (Australia) Pty Ltd (MMCHA), which is the ultimate Australian holding company for all Marsh McLennan entities in the Pacific region. The Company will make use of the consolidated entity disclosure relief which allows for MMCHA, to present the mandatory climate-related financial disclosures on behalf of its subsidiaries. The Directors have started to implement appropriate governance arrangements and sustainability record keeping processes to prepare for the sustainability reporting requirements.

Events after the reporting date

The Company redeemed its ORFR investments in Mercer Growth Fund on 20 January 2025, with the proceeds allocated to the operational risk reserve cash account.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

Future developments and results

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Dividends

No dividends were paid or declared for the financial year ended 31 December 2024 (2023: nil).

Indemnification and insurance of officers and auditors

During the financial year, Mercer (Australia) Pty Ltd, the parent company of the Company, paid a premium in respect of a contract insuring the Directors of the Company (as named previously), the company secretaries and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. In addition, the Directors and company secretaries have each received an indemnity from the Company in respect of their role as an officer of the Company.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 31 December 2024 has been received and can be found on page 3 of the financial report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Director:.....

Dated: 19 March 2025

19 March 2025

The Board of Directors
Mercer Superannuation (Australia) Limited
727 Collins Street
DOCKLANDS VIC 3008

Dear Board Members

Auditor's Independence Declaration to Mercer Superannuation (Australia) Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mercer Superannuation (Australia) Limited.

As lead audit partner for the audit of the financial report of Mercer Superannuation (Australia) Limited for the year ended 31 December 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Fiona O'Keefe
Partner
Chartered Accountants

Independent Auditor's Report to the Shareholders of Mercer Superannuation (Australia) Limited

Opinion

We have audited the financial report of Mercer Superannuation (Australia) Limited (the "Company") which comprises the statement of financial position as at 31 December 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Company's financial position as at 31 December 2024 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report for the year ended 31 December 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible:

- For the preparation of the financial report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company in accordance with Australian Accounting Standards; and
- For such internal control as the directors determine is necessary to enable the preparation of the financial report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company, and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in cursive script that reads "Fiona O'Keefe".

Fiona O'Keefe
Partner
Chartered Accountants

Melbourne, 19 March 2025

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
2. In the Directors' opinion, the attached Company financial statements and notes thereto are in accordance with the Australian Accounting Standards, Corporations Regulations 2001 and International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 2 to the financial statements; and
3. In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.
4. The attached consolidated entity disclosure statement is true and correct.

Signed in accordance with a resolution of Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Director:.....

Dated: 19 March 2025

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Note	2024 \$000	2023 \$000
Revenue from services	3	378,677	304,926
Investment income	3	9,758	–
Other income	3	17,349	23,588
Total income		<u>405,784</u>	<u>328,514</u>
Administrative expenses		(372,209)	(296,890)
External custody administration and investment management fees		(7,294)	(7,391)
Management fee charged by parent entity		–	(289)
Marketing expenses		(3,858)	(3,135)
Consultancy expenses		(1,509)	–
Other expenses		(4,158)	(15,273)
Profit before income tax expense		<u>16,756</u>	<u>5,536</u>
Income tax expense	4.1	(8,454)	(1,667)
Profit after income tax expense		<u>8,302</u>	<u>3,869</u>
Total comprehensive income for the year		<u><u>8,302</u></u>	<u><u>3,869</u></u>

Notes to the financial statements are included on pages 12 to 26.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024**

	Note	2024 \$000	2023 \$000
Current assets			
Cash and cash equivalents	14.2	21,939	150,687
Trade and other receivables	7	29,177	52,916
Financial assets at fair value through profit or loss	11	133,211	–
Total current assets		<u>184,327</u>	<u>203,603</u>
Non-current assets			
Deferred tax assets	4.3	499	443
Other assets		10	34
Total non-current assets		<u>509</u>	<u>477</u>
Total assets		<u>184,836</u>	<u>204,080</u>
Current liabilities			
Trade and other payables	8	29,155	45,401
Provisions	9	–	11,300
Total current liabilities		<u>29,155</u>	<u>56,701</u>
Total liabilities		<u>29,155</u>	<u>56,701</u>
Net assets		<u>155,681</u>	<u>147,379</u>
Equity			
Issued capital	10	108,504	108,504
Retained earnings		47,177	38,875
Total equity		<u>155,681</u>	<u>147,379</u>

