ABN: 79 004 717 533

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

MERCER SUPERANNUATION (AUSTRALIA) LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their report on Mercer Superannuation (Australia) Limited ("the Company") for the financial year ended 31 December 2023. 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 (appointed 1 July 2023)
James Minto
Sue O'Connor
Jan Swinhoe
Pauline Vamos
Darren Wickham

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 $3,869,000 *(2022: $1,265,000)*, with revenue of $328,514,000 *(2022: $205,379,000)*.

On 25 May 2022, Mercer (Australia) Pty Ltd ('MAPL'), the immediate parent of the Company, entered into a Heads of Agreement with Westpac Banking Corporation ('Westpac') and BT Funds Management Limited ('BT') to merge, through a successor fund transfer, BT's personal and corporate superannuation funds with the MST. Subsequent to the Heads of Agreement, the Company and BT signed a successor fund transfer deed on 31 August 2022. The merger of the BT personal and corporate superannuation funds was completed on 1 April 2023.

On 27 February 2023, ASIC commenced civil penalty proceedings in the Federal Court against the Company in its capacity as the trustee of the MST in respect of certain misleading statements on the MST website. The Company and ASIC have agreed on a penalty of $11,300,000 which is currently pending approval from the Federal Court. The matter was heard before the Federal Court on 7 December 2023, with judgement having been reserved. A current provision has been raised.

Significant changes in state of affairs

As disclosed under Review of Operations above, the merger of the BT personal and corporate superannuation funds with the MST resulted in a significant increase in the size and scale of the Company's operations.

Other than the item noted above, there have been no significant changes in the state of affairs of the Company during the year.

Events after the reporting date

No 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.

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 2023 *(2022: nil)*.

Indemnification and insurance of officers and auditors

During the financial year, Mercer (Australia) Pty Ltd ("Mercer"), 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 lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 31 December 2023 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:...JAMES MINTO.........

Dated: 20 March 2024

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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20 March 2024

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 2023, 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

DELOITTE TOUCHE TOHMATSU

F O'Keefe

Fiona O'Keefe
Partner
Chartered Accountants

Independent Auditor's Report to the Members 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 2023, 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 2023 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 2023, 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.

Deloitte.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

FO'Keefe

Fiona O'Keefe
Partner
Chartered Accountants

Melbourne, 20 March 2024

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.

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: JAMES MINTO

Dated: 20 March 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 $000	*2022 $000*
Revenue from services	3	**304,926**	*203,307*
Other income	3	**23,588**	*2,072*
Total revenue		**328,514**	*205,379*
Administrative expenses		**(296,890)**	*(191,203)*
External custody administration and investment management fees		**(7,391)**	*(5,090)*
Management fee charged by parent entity		**(289)**	*(610)*
Marketing expenses		**(3,135)**	*(2,755)*
Other expenses		**(15,273)**	*(3,914)*
Profit before income tax expense		**5,536**	*1,807*
Income tax expense	4.1	**(1,667)**	*(542)*
Profit after income tax expense		**3,869**	*1,265*
Total comprehensive income for the year attributable to the owner of the Company		**3,869**	*1,265*

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	**2023** **$000**	*2022* *$000*
Current assets			
Cash and cash equivalents	14.2	**150,687**	*56,594*
Trade and other receivables	7	**52,916**	*21,469*
Total current assets		**203,603**	*78,063*
Non-current assets			
Deferred tax assets	4.3	**443**	*78*
Other assets		**34**	*60*
Total non-current assets		**477**	*138*
Total assets		**204,080**	*78,201*
Current liabilities			
Trade and other payables	8	**45,401**	*24,691*
Provisions	9	**11,300**	*–*
Total current liabilities		**56,701**	*24,691*
Total liabilities		**56,701**	*24,691*
Net assets		**147,379**	*53,510*
Equity			
Issued capital	10	**108,504**	*18,504*
Retained earnings		**38,875**	*35,006*
Total equity		**147,379**	*53,510*

