

# Mercer (Danmark) A/S

Teknikerbyen 1, 2., 2830 Virum

CVR no. 11 98 97 48

## Annual report 2015

Approved at the annual general meeting of shareholders on 30 May 2016

Chairman:



Cilla Nygard

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### Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Mercer (Danmark) A/S for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Virum, 30 May 2016  
Executive Board:



Maria Helene Hjorth

Board of Directors:

Nicolai Berg  
Chairman



Cilla Katarina Nygård



Maria Helene Hjorth



## Independent auditors' report

To the shareholders of Mercer (Danmark) A/S

### Independent auditors' report on the financial statements

We have audited the financial statements of Mercer (Danmark) A/S for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

### *Statement on the Management's review*

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 30 May 2016

DELOITTE

Statsautoriseret Revisionspartnerselskab  
CVR No. 33 96 35 56

  
Tim Kjær Hansen  
State authorised public accountant

  
Brian Schmit Jensen  
State authorised public accountant



## Management's review

### Company details

<b>Name</b>	Mercer (Danmark) A/S
<b>Address, Postal code, City</b>	Teknikerbyen 1, 2., 2830 Virum
<b>CVR No.</b>	11 98 97 48
<b>Registered office</b>	Rudersdal
<b>Financial year</b>	1 January - 31 December
<b>Board of Directors</b>	Nicolai Berg, Chairman Cilla Katarina Nygård Maria Helene Hjorth
<b>Executive Board</b>	Maria Helene Hjorth
<b>Auditors</b>	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, DK-2300 Copenhagen

## Management's review

### Operating review

#### The Company's business review

The Company's business is to render consultancy and advisory services to companies within Compensation & Benefit.

#### Financial review

In 2015, the company's revenue came in at DKK 27,960,255 against DKK 30,785,165 last year. The income statement for 2015 shows a loss of DKK 983,409 against a profit of DKK 8,125,705 last year, and the balance sheet at 31 December 2015 shows equity of DKK 67,827,462. .

#### Post balance sheet events

No significant events have occurred subsequent to the financial year.



## Financial statements for the period 1 January - 31 December

### Income statement

Note	DKK	2015	2014
	Revenue	27,960,255	30,785,165
	Other external expenses	-11,118,409	-8,343,945
	Gross profit	16,841,846	22,441,220
2	Staff costs	-12,017,438	-12,177,260
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-145,911	-246,973
	Operating profit	4,678,497	10,016,987
	Gain/(loss) from investments in group companies	-4,446,762	678,464
4	Financial income	1,159	0
5	Financial expenses	-107,871	-61,501
	Profit before tax	125,023	10,633,950
6	Tax for the year	-1,108,432	-2,508,245
	Profit/loss for the year	-983,409	8,125,705
	Proposed profit appropriation/distribution of loss		
	Extraordinary dividend distributed	5,300,000	0
	Retained earnings/accumulated loss	-6,283,409	8,125,705
		-983,409	8,125,705

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2015</u>	<u>2014</u>
	<b>ASSETS</b>		
	Non-current assets		
7	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	211,284	391,451
		<u>211,284</u>	<u>391,451</u>
8	Investments		
	Investments in group entities, net asset value	31,274,093	55,512,566
		<u>31,274,093</u>	<u>55,512,566</u>
	<b>Total non-current assets</b>	<u>31,485,377</u>	<u>55,904,017</u>
	Current assets		
	Receivables		
	Trade receivables	6,246,717	8,079,097
	Work in progress for third parties	332,319	382,206
	Receivables from group entities	8,249,357	14,018,907
	Deferred tax assets	75,183	699,914
	Other receivables	759,962	404,799
	Prepayments	113,319	4,713
		<u>15,776,857</u>	<u>23,589,636</u>
	Cash	38,879,794	18,247,754
	<b>Total current assets</b>	<u>54,656,651</u>	<u>41,837,390</u>
	<b>TOTAL ASSETS</b>	<u>86,142,028</u>	<u>97,741,407</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
9	Share capital	1,507,000	1,507,000
	Retained earnings	66,320,462	73,395,582
	<b>Total equity</b>	<b>67,827,462</b>	<b>74,902,582</b>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Prepayments received from customers	800,528	4,027,223
	Trade payables	153,725	682,100
	Payables to group entities	9,107,413	7,720,217
	Income taxes payable	483,701	2,217,593
	Other payables	7,769,199	8,191,692
		<b>18,314,566</b>	<b>22,838,825</b>
	<b>Total liabilities other than provisions</b>	<b>18,314,566</b>	<b>22,838,825</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>86,142,028</b>	<b>97,741,407</b>
1	Accounting policies		
10	Collateral		
11	Contractual obligations and contingencies, etc.		
12	Related parties		

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2014	1,507,000	67,803,732	69,310,732
Profit/loss for the year	0	8,125,705	8,125,705
Exchange adjustment	0	-2,533,855	-2,533,855
Equity at 1 January 2015	1,507,000	73,395,582	74,902,582
Profit/loss for the year	0	-983,409	-983,409
Exchange adjustment	0	-791,711	-791,711
Extraordinary dividend distributed	0	-5,300,000	-5,300,000
Equity at 31 December 2015	1,507,000	66,320,462	67,827,462

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Mercer (Danmark) A/S for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

The accounting policies applied by the company are consistent with those of last year.