Notes to financial statements are included on pages 12 to 26.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Note	Issued capital \$000	Retained earnings \$000	Total \$000
Balance at 1 January 2023		18,504	35,006	53,510
Profit after income tax expense		—	3,869	3,869
Total comprehensive income		—	3,869	3,869
Issuance of shares		90,000	—	90,000
Balance at 31 December 2023	10	<u>108,504</u>	<u>38,875</u>	<u>147,379</u>
 Balance at 1 January 2024		 108,504	 38,875	 147,379
Profit after income tax expense		—	8,302	8,302
Total comprehensive income		—	8,302	8,302
Balance at 31 December 2024	10	<u>108,504</u>	<u>47,177</u>	<u>155,681</u>

Notes to the financial statements are included on pages 12 to 26.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Note	2024 \$000	2023 \$000
Cash flows from Operating Activities			
Receipts from customers		388,438	296,639
Payments to suppliers, customers and related parties		(408,376)	(302,398)
Interest received		17,349	12,288
Income tax paid		(2,706)	(2,436)
Net cash (used in)/generated from operating activities	14	<u>(5,295)</u>	<u>4,093</u>
Cash flows from Investing Activities			
Purchase of investment	11	<u>(123,453)</u>	–
Net cash used in investing activities		<u>(123,453)</u>	–
Cash flows from Financing Activities			
Issuance of shares		–	90,000
Net cash provided by financing activities		<u>–</u>	<u>90,000</u>
Net (decrease)/increase in cash and cash equivalents held		(128,748)	94,093
Cash and cash equivalents at beginning of financial year		150,687	56,594
Cash and cash equivalents at end of financial year	14	<u><u>21,939</u></u>	<u><u>150,687</u></u>

Notes to the financial statements are included on pages 12 to 26.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1 GENERAL INFORMATION

Mercer Superannuation (Australia) Limited ("the Company"), is a limited public company, incorporated and domiciled in Australia. The registered office and principal place of business of the Company is Level 15, 727 Collins Street, Melbourne, Victoria 3008.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current period the Company has adopted all of the new and revised Accounting Standards and interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. The accounting standards and interpretations adopted during the current financial year have not had a material impact on the financial statements.

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

The Company has not early adopted any new and revised standards and interpretations on issue but not yet mandatorily effective. None of these are expected to have a material impact on the recognition and measurement principles in future reporting periods, but in the case of AASB 18, will affect the presentation of information within the financial report.

STATEMENT OF COMPLIANCE

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

For the purpose of preparing the financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 19 March 2025.

BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost except as described below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements are prepared on the basis that the Company will continue to operate as a going concern.

MATERIAL ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following material accounting policies have been adopted in the preparation and presentation of the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

2.1 GOODS AND SERVICES TAX ("GST")

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except

1. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
2. for receivables and payables which are recognised inclusive of GST.

The Company is part of a GST group under Australian taxation law. Mercer (Australia) Pty Limited, the parent entity of the Company, is the representative within the GST group. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Mercer Outsourcing (Australia) Pty Ltd, a related party within the wholly-owned group, settled the GST balances on behalf of the Company as part of the Single Procuring Entity model as disclosed in Note 13.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2.2 REVENUE AND OTHER INCOME

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of the promised goods and services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods and services. Revenue is recognised by applying a five-step model as follows:

1. Identifying the contract with customers.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligation.
5. Recognising revenue as and when control of the performance obligations is transferred.

The Company's main sources of revenue arise through the provision of trustee services to a number of superannuation trusts. The services include superannuation administration services, communications services, education services, ancillary services and others.

Each of the above services delivered to customers are considered separate performance obligations, even though for practical expedience may be governed by a single legal contract with the customer.