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Issued capital $000	Retained profits $000	Total $000
Balance at 1 January 2022		*18,504*	*33,741*	*52,245*
Profit after income tax expense		*–*	*1,265*	*1,265*
Balance at 31 December 2022	10	*18,504*	*35,006*	*53,510*
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	**108,504**	**38,875**	**147,379**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 $000	*2022 $000*
Cash flows from Operating Activities			
Receipts from customers		**296,639**	*201,079*
Payments to suppliers, customers and related parties		**(302,398)**	*(201,559)*
Interest received		**12,288**	*2,072*
Income tax (paid)/refund		**(2,436)**	*4,337*
Net cash generated from operating activities	14	**4,093**	*5,929*
Cash flows from Financing Activities			
Issuance of shares		**90,000**	*–*
Net cash provided by financing activities		**90,000**	*–*
Net increase in cash and cash equivalents held		**94,093**	*5,929*
Cash and cash equivalents at beginning of financial year		**56,594**	*50,665*
Cash and cash equivalents at end of financial year	14	**150,687**	*56,594*

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

1 GENERAL INFORMATION

Mercer Superannuation (Australia) Limited 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

At the date of authorisation of the financial statement, there were no Standards or Interpretations that were issued but not yet applied by the Company.

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 20 March 2024.

BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost. 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 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 financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

COMPARATIVE INFORMATION

Where relevant, comparative figures have been adjusted to align with current financial year disclosures.

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.

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 revenue 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.

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 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 parent entity 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

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 profit or loss. Gain or loss on derecognition is recognised in profit or loss.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company applies the AASB 9 simplified approach to measuring expected credit losses. Financial assets balances have been grouped based on the number of days past due.

The Company's trustee fee receivables and sundry receivables are made up of trustee fees and trustee expense recovery fees which are paid directly from the member accounts. As the balances are fully recovered from the members, there has been no expected credit loss.

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 payables.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

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 will consider 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. The Company will consider the detailed criteria for the recognition of revenue as set out in company policy and reference to AASB15 "Revenue from Contracts with Customers".

Expected credit loss

An expected credit loss of trade receivables and intercompany balances are made to cover probable and reasonably estimable losses. Estimates of the expected credit loss accounts consider a number of factors, including collection experience, ageing of the trade receivables, credit risk of the client groups and other qualitative considerations.

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.

3 REVENUE AND OTHER INCOME

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

	2023	*2022*
	$000	*$000*
Revenue from contracts with customers		
Rendering of service	**304,926**	*203,307*
Other income		
Interest income from bank	**12,288**	*2,072*
E&O Income	**11,300**	–
	23,588	*2,072*
	328,514	*205,379*

4 INCOME TAX

4.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2023	2022
	$000	$000
Tax expense comprises:		
Local income tax - current period	**2,031**	*567*
Deferred tax benefit relating to the origination and reversal of temporary differences	**(364)**	*(25)*
Total tax expense attributable to continuing operations	**1,667**	*542*

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:

	2023	2022
Profit from continuing operations	**5,536**	*1,807*
Income tax expense calculated at 30%	**1,661**	*542*
Non-deductible expense	**3,396**	*–*
Non-assessable income	**(3,390)**	*–*
Income tax expense attributable to ordinary activities	**1,667**	*542*

4.2 CURRENT TAX ASSETS - RECEIVABLE FROM RELATED PARTY

	Note	2023	2022
		$000	$000
Income tax receivable attributable to an entity within a tax-consolidation group	7	**2,640**	*2,197*

4.3 DEFERRED TAX BALANCES

	2023	2022
	$000	$000
Deferred tax assets comprise:		
Temporary differences	**444**	*97*
Deferred tax liabilities comprise:		
Temporary differences	**(1)**	*(19)*
Net Balance	**443**	*78*

Taxable and deductible temporary differences arise from the following:

	Opening Balance	Charged to income/ (expense)	Closing Balance
	$000	$000	$000
2023			
Gross deferred tax assets:			
Other	**97**	**347**	**444**
Gross deferred tax liabilities:			
Other	**(19)**	**18**	**(1)**
Total	**78**	**365**	**443**

4 INCOME TAX (CONT'D)

	Opening Balance	*Charged to income/ (expense)*	*Closing Balance*
	$000	*$000*	*$000*
2022			
Gross deferred tax assets:			
Other	*79*	*18*	*97*
Gross deferred tax liabilities:			
Other	*(26)*	*7*	*(19)*
Total	*53*	*25*	*78*

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.