#### Consolidated financial statements

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements of Mercer (Danmark) A/S and its group enterprises are included in the consolidated financial statements of Marsh & McLennan Companies Inc., USA.

#### Reporting currency

The financial statements are presented in Danish kroner.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Revenue

Fees are recognised as revenue at the time of delivery. VAT, indirect taxes and discounts are excluded from the revenue.

Income from the supply of services in progress is recognised as revenue with reference to the stage of completion.

Revenue from the sale of reports is accounted for in net turnover at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

##### Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

##### Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Other fixtures and fittings, tools and equipment	3-5 år/years years
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#### Income from investments in group entities

The item includes the entity's proportionate share of the profit/loss for the year in subsidiaries after elimination net of intra-group income or losses and net of amortisation and impairment of goodwill.

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

#### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

#### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

##### Investments in group entities

On initial recognition, investments in subsidiaries and associates are measured at cost and subsequently at the proportionate share of the enterprises' net asset values calculated in accordance with the parent company's accounting policies less or plus any residual value of positive or negative goodwill determined in accordance with the acquisition method. Subsidiaries and associates with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the enterprise's deficit. Net revaluations of investments in subsidiaries and associates are transferred to the net revaluation reserve according to the equity method in so far as the carrying amount exceeds the acquisition cost.

Goodwill is measured as the difference between the total purchase price and the fair value of the individual purchased assets and liabilities. Goodwill is amortised over a period of 10 years.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Impairment of fixed assets

Every year, property, plant and equipment as well as investments in subsidiaries are tested for impairment. Where there is evidence of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Work in progress for third parties

Services rendered are measured by reference to the stage of completion. The sales value is measured on the basis of the stage of completion and the total expected revenue for each individual contracts.

The stage of completion is calculated on the basis of resources spent compared to total budgetted resources needed to complete the contract.

The value of the individual contracts, less prepayments, is classified under 'Receivables' if the amounts are positive and under 'Payables' if the amounts are negative.

Costs related to sales and marketing in order to close contracts and financing costs are expensed as the year incurred.

##### Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

##### Equity

###### *Proposed dividends*

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

##### Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual liability in respect of finance leases.

Other liabilities are measured at net realisable value.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2015	2014
<b>2 Staff costs</b>		
Wages/salaries	9,957,932	10,221,452
Pensions	805,629	805,675
Other social security costs	53,495	25,554
Other staff costs	1,200,382	1,124,579
	<u>12,017,438</u>	<u>12,177,260</u>
Average number of full-time employees	<u>10</u>	<u>9</u>
<b>3 Amortisation/depreciation and impairment of intangible assets and property, plant and equipment</b>		
Depreciation of property, plant and equipment	145,911	246,973
	<u>145,911</u>	<u>246,973</u>
<b>4 Financial income</b>		
Other financial income	1,159	0
	<u>1,159</u>	<u>0</u>
<b>5 Financial expenses</b>		
Other financial expenses	107,871	61,501
	<u>107,871</u>	<u>61,501</u>
<b>6 Tax for the year</b>		
Estimated tax charge for the year	483,701	2,217,593
Deferred tax adjustments in the year	624,731	290,652
	<u>1,108,432</u>	<u>2,508,245</u>

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 7 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment
Cost at 1 January 2015	1,334,875
Disposals in the year	-34,256
Cost at 31 December 2015	1,300,619
Impairment losses and depreciation at 1 January 2015	943,424
Amortisation/depreciation in the year	145,911
Impairment losses and depreciation at 31 December 2015	1,089,335
Carrying amount at 31 December 2015	211,284

#### 8 Investments

DKK	Investments in group entities, net asset value
Cost at 1 January 2015	93,177,880
Cost at 31 December 2015	93,177,880
Value adjustments at 1 January 2015	-37,665,314
Exchange adjustment	-791,711
Dividend distributed	-19,000,000
Share of the profit/loss for the year	-4,446,762
Value adjustments at 31 December 2015	-61,903,787
Carrying amount at 31 December 2015	31,274,093

DKK	Legal form	Domicile	Interest	Equity	Profit/loss
Subsidiaries					
William M. Mercer	AB	Sweden	100.00 %	18,612,965	8,879,932
Mercer Pensionsrådgivning	A/S	Denmark	100.00 %	11,031,228	5,420,414
Mercer (Norge)	AS	Norway	100.00 %	1,629,897	-18,747,108

#### 9 Share capital

The share capital consists of the following:

1,507 shares of DKK 1,000.00 each	1,507,000	1,507,000
	<u>1,507,000</u>	<u>1,507,000</u>

The Company's share capital has remained DKK 1,507,000 over the past 5 years.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 10 Collateral

The Company has not placed any assets or other as security for loans at 31/12 2015.

#### 11 Contractual obligations and contingencies, etc.

##### Other financial obligations

The company has assumed leasing obligations regarding company cars in the years 2016-2019 for a combined amount of T.DKK 925 (2014: T.DKK 655).

The company has, jointly with the group enterprise Marsh A/S, assumed lease obligations regarding office space for a combined amount of M.DKK 11.6 (2014: M.DKK 8.6) until the earliest possible date of termination.

#### 12 Related parties

Mercer (Danmark) A/S' related parties comprise the following:

##### Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent's consolidated financial statements</u>
Marsh & McLennan Companies Inc.	USA	Marsh & McLennan Companies Inc., 1166 Avenue of the Americas, New York, NY 10036

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

<u>Name</u>	<u>Domicile</u>
Mercer LLC	USA