As clients simultaneously receive and consume the benefits of the series of activities provided, the revenue is recognised over time.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Error and Omissions income

Error and Omissions ("E&O") income is received from the Company's professional indemnity insurance for the majority of claims against the Company. The claims are recognised as other income when the insurer agrees to pay the claim. These claims will be managed by the parent entity, Mercer (Australia) Pty Ltd on the Company's behalf.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

2.3 INCOME TAX

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of future taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in statement of profit or loss, except when it relates to items credited or debited directly to equity or in other comprehensive income, in which case the current and deferred tax are also recognised directly to equity or in other comprehensive income. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

The Company is part of a tax consolidated group under Australian taxation law. Marsh Mercer Holdings (Australia) Pty Ltd ("MMHAPL") is the head entity in the tax consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by MMHAPL (as head entity in the tax consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by MMHAPL and each member of the tax consolidated group in relation to the tax contribution amounts paid or payable between the MMHAPL and the other members of the tax consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in Note 4 to the financial statements. Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

Organisation for economic co-operation and development - Pillar Two assessment

Pillar Two is an OECD initiative for multinational corporations to ensure a minimum tax of at least 15% is paid in every jurisdiction it operates. The Pillar Two primary legislation was enacted in Australia on 10 December 2024, and the accompanying Pillar II rules were registered on 23 December 2024. These apply to the MMHAPL Tax Consolidated Group from 1 January 2024.

A Pillar Two assessment was performed by the ultimate parent entity, Marsh and McLennan Companies, Inc. to determine the potential application of the Pillar II rules for the MMC global group. Based on the assessment performed, the entities operated in Australia should satisfy the transitional safe harbour rules as the effective tax rate ("ETR") test performed indicated an ETR above 15% such that top-up tax does not apply to any of the entities in the MMHAPL tax consolidated Group.

2.4 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash held in a fiduciary capacity is offset and recognised on a net basis, as reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The Company holds fiduciary cash in its capacity as Trustee to the Mercer Super Trust, as detailed in Note 15.

2.5 FINANCIAL ASSETS

Financial assets are recognised initially on the date that the Company becomes party to the contractual provisions of the asset. On initial recognition, all financial assets are measured at fair value plus transaction costs (except for assets measured at fair value through profit or loss where transaction costs are expensed as incurred).

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

On initial recognition, the Company classifies its financial assets into those measured at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows which are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in statement of profit or loss. Gain or loss on derecognition is recognised in statement of profit or loss.

Fair Value

Investments held at fair value through profit or loss are measured initially at fair value. Subsequent to initial recognition, all investments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss ("ECL") basis for the following assets:

- financial assets measured at amortised cost

The Company applies the AASB 9 simplified approach to measuring expected credit losses. The identified ECL for sundry debtors, due from related parties and trustee fee receivable have been determined to be immaterial.

While cash and cash equivalents are subject to the requirements of ECL, the identified ECL was immaterial given the strong credit ratings of financial institutions with whom cash and cash equivalents are placed.

2.6 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities of the Company consist of Trade and other payables.

2.7 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are disclosed in note to 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 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.

Revenue recognition

As outlined in Note 2.2 revenue is recognised by reference to the services provided as set out in the contract. The Company considers the period of the service contract and completed works to the client to determine whether the revenue to be recognised is appropriate in the current period, as set out within the revenue recognition policy of the wholly-owned group and in accordance with AASB 15 "Revenue from Contracts with Customers".

Provisions

The Company recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. Although provisions are reviewed on a regular basis and adjusted for management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

3 REVENUE AND OTHER INCOME

An analysis of the Company's revenue for the year, from continuing operations, is as follows:

	2024	2023
	\$000	\$000
Revenue from contracts with customers		
Rendering of service	378,677	304,926
Investment income		
Net change in fair value of financial instruments	7,429	–
Distribution income	2,329	–
	9,758	–
Other income		
Interest income from bank	17,346	12,288
E&O Income	–	11,300
Other income	3	–
	17,349	23,588
	405,784	328,514

4 INCOME TAX

4.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2024	2023
	\$000	\$000
Tax expense comprises:		
Local income tax - current period	8,239	2,031
Deferred tax expense/(credit) relating to the origination and reversal of temporary differences	178	(364)
Adjustments recognised in the current year in relation to the current tax of prior years	37	–
Total tax expense attributable to continuing operations	8,454	1,667

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit from continuing operations	16,756	5,536
Income tax expense calculated at 30%	5,027	1,661
Non-deductible expense	–	3,396
Taxable capital gain	3,390	(3,390)
Under provision of income tax in prior year	37	–
Income tax expense attributable to ordinary activities	8,454	1,667