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 names of the Directors of the Company during the year are:

James Miller
James Minto
Sue O'Connor
Jan Swinhoe
Pauline Vamos
Darren Wickham

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:

	2023	*2022*
	$	*$*
Short term employee benefits	**812,346**	*694,056*

6 REMUNERATION OF AUDITORS

	2023	2022
	$	*$*
Audit of the financial statements	**128,440**	*65,793*
Regulatory and compliance	**24,139**	*22,139*
	152,579	*87,932*

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

		2023	2022
	Note	**$000**	*$000*
Sundry debtors		**10,910**	*2,014*
Trustee fee receivable		**11,547**	*12,157*
Amounts due from related entities*		**16,519**	*5,101*
Intercompany tax receivable	4.2	**2,640**	*2,197*
Receivable from E&O insurer		**11,300**	*–*
		52,916	*21,469*

* There are no fixed terms of repayment, and all balances are interest free.

8 CURRENT TRADE AND OTHER PAYABLES

	2023	2022
	$000	*$000*
Accrued expenses*	**2,729**	*1,305*
Amounts due to related entities**	**41,427**	*22,366*
GST payable	**1,207**	*1,020*
Intercompany tax payable	**39**	*–*
	45,401	*24,691*

* 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.

** There are no fixed terms of repayment and all balances are interest free.

9 PROVISIONS

	2023	2022
	$000	*$000*
Balance at 1 January	**–**	*–*
Provisions recognised	**11,300**	*–*
Balance as at 31 December	**11,300**	*–*

9 PROVISIONS (CONT'D)

On 27 February 2023, ASIC commenced civil penalty proceedings in the Federal Court against the Company in its capacity as the trustee of the MST in respect of certain misleading statements on the MST website. The Company and ASIC have agreed on a penalty of $11,300,000 which is currently pending approval from the Federal Court. The matter was heard before the Federal Court on 7 December 2023, with judgement having been reserved. A current provision has been raised.

10 ISSUED CAPITAL

	2023	*2022*
	$000	*$000*
108,503,823 fully paid ordinary shares (2022: 18,503,823)	**108,504**	*18,504*

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

	2023	*2022*
	$000	*$000*
Operational Risk Reserve	**131,993**	*38,067*

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 in accordance with the Company's Operational Risk Financial Requirement Strategy as approved by the Board in October 2023. Since August 2023, the investment strategy was changed to commence moving the ORFR capital for the MST (other than TAL Super (a plan within the Corporate Superannuation Division of the MST)) from solely cash like investments to a diversified portfolio invested in line with the growth proportion of members' FUM (expected to be held in a Balanced to Growth portfolio with 50% to 85% in growth assets), taking into account existing investment of MST (other than TAL Super) ORR monies in the Mercer Select Growth option. The Board delegates to the Investment Committee the asset allocation decisions to implement this diversified portfolio. For MPSSP and TAL Super, the capital component is invested in a risk-free asset class, namely 100% in cash investments or local cash equivalents. Both will still be accessible immediately should an operational risk event occur.

During the year, payments totalling $128,340 *(2022: nil)* were made from the reserve for operational risk events. In 2023, the Company has repurposed Nil (*2022:* $*1,660,000*) of non-regulatory capital to the reserve.

On 25 May 2022, MAPL, the immediate parent of the Company, entered into a Heads of Agreement with Westpac and BT to merge, through a successor fund transfer, BT's personal and corporate superannuation funds with the MST. Subsequent to the Heads of Agreement, the Company and BT signed a successor fund transfer deed on 31 August 2022. The merger of the BT personal and corporate superannuation funds was completed on 1 April 2023. As a result, the Company's ORFR has increased from 1 April 2023, due to the resulting increase in size of the MST, for which the Company is the Trustee. This increase in the Company's ORFR was funded by a share issuance, as disclosed in Note 10.

12 CONTINGENT LIABILITIES

With the exception of operational risk events disclosed in Note 11, there may be outstanding Error and Omission claims and possible claims against the Company as at 31 December 2023, 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 2023, the Directors are unaware of any claims not covered by the Company’s professional indemnity insurance *(2022: 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.

The parent entity, Mercer (Australia) Pty Ltd provided resources and performed certain administrative services for the Company under the Master Resource agreement, for which a fee of $288,510 *(2022: $610,025)* was charged, being an appropriate allocation of costs incurred by relevant business and administrative departments.

Mercer Outsourcing (Australia) Pty Ltd paid certain direct operating expenses on behalf of the Company under the Single Procuring Entity model, totaling $5,140,128 *(2022: $4,190,645)*.

The Company paid a fee of $181,435,526 *(2022: $117,209,086)* 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 $104,630,789 *(2022: $65,177,577)* to Mercer Outsourcing (Australia) Pty Ltd and $1,815,256 *(2022: $1,353,000)* 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 $1,000,000 (*2022*: *$Nil*) to Mercer Outsourcing (Australia) Pty Ltd, a related party within the wholly-owned group for providing assistance in client management.