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

4 INCOME TAX (CONT'D)

4.2 CURRENT TAX ASSETS - RECEIVABLE FROM RELATED PARTY

	Note	2024 \$000	2023 \$000
Income tax (payable)/receivable attributable to an entity within a tax consolidation group	7	<u>(3,164)</u>	<u>2,640</u>

4.3 DEFERRED TAX BALANCES

	2024 \$000	2023 \$000
Deferred tax assets comprise:		
Temporary differences	499	444
Deferred tax liabilities comprise:		
Temporary differences	–	(1)
Net Balance	<u>499</u>	<u>443</u>

Taxable and deductible temporary differences arise from the following:

	Opening Balance \$000	Over/under \$'000	Charged to income/ (expense) \$000	Closing Balance \$000
2024				
Gross deferred tax assets:				
Other	444	234	(179)	499
Gross deferred tax liabilities:				
Other	(1)	1	–	–
Total	<u>443</u>	<u>235</u>	<u>(179)</u>	<u>499</u>
2023				
Gross deferred tax assets:				
Other	97	–	347	444
Gross deferred tax liabilities:				
Other	(19)	–	18	(1)
Total	<u>78</u>	<u>–</u>	<u>365</u>	<u>443</u>

The Company is part of a tax consolidated group and accordingly, does not pay tax or have franking credits in its own right.

Relevance of tax consolidation to the Company

The Company is part of a tax consolidated group with effect from 1 January 2003 and has been taxed as a single entity from that date. The head entity within the tax consolidated group is MMHAPL.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax consolidated group, with effect from 1 January 2003, have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, MMHAPL and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

4 INCOME TAX (CONT'D)

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

5 KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to key management personnel of the Company which is paid and expensed in the accounts of the parent entity, Mercer (Australia) Pty Ltd, is set out below:

	2024	2023
	\$	\$
Short term employee benefits	<u>1,073,900</u>	<u>812,346</u>

6 REMUNERATION OF AUDITORS

	2024	2023
	\$	\$
Audit of the financial statements	103,040	128,440
Regulatory and compliance	24,561	24,139
	<u>127,601</u>	<u>152,579</u>

The auditor of the Company is Deloitte Touche Tohmatsu.

The audit expense for the Company is paid by the parent entity, and is not recorded as an expense in the Statement of Profit or Loss and Other Comprehensive Income.

7 CURRENT TRADE AND OTHER RECEIVABLES

		2024	2023
	Note	\$000	\$000
Sundry debtors		8,647	10,910
Trustee fee receivable		15,150	11,547
Amounts due from related entities		5,180	16,519
Intercompany tax receivable	4.2	–	2,640
Receivable from E&O insurer		200	11,300
		<u>29,177</u>	<u>52,916</u>

8 CURRENT TRADE AND OTHER PAYABLES

	2024	2023
	\$000	\$000
Accrued expenses*	2,159	2,729
Amounts due to related entities	21,155	41,427
GST payable	2,677	1,207
Intercompany tax payable	3,164	39
	<u>29,155</u>	<u>45,401</u>

* Accrued investment manager fees operate on a variety of credit arrangements, the most common being settlement within 30 days from date of invoice. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

9 PROVISIONS

	2024	2023
	\$000	\$000
Balance at 1 January	11,300	–
Provisions recognised	–	11,300
Payment made	(11,300)	–
Balance as at 31 December	–	11,300

On 27 February 2023, Australian Securities and Investments Commission ("ASIC") commenced civil penalty proceedings in the Federal Court against the Company in its capacity as the trustee of the Mercer Superannuation Trust ("MST") in respect of certain misleading statements on the MST website. The Company and ASIC agreed on a penalty of \$11,300,000 which was approved by the Federal Court and paid by the Company in August 2024.

10 ISSUED CAPITAL

	2024	2023
	\$000	\$000
108,503,823 fully paid ordinary shares (2023: 108,503,823)	108,504	108,504

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

On 22 March 2023, the Company issued 90,000,000 fully paid ordinary shares at a subscription price of \$1 per share. The cash provided by this share issuance was used to fund the increase in the Company's ORFR, as disclosed in Note 11.

11 OPERATIONAL RISK RESERVES

	2024	2023
	\$000	\$000
Operational risk reserve cash account	10,141	131,993
Investment in Mercer Growth Fund	133,211	–
	143,352	131,993

Operational Risk Reserve

The Operational Risk Reserve represents the financial resources required to meet the Company's Operational Risk Financial Requirement ("ORFR") to provide protection to members of the superannuation funds for which the Company is the Trustee. The Company may only use the reserve to rectify a loss to members, or the deprivation of a gain caused by an operational risk event. This does not include the costs associated with correcting the causes of an event.

The reserve amount is determined and approved by the Board of Directors ("Board") in accordance with the Company's Operational Risk Financial Requirement Strategy as approved by the Board. In August 2023, the investment strategy was revised to transition ORFR capital for MST (excluding TAL Super) from cash-like investments to a diversified portfolio aligned with member growth. This new strategy was implemented in 2024, leading to investments in the Mercer Growth Fund. For MPSSP and TAL Super, the capital is maintained in a risk-free asset class, specifically 100% in cash or local cash equivalents, ensuring immediate accessibility in case of operational risk events.

During the year, payments totalling \$nil (2023: \$128,340) were made from the reserve for operational risk events. In 2024, the Company has repurposed \$nil (2023: nil) of non-regulatory capital to the reserve.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

12 CONTINGENT LIABILITIES

With the exception of operational risk events disclosed in Note 11, there may be outstanding errors and omissions claims and possible claims against the Company as at 31 December 2024, the aggregate amount of which cannot be readily quantified. Appropriate advice is obtained from management and, where applicable, legal advice may also be obtained. In light of such advice, a contingent liability may be made for any such claims as may be deemed necessary in accordance with applicable accounting standards. When considering what contingent liability is required, the Company's professional indemnity insurance is taken into account as the majority of claims are covered by this policy. Should there be any claims being presented against the Company, these claims will be managed by the parent entity, Mercer (Australia) Pty Ltd on the Company's behalf. As at 31 December 2024, the Directors are unaware of any claims not covered by the Company's professional indemnity insurance (2023: nil).

13 RELATED PARTY DISCLOSURES

13.1 KEY MANAGEMENT PERSONNEL COMPENSATION AND RETIREMENT BENEFITS

Details of key management personnel compensation and retirement benefits are disclosed in Note 5 to the financial statements.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

13.2 PARENT ENTITIES

The parent entity of the Company is Mercer (Australia) Pty Ltd ("MAPL").

The ultimate Australian parent entity is MMC Holdings (Australia) Pty Ltd ("MMCHA").

The ultimate parent entity in the wholly-owned group is Marsh & McLennan Companies, Inc. which is incorporated in Delaware, United States of America.

13.3 TRANSACTIONS WITHIN THE WHOLLY-OWNED GROUP

The wholly-owned group includes;

- the ultimate parent entity in the wholly-owned group;
- the parent entity;
- wholly-owned controlled entities; and
- other entity in the wholly-owned group.

Amounts receivable from and payable to entities in the wholly-owned group are disclosed in Notes 7 and 8 to the financial statements. Tax funding arrangements and related income tax balances are disclosed in Note 4 to the financial statements. GST arrangements are disclosed in Note 2 to the financial statements.

Mercer Outsourcing (Australia) Pty Ltd paid certain direct operating expenses on behalf of the Company under the Single Procuring Entity model, totaling \$16,588,998 (2023: \$5,140,128).

The Company paid a fee of \$221,853,710 (2023: \$181,435,526) to Mercer Investments (Australia) Limited, a related party within the wholly-owned group for investment management services provided to the Mercer Super Trust.

The Company paid a fee of \$140,318,374 (2023: \$104,630,789) to Mercer Outsourcing (Australia) Pty Ltd and \$3,380,004 (2023: \$1,815,256) to Mercer Financial Advice (Australia) Pty Ltd, both of which are related parties within the wholly-owned group for administration services and financial advice provided to the Mercer Super Trust.