13 RELATED PARTY DISCLOSURES (CONT'D)

The Company paid a fee of $7,282,996 *(2022: $7,462,587)* 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 $725,000 *(2022: Nil)* 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 *(2022: 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

	2023	2022
	$000	$000
Profit from ordinary activities after related income tax	**3,869**	*1,265*
Increase/(decrease) in income tax balances	**(365)**	*(25)*
(Increase)/decrease in assets:		
Current trade and other receivables	**(19,586)**	*(2,228)*
Other assets	**(417)**	*4,926*
Related parties receivables	**(11,418)**	*(108)*
Increase/(decrease) in liabilities:		
Current trade and other payables	**1,611**	*(407)*
Related parties payables	**19,061**	*2,506*
Provision	**11,300**	*–*
Other current liabilities	**38**	*–*
Net cash provided by operating activities	**4,093**	*5,929*

14.2 CASH AND CASH EQUIVALENTS

	2023	2022
	$000	$000
Cash at bank	**18,694**	*18,527*
Operational risk reserve cash account	**131,993**	*38,067*
	150,687	*56,594*

15 TRUSTS FOR WHICH THE COMPANY IS A TRUSTEE

During the year ended 31 December 2023, the Company was the trustee for the following superannuation trusts:

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

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 2023. The Mercer Super Trust had 67 Defined Benefit plans for 2023 *(2022: 65)*, with coverage of defined benefit member liabilities by plan assets above 100% for approximately 91% *(2022: 85%)* 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 2022.

16.2 OPERATIONAL RISK FINANCIAL REQUIREMENT

The Operational Risk Financial Requirement ("ORFR") is the target amount of financial resource that the Trustee has determined is necessary to respond to any losses arising from operational risks.

The purpose of the ORFR is to provide protection to members in the event of an operational risk event occurring.

The Company, as Trustees to the superannuation trusts listed in Note 15, has determined that the ORFR (whether via capital or via an Operational Risk Reserve which is levied from members' funds) will be held in a diversified portfolio invested in line with the growth proportion of members’ FUM (expected to be held in a Balanced to Growth portfolio with 50% to 85% in growth assets). Since March 2021, the Operational Risk Reserve for the MST has been invested in the Mercer Select Growth Option. The overall strategy is set out in the Company's Operational Risk Financial Requirement Strategy approved by the Board in October 2023.

16 FINANCIAL INSTRUMENTS (CONT'D)

16.3 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Corporate Treasury function of Mercer (Australia) Pty Ltd, 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.

16.4 MATERIAL ACCOUNTING POLICIES

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

16.5 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.

16.6 LIQUIDITY AND INTEREST RISK TABLES

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets and 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	1-3 months	3-12 months	Total
		%	$000	$000	$000	$000
2023						
Financial assets						
Cash and cash equivalents	14.2	**3.83**	**150,687**	**–**	**–**	**150,687**
Trade and other receivables	7	**–**	**33,757**	**–**	**–**	**33,757**
Related party receivables	7	**–**	**16,519**	**–**	**–**	**16,519**
			200,963	**–**	**–**	**200,963**
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**

16 FINANCIAL INSTRUMENTS (CONT'D)

	Note	Weighted average effective rate %	Less than 1 month	1-3 months	3-12 months	Total
			$000	$000	$000	$000
2022						
Financial assets						
Cash and cash equivalents	14.2	1.19	56,594	–	–	56,594
Trade and other receivables	7	–	14,171	–	–	14,171
Related party receivables	7	–	5,101	–	–	5,101
			75,866	–	–	75,866
Financial liabilities						
Trade and other payables	8	–	1,305	–	–	1,305
Related party payables	8	–	22,366	–	–	22,366
			23,671	–	–	23,671

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

16.7 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 due to the fact that customer base is large and unrelated. Related party balances are all within the MMC group and no significant credit risk exposure exists as the Group is liquid and all balances are settled periodically. In addition, in accordance with AASB 9, the Company has provided for expected credit losses for past due balances based on historical credit loss experience which then mitigates credit risk.

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.

16.8 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 FINANCIAL INSTRUMENTS (CONT'D)

16.9 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:

	2023	*2022*
	$000	*$000*
Profit or (loss)	**±753**	*±283*

17 EVENTS OCCURRING AFTER THE REPORTING DATE

No 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.