The Company paid a fee of \$nil (2023: \$1,000,000) to Mercer Outsourcing (Australia) Pty Ltd, a related party within the wholly-owned group for providing assistance in client management.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

13 RELATED PARTY DISCLOSURES (CONT'D)

The Company paid a fee of \$6,656,499 (2023: \$7,282,996) to Mercer Financial Advice (Australia) Pty Ltd, a related party within the wholly-owned group for distribution fee for Mercer Portfolio Service Superannuation Plan.

The Company paid a fee of \$nil (2023: \$725,000) to Mercer Consulting (Australia) Pty Ltd, a related party within the wholly-owned group for consulting services.

No dividends have been paid by the Company to its parent entity, Mercer (Australia) Pty Ltd during the year (2023: nil).

14 NOTES TO THE STATEMENT OF CASH FLOWS

**14.1 RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX TO
NET CASH FLOWS FROM OPERATING ACTIVITIES**

	2024	2023
	\$000	\$000
Profit for the year	8,302	3,869
Investment income	(9,758)	—
Increase/(decrease) in income tax balances	5,748	(365)
(Increase)/decrease in assets:		
Current trade and other receivables	9,760	(19,586)
Other assets	25	(417)
Related parties receivables	11,339	(11,418)
Increase/(decrease) in liabilities:		
Current trade and other payables	861	1,611
Related parties payables	(20,272)	19,061
Provision	(11,300)	11,300
Other current liabilities	—	38
Net cash provided by operating activities	(5,295)	4,093

14.2 CASH AND CASH EQUIVALENTS

	2024	2023
	\$000	\$000
Cash at bank	11,798	18,694
Operational risk reserve cash account	10,141	131,993
	21,939	150,687

15 TRUSTS FOR WHICH THE COMPANY IS A TRUSTEE

During the year ended 31 December 2024, the Company was the trustee for the following superannuation trusts:

- Mercer Super Trust; and
- Mercer Portfolio Service Superannuation Plan.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

15 TRUSTS FOR WHICH THE COMPANY IS A TRUSTEE (CONT'D)

In relation to the trusts for which the Board was responsible at year end:

- for the Mercer Portfolio Service Superannuation Plan, the Directors are satisfied that there are sufficient assets in this trust to cover its liabilities;
- the Mercer Super Trust comprises three divisions - the Corporate Superannuation Division, the Allocated Pension Division and the Retail Division. The Corporate Superannuation Division further comprises both Defined Benefit plans and Accumulation plans. For the Corporate Superannuation Division Accumulation plans, the Allocated Pension Division and the Retail Division, the Directors are satisfied that there are sufficient assets attributable to each of these divisions, or sub-divisions, to cover their respective liabilities.

In relation to the Corporate Superannuation Division Defined Benefits plans generally, the financial status of defined benefit funds can vary from year to year according to investment performance, membership movements, salary increases, changes in actuarial expectations and other factors. As a result of their specific experiences, the net assets of a number of Defined Benefit plans within the Corporate Superannuation Division of the Mercer Super Trust were less than the defined benefit liabilities at 30 June 2024. The Mercer Super Trust had 63 Defined Benefit plans for 2024 (2023: 67), with coverage of defined benefit member liabilities by plan assets above 100% for approximately 90% (2023: 91%) of plans, and below 100% for the remainder.

Defined benefit plans are closed to new entrants. The participating employers of each plan contribute at rates determined by the Trustee, on the advice of the plan actuary.

The financial position of plans in an unsatisfactory position (where vested benefits exceed the value of the assets) is monitored on a quarterly basis by plan actuaries, as required by the Trustee. Further, the Trustee requires that the relevant plan actuary review the current company contribution program and recommend a revised program if considered appropriate. Where appropriate on advice of the plan actuary, the Trustee will seek the employer sponsor's agreement to make additional contributions, which are intended to return the plan to a satisfactory financial position within a reasonable period of time. The Trustee continues to monitor the financial position of all Defined Benefit plans on a quarterly basis, including testing coverage against each plan's shortfall limits, in accordance with APRA's Prudential Standard SPS 160 Defined Benefit Matters.

16 FINANCIAL INSTRUMENTS

16.1 CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and reserves as disclosed in the statement of changes in equity. The Company's dividend levels are driven by the cash flow requirements of the ultimate parent, but take into account Directors considerations regarding cash flow requirements of the Company at the time.

The Company's overall strategy remains unchanged from 2023.

16.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Corporate Treasury function of MAPL, the direct parent entity, provides services to the business, co-ordinates access to domestic financial markets, and manages the financial risks relating to the operations of the Company.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by Mercer's policies approved by its Board of Directors, which provide written principles on the use of financial derivatives.

The Company's activities expose it to minor financial risks of changes in foreign currency exchange rates. The Company has elected not to manage its exposure to this foreign currency risk.

16.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Cash, receivables, payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

16 FINANCIAL INSTRUMENTS (CONT'D)**16.4 FAIR VALUE HIERARCHY**

The Company is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices): quoted prices for similar securities in active and/or inactive markets.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Level 2 investments could include those that are not traded in active markets and/or are subject to transfer restrictions (e.g. redemption restrictions). Valuations for these investments may be adjusted to reflect illiquidity and/or non transferability, which are generally based on available market information. Typically, prices of units in unlisted managed investment trusts that are either published on the investment manager's website and/or circulated among market participants as executable quotes are categorised as level 2.

The Company's sole investment as at 31 December 2024 is into an unlisted unit trust. The market value of the underlying assets are based on observable inputs, therefore MSAL's investment in the unlisted unit trust is disclosed as level 2 in the fair value measurement hierarchy. This is the first year the Company has invested in the unlisted unit trust and there have been no transfers between hierarchy levels during the year. Note 11 provides further details on the ORFR investments.

16.5 LIQUIDITY AND INTEREST RISK TABLES

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Note	Weighted average effective rate %	Less than 1 month \$000	1-3 months \$000	3-12 months \$000	Total \$000
2024						
Financial liabilities						
Trade and other payables	8	—	2,159	—	—	2,159
Related party payables	8	—	21,155	—	—	21,155
		—	23,314	—	—	23,314
2023						
Financial liabilities						
Trade and other payables	8	—	2,729	—	—	2,729
Related party payables	8	—	41,427	—	—	41,427
Provisions	9	—	11,300	—	—	11,300
		—	55,456	—	—	55,456

All amounts are current assets/liabilities and relate to continuing operations.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

16 FINANCIAL INSTRUMENTS (CONT'D)

16.6 CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The concentration of credit risk is limited in terms of company's external customers due to the fact that customer base is large and unrelated. In respect of the concentration risk of receivables from related parties, all balances are within the MMC group and no significant credit risk exposure exists as the Group is liquid and all balances are settled periodically.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

16.7 LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

16.8 INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analysis below has been determined based on the exposure to interest rates for the Company's cash assets at the end of the reporting period. If interest rates had been 50 basis points higher/lower and all other variables held constant, the impact on interest revenue would be:

	2024	2023
	\$000	\$000
Profit or (loss)	±110	±753

16.9 PRICE RISK

Price risk is the risk that the fair value or future cash flows of investment securities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The Company manages price risk via diversification and selection of securities within specified limits set out in the unlisted unit trust's Product Disclosure Statement.

Sensitivity analysis

The analysis in the following table shows the impact of 11% changes in the redemption price of the unlisted managed fund on profit and net assets of the Company.

	2024	2023
	\$000	\$000
Investments	±14,653	—

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

16 FINANCIAL INSTRUMENTS (CONT'D)**16.10 CONCENTRATION RISK**

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are monitored by the investment manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

The Company's ORFR investment in the Mercer Growth Fund ("the Fund") does not have a material exposure to the concentration risk, as the Fund invests in a range of diversified assets. The Fund asset breakdown as at 31 December 2024 is shown in table below:

Equities	Real Assets	Growth fixed interest	Defensive fixed interest and cash	Alternatives	Total
58.7%	18.6%	11.1%	11.0%	0.6%	100%

17 EVENTS OCCURRING AFTER THE REPORTING DATE

The Company redeemed its ORFR investments in Mercer Growth Fund on 20 January 2025, with the proceeds allocated to the operational risk reserve cash account.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

**CONSOLIDATED ENTITY DISCLOSURE STATEMENT
AS AT 31 DECEMBER 2024**

1. Subsection 295(3A)(a) of the Corporations Act 2001 does not apply to the Company as the Company is not required to prepare consolidated financial statements by Australian Accounting Standards.